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La Chapelle

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

(IN LIQUIDATION)

(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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Director(s)**") of Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") with comparative figures for the year ended 31 December 2021 as follows:

	Year ended 31 December		Increase/
	2022	2021	(decrease)
	RMB'000	*RMB'000*	*%*
Financial highlights			
Revenue	**197,841**	430,128	(54.0)
Gross profit	**136,080**	210,762	(35.4)
Operating (loss)/profit	**(942,023)**	(724,598)	(30.0)
(Loss)/profit before income tax	**(1,074,224)**	(835,686)	(28.5)
Income tax expenses	**(450)**	(12,924)	96.5
Net (loss)/profit	**(1,073,774)**	(822,762)	(30.5)
Basic and diluted (losses)/earnings per share *(RMB)*	**(1.97)**	(1.51)	(30.5)

	31 December 2022	31 December 2021	Increase/ (decrease)
	RMB'000	*RMB'000*	*%*
Total assets	**1,156,191**	2,406,863	(52.0)
Total equity attributable to shareholders of the Company	**(2,505,849)**	(1,431,296)	(75.1)

	Year ended 31 December		Increase/
	2022	2021	(decrease)
	RMB'000	*RMB'000*	*percentage point(s)*
Financial Ratios			
Gross profit margin	**68.78%**	49.00%	19.78
Operating (loss)/profit margin	**(476.15%)**	(168.46%)	(307.69)
(Loss)/profit margin for the period	**(542.75%)**	(191.28%)	(351.46)

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	4	**197,841**	430,128
Less: Cost of sales	4	**61,761**	219,366
Taxes and surcharges		**12,201**	20,116
Selling and distribution expenses	5	**81,179**	215,376
General and administrative expenses	6	**129,047**	158,473
Financial expenses	7	**181,703**	199,731
Including: interest expenses		**182,103**	209,670
Interest income		**1,495**	5,080
Add: Other income	11	**17,690**	108,431
Investment income	10	**(629,545)**	31,792
Including: investment income of joint ventures and associates		**(38,342)**	(11,265)
Changes in fair value		**(9,433)**	7,591
Credit impairment losses	8	**(27,890)**	(186,505)
Asset impairment losses	9	**(22,577)**	(310,182)
Gains/(loss) on disposals of assets		**(2,218)**	7,209
Operating loss		**(942,023)**	(724,598)
Add: Non-operating income	12	**1,822**	7,813
Less: Non-operating expenses		**134,023**	118,901
Loss before income taxes		**(1,074,224)**	(835,686)
Less: Income tax expenses	13	**(450)**	(12,924)
Net loss		**(1,073,774)**	(822,762)

	Notes	Year ended 31 December **2022** ***RMB'000***	2021 *RMB'000*
Classified by continuity of operations			
– Net loss from continuing operations		**(1,073,774)**	(822,762)
– Net loss from discontinued operations		**–**	–
Classified by ownership of the equity			
– Attributable to shareholders of the Company		**(1,071,973)**	(821,280)
– Attributable to minority interests		**(1,801)**	(1,482)
Other comprehensive (loss)/income after tax		**(2,580)**	(2,160)
Attributable to shareholders of the Company, net of tax		**(2,580)**	(2,160)
– Other comprehensive losses that cannot be reclassified into profit or loss		**(2,580)**	(2,160)
– Changes in fair value of other equity instrument investments		**(2,580)**	(2,160)
– Other comprehensive income that can be reclassified into profit or loss		**–**	–
– Translation differences on translation of foreign currency financial statements		**–**	–
Total comprehensive (loss)/income		**(1,076,354)**	(824,922)
– Attributable to shareholders of the Company		**(1,074,553)**	(823,440)
– Attributable to minority interests		**(1,801)**	(1,482)
(Losses)/earnings per share	*14*		
– Basic losses per share *(RMB)*		**(1.97)**	(1.51)
– Diluted losses per share *(RMB)*		**(1.97)**	(1.51)

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Current assets			
Cash at bank and on hand	*16*	**100,238**	167,456
Financial assets held for trading		**–**	–
Notes receivable		**–**	–
Accounts receivable	*17*	**42,580**	88,718
Advances to suppliers		**5,004**	11,050
Other receivables	*18*	**11,298**	53,453
Inventories	*19*	**38,699**	60,865
Non-current assets due within one year		**–**	–
Other current assets		**32,288**	26,544
Total current assets		**230,107**	408,086
Non-current assets			
Long-term receivables		**–**	–
Long-term equity investments		**106,264**	144,603
Other equity instruments investment		**–**	2,580
Other non-current financial assets		**92,208**	101,641
Fixed assets	*15*	**526,254**	1,516,195
Construction in progress		**69,778**	75,000
Right-of-use assets		**36,427**	3,837
Intangible assets		**91,125**	152,674
Goodwill		**–**	–
Long-term prepaid expenses		**4,028**	2,247
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**926,084**	1,998,777
TOTAL ASSETS		**1,156,191**	2,406,863

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	21	**1,147,748**	1,149,220
Notes payable		**–**	–
Accounts payable	22	**893,963**	826,501
Advance from customers		**267**	10,851
Contract liabilities		**4,408**	20,395
Employee benefits payable		**10,563**	9,833
Taxes payable		**201,028**	203,777
Other payables	23	**958,932**	914,134
Non-current liabilities due within one year		**10,348**	349,910
Other current liabilities		**578**	1,874
Total current liabilities		**3,227,835**	3,486,495
Non-current liabilities			
Long-term borrowings		**–**	–
Lease obligations		**26,673**	1,897
Accrued liabilities		**469,473**	420,032
Deferred tax liabilities		**–**	2,110
Other non-current liabilities		**5,419**	5,899
Total non-current liabilities		**501,565**	429,938
Total liabilities		**3,729,400**	3,916,433
Equity			
Share capital	20	**547,672**	547,672
Capital surplus		**1,910,806**	1,910,806
Less: treasury share		**20,010**	20,010
Other comprehensive income		**(43,606)**	(41,026)
Surplus reserve		**246,788**	246,788
Undistributed profits		**(5,147,499)**	(4,075,526)
Total equity attributable to shareholders of the Company		**(2,505,849)**	(1,431,296)
Minority interests		**(67,360)**	(78,274)
Total equity		**(2,573,209)**	(1,509,570)
TOTAL LIABILITIES AND EQUITY		**1,156,191**	2,406,863

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	**168,187**	429,678
Tax and surcharge refunds	**8,878**	–
Cash received relating to other operating activities	**13,463**	38,149
Sub-total of cash inflows in operating activities	**190,528**	467,827
Cash paid for goods and services	**43,909**	64,416
Cash paid to and on behalf of employees	**72,828**	124,622
Payments of taxes and surcharges	**8,319**	9,997
Cash paid relating to other operating activities	**81,449**	230,895
Sub-total of cash outflows in operating activities	**206,505**	429,930
Net cash flows from operating activities	**(15,977)**	37,897
Cash flows from investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**240**	1,093
Net cash received from disposal of subsidiaries and other business units	**–**	17,124
Cash received relating to other investing activities	**–**	–
Sub-total of cash inflows in financing activities	**240**	18,217
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**6,679**	4,899
Net cash paid to acquire subsidiaries and other business units	**–**	–
Net cash paid to dispose of subsidiaries and other business units	**–**	–
Cash paid relating to other investing activities	**573**	–
Sub-total of cash outflows in financing activities	**7,252**	4,899
Net cash flows from investing activities	**(7,012)**	13,318

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from financing activities		
Cash received from investments by others	**–**	2,000
Cash received from borrowings	**–**	–
Cash received relating to other financing activities	**–**	–
Sub-total of cash inflows in financing activities	**–**	2,000
Cash repayments of borrowings	**–**	4,980
Cash payments for distribution of dividends, profits or interest expenses	**–**	3,377
Cash payments relating to other financing activities	**2,315**	7,821
Sub-total of cash outflows in financing activities	**2,315**	16,178
Net cash flows from financing activities	**(2,315)**	(14,178)
Effect of foreign exchange rate changes on cash and cash equivalents	**–**	–
Net decrease in cash and cash equivalents	**(25,304)**	37,037
Add: Cash and cash equivalents at beginning of period	**61,356**	24,319
Cash and cash equivalents at end of period	**36,052**	61,356

1. GENERAL INFORMATION

Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is a joint stock company, shareholding reformed by Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司) (hereinafter referred to as "**Shanghai Xuhui La Chapelle**"). Shanghai Xuhui La Chapelle is a limited liability company incorporated in Xuhui District, Shanghai on 14 March 2001. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (hereinafter referred to as "**Shanghai La Chapelle**"). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities according to the plan approved by the original board of directors and the terms in the agreement made by the Company's sponsors. The A-shares of CNY-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.". On 14 April 2022, the Company received the decision of termination the listing of the Company's A-shares from the Shanghai Stock Exchange. On 24 May 2022, the A-shares of the Company were delisted from the Shanghai Stock Exchange. After delisting the abovementioned shares has been listed on the National Equities Exchange and Quotations since 22 July 2022, stock code 400116.

The registered address of the Company: Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, PRC. The office address: 12/F, Building 4, No. 50, Lane 2700, Lianhua South Road, Minhang District, Shanghai, PRC.

The main business activity of the Company and its subsidiaries (the "**Group**") is design, promotion, and sale of apparel products in the PRC.

Industry: During the Reporting Period, the Company was a diversified group integrating apparel products and leasing.

During the Reporting Period, the major activities of the Company include apparel sales, brand-integrated services and property leasing.

These financial statements were approved by Company's Board of Directors on 30 March 2023.

2. BASIS OF PREPARATION

The Company prepares financial statements based on transactions and events that actually occurred and in accordance with the Accounting Standards for Business Enterprises – Basic Standards, Specific Accounting Standards for Business Enterprises, Application Guidelines for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "**Accounting Standards for Business Enterprises**") for recognition and measurement. On this basis, the financial statements are prepared in conjunction with the rules of the China Securities Regulatory Commission's "Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities No. 15 – General Rules on Financial Reporting" (revised in 2014).

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Right-of-use assets

The Company initially measures right-of-use assets at cost, which consists of:

1. the amount of the initial measurement of the lease liability;
2. the amount of lease payments made on or before the commencement date of the lease term, less amounts related to lease incentives taken, if any;
3. the initial direct costs incurred by the Company;
4. costs expected to be incurred by the Company to dismantle and remove the leased asset, restore the site where the leased asset is located, or restore the leased asset to the condition agreed upon under the terms of the lease (excluding costs incurred to produce inventory).

Subsequent to the commencement date of the lease term, the Company uses the cost model for subsequent measurement of right-of-use assets.

Where it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company provides depreciation over the remaining useful life of the leased asset. If it is not reasonably certain that ownership of the leased asset can be obtained at the end of the lease term, the Company depreciates the asset over the shorter of the lease term and the remaining useful life of the leased asset. Right-of-use assets for which impairment has been made are depreciated in future periods at their carrying amounts net of impairment, with reference to the above principles.

(II) Lease liabilities

The Company initially measures the lease liability at the present value of the lease payments outstanding at the commencement date of the lease term. In calculating the present value of the lease payments, the Company uses the interest rate embedded in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. The lease payment amount includes:

1. fixed payments after deducting amounts related to lease incentives and in-substance fixed payments;
2. variable lease payments that depend on an index or rate;
3. lease payments that include the exercise price of the purchase option if the Company is reasonably certain that the option will be exercised;
4. where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount required to be paid to exercise the option to terminate the lease;
5. the amount expected to be paid based on the residual value of the guarantee provided by the Company.

The Company calculates the interest expense on the lease liability for each period of the lease term at a fixed discount rate and includes it in the current profit or loss or cost of the related assets.

Variable lease payments that are not included in the measurement of the lease liability should be charged to current profit or loss or the cost of the related assets when they are actually incurred.

(III) Lease

At the inception date of the contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party to the contract cedes the right to control the use of one or more identified assets for a specified period of time in exchange for consideration.

1. Splitting of leased and non-leased portions

If the contract contains both lease and non-lease parts, the Company, as the lessor, will split the lease and non-lease parts for accounting purposes; when the Company is the lessee, the leased assets will not be split, and each lease part and its related non-lease parts will be separately combined as a lease for accounting purposes.

2. Consolidation of lease contracts

Two or more contracts containing leases signed by the Company and the same counterparty or its related parties at the same or similar times are combined into one contract for accounting purposes when one of the following conditions is met:

(1) The two or more contracts are signed based on an overall business purpose and constitute a package transaction, the overall business purpose of which cannot be understood if not considered as a whole.

(2) The amount of consideration for one of the two or more contracts depends on the pricing or performance of the other contracts.

(3) The rights to use the assets transferred by the two or more contracts, taken together, constitute a single lease.

3. Accounting treatment of the Company as a lessee

At the commencement date of the lease term, the Company recognizes right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases to which simplified treatment is applied.

(1) Short-term leases and leases of low-value assets

Short-term leases are leases that do not contain purchase options and have a lease term less than 12 months. Low-value asset leases are leases with a lower value when the individual leased asset is a brand-new asset.

The Company recognizes right-of-use assets and lease liabilities for leases other than short-term leases and leases of low-value assets.

(2) The accounting policies for right-of-use assets and lease liabilities are detailed in the annual report.

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

The Company classifies leases as finance leases and operating leases at the commencement date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of the leased asset, and the ownership of which may or may not be transferred eventually. Operating leases refer to leases other than finance leases.

A lease is usually classified as a finance lease by the Company if one or more of the following circumstances exist:

1) At the expiration of the lease term, ownership of the leased asset is transferred to the lessee.

2) The lessee has an option to purchase the leased asset and the purchase price agreed is sufficiently low compared with the fair value of the leased asset at the time the option is expected to be exercised so that it is reasonably certain that the lessee will exercise the option at the inception date of the lease.

3) Although ownership of the asset does not pass, the lease term represents most of the useful life of the leased asset.

4) At the lease commencement date, the present value of the lease receipt amount is almost equal to the fair value of the leased asset.

5) The leased asset is special in nature and can only be used by the lessee if no major alterations are made.

A lease may also be classified as a finance lease by the Company if one or more of the following indications exist:

1) If the lessee revokes the lease, the loss to the lessor caused by the revocation is borne by the lessee.

2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset are attributed to the lessee.

3) The lessee has the ability to continue the lease to the next period at a rent much lower than the market level.

(2) Accounting for finance leases

At the commencement date of the lease term, the Company recognizes finance lease receivables for finance leases and derecognizes assets that will be leased.

When the finance lease receivable is initially measured, the sum of the unguaranteed residual value and the present value of the outstanding amount of lease receipts at the commencement date, discounted at the interest rate embedded in the lease as the recorded value of the finance lease receivable. The amount of lease receipts includes:

1) fixed payments deduct amounts related to lease incentives and in-substance fixed payments;

2) variable lease payments that depend on an index or rate;

3) the amount of lease receipts including the exercise price of the purchase option if it is reasonably certain that the lessee will exercise the purchase option;

4) where the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipt amount includes the amount to be paid by the lessee to exercise the option to terminate the lease; and

5) the residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee, and an independent third party with the financial ability to meet the guaranteed obligation.

The Company calculates and recognizes interest income for each period of the lease term at a fixed interest rate embedded in the lease. Variable lease payments received that are not included in the amount of net lease investment are recognized in profit or loss when they are actually incurred.

(3) Accounting for operating leases

The Company recognizes lease receipts from operating leases as rental income using the straight-line method or other systematic and reasonable method in each period of the lease term; the initial direct costs incurred in connection with operating leases are capitalized and amortized over the lease term on the same basis as rental income is recognized, recognized in profit or loss in the current period; variable lease payments received in connection with operating leases that are not included in the lease receipts are recognized in profit or loss in the current period when they are actually incurred.

(IV) The basis for determining the net realizable value of inventories and the impairment for inventory

The impairment for inventories is made or adjusted at the lower of cost or net realizable value at the end of the period after a comprehensive inventory check. The net realizable value of finished goods, inventory and materials for sale, which are directly used for sale, is determined in the normal course of production and operation as the estimated selling price of the inventory less estimated selling expenses and related taxes; the net realizable value of materials for processing is determined in the normal course of production and operation as the estimated selling price of the finished goods produced less estimated costs to be incurred to completion, estimated selling expenses and related taxes. The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated based on the contract price. If the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated based on the general sales price.

Impairment of inventories is made at the end of period on the basis of individual inventory items; however, for inventories with large quantities and lower unit prices, these inventories are accrued impairment according to inventory categories; inventories that are related to product lines manufactured and sold in the same region, have the same or similar usage or purpose, and are difficult to be measured separately from other items are combined to accrue impairment.

If the factors affecting previous impairment of inventory value have disappeared, the amount of the impairment is restored and reversed no more than the original impairment of inventories, and the amounts reversed are charged to current period profit or loss.

(V) Subsequent measurement of fixed assets, intangible assets and long-term prepaid expenses

The depreciation methods, depreciable lives and annual depreciation rates of various types of fixed assets are as follows:

Classification	Depreciation method	Year of depreciation (year)	Residual value rate (%)	Annual depreciation rate (%)
House and Building	Straight-line method	10 to 20 years	0	5% to 10%
Machinery equipment	Straight-line method	5 to 10 years	5	9.5% to 19%
Transportation equipment	Straight-line method	4 to 5 years	5	19% to 23.75%
Office and electric equipment	Straight-line method	3 to 5 years	5	19% to 31.67%

Intangible assets with finite useful lives are amortized on a straight-line basis over the period that they provide economic benefits to the Company. The estimated useful lives of intangible assets with finite useful lives and the bases 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 to 10 years	Benefit period
Purchased software	2 to 10 years	Benefit period

Long-term amortization refers to all expenses that have been incurred but should be borne by the Company in the current and future periods and are apportioned over a period of more than one year. Long-term amortization is amortized on a straight-line basis over the benefit period.

Categories	Amortization periods	Notes
Improvement of fixed assets under operating lease	2 to 5 years	Benefit period

(VI) Impairment of long-term assets

The Company determines at the balance sheet date whether there is an indication that a long-term asset may be impaired. If there is an indication that a long-term asset is impaired, the recoverable amount of the asset is estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs:

The recoverable amount of an asset is estimated based on the higher of its fair value less costs of disposal and the present value of the asset's estimated future cash flows.

If the recoverable amount measurement indicates that the recoverable amount of a long-term asset is less than the carrying amount, the carrying amount of the long-term asset is written down to its recoverable amount, and the amount written down is recognized as an asset impairment loss and recognized in profit or loss, with a corresponding accrual for asset impairment. Once an asset impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

After an asset impairment loss is recognized, the depreciation or amortization expense of the impaired asset is adjusted accordingly in future periods so that the adjusted carrying amount of the asset (net of estimated net salvage value) is apportioned systematically over the remaining useful life of the asset.

Goodwill and intangible assets with indefinite useful lives resulting from business combinations are tested annually for impairment, regardless of whether there is any indication of impairment.

When goodwill is tested for impairment, the carrying amount of goodwill is apportioned to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. When testing for impairment of the relevant asset group or combination of asset groups containing goodwill, if there is an indication of impairment of the asset group or combination of asset groups related to goodwill, the asset group or combination of asset groups not containing goodwill is first tested for impairment, and the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. The impairment test is then performed on the asset group or combination of asset groups containing goodwill, and the carrying amount of these related asset groups or combination of asset groups (including the portion of the carrying amount of goodwill apportioned) is compared with their recoverable amounts, and if the recoverable amount of the related asset group or combination of asset groups is lower than their carrying amounts, an impairment loss on goodwill is recognized.

(VII) Significant accounting judgments and estimates

Assets and liabilities that are measured or disclosed at fair value in the financial statements are identified within the fair value hierarchy based on the lowest level of inputs that are significant to the fair value measurement as a whole: Level 1 inputs, unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date; Level 2 inputs, inputs other than Level 1 inputs that are directly or indirectly observable for the related assets or liabilities; and Level 3 inputs, unobservable inputs for the related assets or liabilities.

At each balance sheet date, the Company reassesses the assets and liabilities recognized in the financial statements that are measured at fair value on an ongoing basis to determine whether a transition between levels of the fair value measurement hierarchy has occurred.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their disclosures, as well as the disclosure of contingent liabilities at the balance sheet date. Uncertainties in these assumptions and estimates in the process of applying the Company's accounting policies, management has made the following that have a significant effect on the amounts recognized in the financial statements.

1. Judgments

In the process of applying the Company's accounting policies, management has made the following judgments that have a significant effect on the amounts recognized in the financial statements.

(1) Business model

The classification of financial assets at initial recognition depends on the Company's business model for managing financial assets. In making judgments about the business model, the Company considers, among other things, the way the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the way they are managed, and the manner in which the relevant business management personnel are compensated. In evaluating whether the objective is to collect contractual cash flows, the Company is required to analyze and judge the reasons, timing, frequency, and value of sales of financial assets before their maturity dates.

(2) Contractual cash flow characteristics

The classification of a financial asset at initial recognition depends on the contractual cash flow characteristics of the financial asset, and the Company is required to determine whether the contractual cash flows are only payments of principal and interest based on the principal outstanding, and whether they are significantly different from the benchmark cash flows, etc., when evaluating revisions to the time value of money.

(3) Lease term – Lease contracts that include renewal options

The lease term is the period that the Company has the right to use the leased assets and is irrevocable. If there is an option to renew the lease and it is reasonably certain that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Company's leases have renewal options. In assessing whether it is reasonably certain that the renewal option will be exercised, the Company considers all relevant facts and circumstances relating to the economic benefits resulting from the renewal option, including anticipated changes in facts and circumstances between the commencement of the lease term and the date of exercise of the option. The Company believes that the lease term includes the period covered by the renewal option because it is reasonably certain that the Company will exercise the renewal option due to the conditions associated with the exercise of the option and the probability of satisfying the relevant conditions.

(4) Deferred income tax assets

Deferred tax assets should be recognized for all unused deductible losses to the extent that it is probable that sufficient taxable income will be available to offset the deductible losses. This requires management to use significant judgment to estimate the timing and amount of future taxable income, combined with tax planning strategies, to determine the amount of deferred tax assets to be recognized.

2. *Estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could result in significant adjustments to the carrying amounts of assets and liabilities in future accounting periods.

(1) Impairment of financial instruments

The Company uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimates, considering all reasonable and substantiated information, including forward-looking information. In making these judgments and estimates, the Company inferred expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the accrual for impairment, and the accrual for impairment made may not equal the actual amount of future impairment losses.

(2) Impairment of goodwill

The Company tests goodwill for impairment at least annually. This requires an estimate of the present value of future cash flows of the asset group or combination of asset groups to which goodwill has been allocated. When estimating the present value of future cash flows, the Company is required to anticipate the future cash flows generated by the asset group or combination of asset groups, and at the same time select an appropriate discount rate to determine the present value of future cash flow.

(3) The fair value of an unlisted equity investment

The valuation of unlisted equity investments is based on the expected future cash flows discounted at the current discount rate for other financial instruments with similar contractual terms and risk characteristics. This requires the Company to estimate the expected future cash flows, credit risk, volatility, and discount rate, and therefore subject to uncertainty.

(4) Sales return

The Company uses a sales return policy for sales customers and estimates the amount of sales returns at the balance sheet date based on agreements related to sales agreements, historical experience, etc.

(5) Accrual of impairment for inventories

In accordance with the Company's inventory accounting policy, inventories are measured at the lower of cost or net realizable value, and an accrual of impairment for inventory is made for which cost is higher than net realizable value and for obsolete and slow-moving inventories. The impairment of inventories to net realizable value is based on an assessment of the marketability of inventories and their net realizable value. The identification of inventory impairment requires management to make judgments and estimates based on obtaining conclusive evidence and considering factors such as the purpose for which the inventory is held and the impact of post-balance sheet events. Differences between actual results and original estimates will affect the carrying value of inventories and the accrual for impairment or reversal of inventories in the period in which the estimates are changed.

(6) Estimated useful lives and estimated net residual values of fixed assets, intangible assets and long-term amortization (improvements to fixed assets leased from operations)

The estimated useful lives and estimated net salvage values of the Company's fixed assets, intangible assets, and long-term amortization (operating leasehold improvements) are based on the actual useful lives of fixed assets, intangible assets and long-term amortization (operating leasehold improvements) of similar nature and function in the past and are estimated based on historical experience. If the useful lives of such assets are shortened or the estimated net salvage value is reduced, the Company will increase the depreciation and amortization rate, obsolete or technically renew such assets.

(7) Interest rate on lessee's incremental borrowings

For leases where the interest rate embedded in the lease cannot be determined, the Company uses the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payments. In determining the incremental borrowing rate, the Company uses the observable interest rate as the reference basis for determining the incremental borrowing rate in accordance with the economic environment in which it operates. On this basis, the reference rate is adjusted to arrive at the applicable incremental borrowing rate in accordance with its own circumstances, the condition of the subject asset, the lease term and the amount of the lease liability and other specific circumstances of the leasing business.

(8) Impairment losses on long-term assets

The Company performs impairment tests on each asset for which there is an indication of impairment at the balance sheet date. The recoverable amounts of assets and asset groups are determined based on value-in-use calculations, which require the use of certain assumptions and estimates.

The assessment of whether an asset is impaired requires management's estimates of: (i) whether there is an indication that the value of the asset may not be recoverable; (ii) whether the recoverable amount (i.e., the higher of fair value less costs of disposal and the net present value of future cash flows estimated to result from the continued use of the asset in operations) is greater than the carrying amount of the asset; and (iii) the key assumptions used in the cash flow projections, including whether such cash flows are discounted at an appropriate interest rate. Changes in the assumptions used by management to assess impairment, including discount rates or growth rate assumptions used in cash flow projections, could have a material impact on the net present value calculated from the impairment test, which could affect the Company's results of operations and financial condition. If there is a significant adverse change in the interest rate applied to discounted cash flows or in the projected future cash flows, an impairment loss on assets may be required.

(VIII) Changes in significant accounting policies and accounting estimates

1. Change in accounting policy

Content and reasons for changes in accounting policies	Approval Process	*Note*
The Company implemented Interpretation No. 15 of Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2021 with effect from 1 January 2022	–	*(1)*
The Company implemented Interpretation No. 16 of Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2022, with effect from 13 December 2022	–	*(2)*

(1) Impact of the implementation of ASBE No. 15 on the Company

On 31 December 2021, the Ministry of Finance issued Interpretation No. 15 of Accounting Standards for Business Enterprises (Caikuai [2021] No. 35, hereinafter referred to as "**Interpretation No. 15**"), Interpretation No. 15 "Accounting for the sale of products or by-products produced by an enterprise before a fixed asset reaches its intended useable state or in the course of research and development (hereinafter referred to as 'trial sales')" and "Judgment on loss-making contracts" shall be effective from 1 January 2022.

The Company implemented Interpretation No. 15 as of the Effective Date, and the implementation of Interpretation No. 15 had no impact on the financial statements for the current reporting period.

(2) Impact of the implementation of ASBE No. 16 on the Company

On 13 December 2022, the Ministry of Finance issued Interpretation No. 16 of Accounting Standards for Business Enterprises (Caikuai [2022] No. 31, hereinafter referred to as "**Interpretation No. 16**"), which shall be effective from the date of publication.

The Company implemented Interpretation No. 16 as of the Effective Date, and the implementation of Interpretation No. 16 had no impact on the financial statements for the current reporting period.

2. Changes in accounting estimates

No change in critical accounting estimates for the current reporting period.

4. REVENUE AND COST OF SALES

	For the year ended 31 December			
	2022		2021	
	Revenue	**Cost**	Revenue	Cost
Principal business	**135,801**	**29,478**	363,136	183,877
Other business	**62,040**	**32,283**	66,992	35,489
Total	**197,841**	**61,761**	430,128	219,366

Income derived from contracts:

Contract classifications	**For the year ended 31 December**	
	2022	2021
I. Category of products		
Apparel	**107,465**	302,688
Brand-integrated services	**28,336**	60,448
Lease	**50,243**	51,922
Others	**11,797**	15,070
II. Classified by business areas		
Domestic	**197,841**	430,128
Overseas	**–**	–
III. Classified by the timing of commodity transfer		
Transferred at a point in time	**119,262**	317,758
Transferred at a point over time	**78,579**	112,370
Total	**197,841**	430,128

5. SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December	
	2022	2021
Employee benefits expenses	**28,809**	45,805
Depreciation of right of use assets	**3,435**	10,936
Amortization of long-term prepaid expenses	**4,886**	16,190
Department store expenses	**6,739**	74,180
Online platform expenses	**234**	–
Utilities and electricity fees	**2,333**	13,143
Logistic expenses	**1,025**	1,421
Depreciation of fixed assets	**29,640**	34,437
Marketing expense	**861**	1,059
Costs of low value consumables	**398**	465
Repair and maintenance expenses	**934**	9,667
Traveling and communication expenses	**218**	350
Amortization of intangible assets	**173**	260
Quality inspection fee	**24**	–
Office supplies	**228**	292
Design and consulting expenses	**1,158**	7,147
Sample garment procurement fee	**84**	24
Total	**81,179**	215,376

6. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022	2021
Employee benefits expenses	**41,131**	50,635
Depreciation of fixed assets	**39,588**	46,925
Consulting expenses	**25,121**	29,852
Amortization of intangible assets	**5,844**	10,133
Rental fees	**833**	3,481
Utilities and electricity fees	**4,245**	7,333
Office supplies	**4,916**	3,979
Traveling and communication expenses	**519**	890
Depreciation of right of use assets	**1,291**	–
Sample purchase fee	**345**	133
Logistic expenses	**204**	436
Repair and maintenance expenses	**508**	938
Costs of low value consumables	**360**	174
Amortization of long-term prepaid expenses	**76**	84
Others	**4,066**	3,480
Total	**129,047**	158,473

7. FINANCIAL EXPENSES

	For the year ended 31 December	
	2022	2021
Interest expenses	**182,103**	209,670
Less: Interest income	**1,495**	5,080
Bank charges	**163**	196
Financing fees	**932**	(5,055)
Total	**181,703**	199,731

8. CREDIT IMPAIRMENT LOSSES

	For the year ended 31 December	
	2022	2021
Bad debt losses of accounts receivables	**(15,018)**	(104,312)
Bad debt losses of other receivables	**(12,872)**	(80,133)
Bad debt losses of long-term receivables	**–**	188
Bad debt losses of other current assets	**–**	(2,248)
Total	**(27,890)**	(186,505)

9. ASSET IMPAIRMENT LOSSES

	For the year ended 31 December	
	2022	2021
Loss on impairment of inventories	**(17,635)**	(151,704)
Impairment loss on long-term equity investments	**–**	(21,880)
Impairment loss on construction in progress	**(5,222)**	(14,804)
Impairment loss on intangible assets	**–**	(3,902)
Goodwill impairment loss	**–**	(78,231)
Others	**280**	(39,661)
Total	**(22,577)**	(310,182)

10. INVESTMENT INCOME

	For the year ended 31 December	
	2022	2021
Income from long-term equity investments accounted for by the equity method	**(38,342)**	(11,265)
Investment loss of disposal of long-term equity investment	**–**	(776)
Gain or loss on debt restructuring *(Note)*	**5,246**	43,833
Change due from scope of consolidation	**(596,449)**	–
Total	**(629,545)**	31,792

Note:

As of 31 December 2022, the Company negotiated with some suppliers, and recognized investment income by debt forgiveness for RMB5,246 thousand in this period.

11. OTHER INCOME

	For the year ended 31 December	
	2022	2021
Governmental grants relating to daily operational activities	**2,837**	3,478
Gains from debt restructuring	**14,843**	103,210
Others	**10**	1,743
Total	**17,690**	108,431

12. NON-OPERATING INCOME

	For the year ended 31 December		Amount included in non-recurring profit or loss
	2022	2021	**for 2022**
Compensation income	**517**	2,219	**517**
Others	**1,305**	5,594	**1,305**
Total	**1,822**	7,813	**1,822**

13. INCOME TAX EXPENSES

	For the year ended 31 December	
	2022	2021
Current income tax expense	**1,660**	(1,123)
Deferred income tax expense	**(2,110)**	(11,801)
Total	**(450)**	(12,924)

Reconciliation between total profit and income tax expenses:

	For the year ended 31 December 2022
Total profit	**(1,074,224)**
Income tax expense at statutory tax rates	**(268,557)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**–**
Effect of non-taxable income	**(11,944)**
Effect of non-deductible costs, expenses and losses	**5,400**
Effect of deductible losses from the use of prior period's unrecognized deferred tax assets	**(2,819)**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**279,580**
Effects of deferred tax liabilities	**(2,110)**
Income tax expense	**(450)**

14. (LOSSES)/EARNINGS PER SHARE

Basic loss per share is calculated by dividing the net loss for the period attributable to the Company's common stockholders by the weighted-average number of common shares outstanding. The Company has no dilutive potential common shares.

Basic loss per share and diluted loss per share are calculated as follow:

	For the year ended 31 December	
	2022	2021
Losses:		
Net loss for the period attributable to the Company's common stockholders	**(1,071,973)**	(821,280)
Shares:		
Weighted average number of shares of the Company's common stock issued and outstanding	**544,098**	544,098
Basic loss per share and diluted loss per share	**(1.97)**	(1.51)

Note:

As of 31 December 2022, the Company has repurchased an aggregate of 3,573,200 A shares through centralized competitive trading, which is deducted from the calculation of the weighted average number of the Company's outstanding common shares.

15. FIXED ASSETS

	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
1. Opening balance	1,790,464	57,026	1,996	66,187	1,915,673
2. Increases in the current year	313	386	–	985	1,684
Purchase	313	–	–	465	778
Other increase	–	386	–	520	906
3. Decreases in the current year	1,088,389	625	236	27,621	1,116,871
Disposal or retirement	3,761	580	–	21,454	25,795
Decrease due from scope of consolidation	1,083,722	45	236	6,167	1,090,170
Other decrease	906	–	–	–	906
4. Closing balance	702,388	56,787	1,760	39,551	800,486
II. Accumulated depreciation					
1. Opening balance	296,930	40,656	1,522	60,371	399,478
2. Increases in the current year	71,434	8,073	253	1,537	81,297
Accrual for the period	71,434	8,073	253	1,537	81,297
3. Decreases in the current period	179,563	579	224	26,177	206,543
Disposal or retirement	216	549	–	20,319	21,084
Decrease due from scope of consolidation	179,347	30	224	5,858	185,459
4. Closing balance	188,801	48,149	1,551	35,731	274,232
III. Impairment allowance					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying amount					
1. Closing balance	513,587	8,638	209	3,820	526,254
2. Opening balance	1,493,534	16,371	474	5,816	1,516,195

16. CASH AT BANK AND ON HAND

	31 December 2022	31 December 2021
Cash on hand	**27**	33
Bank deposits	**36,025**	61,323
Other monetary funds	**64,186**	106,100
Total	**100,238**	167,456
Including: total amount of funds abroad	**2**	2

Of which, details of restricted cash are listed as below:

	31 December 2022	31 December 2021
Bank deposits restricted due to reasons such as judicial freezing	**64,186**	106,100
Total	**64,186**	106,100

17. ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Accounts receivable	**473,608**	281,057
Less: Provision for bad debts	**431,028**	192,339
	42,580	88,718

(i) As at 31 December 2022, the top five accounts receivable of the year-end balance aggregated by the owing party are analysed as follows:

	Amount	**Provision of bad debts**	**% of total accounts receivable balance**
Total amount of the top five accounts receivable	318,865	318,865	68

(ii) As at 31 December 2022, the provision for bad debts made for the accounts receivable are as follows:

Items	Closing balance Book balance	Bad debt allowance	Proportion (%)	Reason
Hongche Industrial (Shanghai) Co., Ltd.* (泓澈實業(上海)有限公司) ("**Hongche Industrial**")	4,284	4,284	100	Note 1
Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) ("**Shanghai Weile**")	263,527	263,527	100	Note 2
Receivables from merchants	158,499	158,499	100	Note 3
Total	426,310	426,310	–	

Note 1: The receivables from Hongche Industrial, a related party outside the scope of consolidation, amounted to RMB4,284 thousand. As Hongche Industrial was in poor operating condition and had liquidity problems, the Company considered that the receivables were difficult to collect and therefore accrued for bad debts in full.

Note 2: On 9 August 2022, Shanghai Weile, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy liquidation administrator designated by the court. As Shanghai Weile is insolvent and has preferential claims, the Company expects that it will be difficult to collect its receivables, and therefore full provision for bad debts has been made.

Note 3: The amounts due from shopping malls for which accrual for bad debts was made were all due to the poor operating conditions of the shopping malls and liquidity problems, some of the shopping malls were in a state of closure and the Group considered that it was difficult to collect the receivables in full and therefore a full accrual for bad debts was made.

(iii) As at 31 December 2022, the Group reserved allowance of bad debts based on aging analysis method. The amount was RMB4,718 thousand.

	Provision of bad debts Carrying amount	As at 31 December 2022 Expected credit loss (%)	Allowance of bad debts Expected credit loss of the entire life
Within credit period (90 days)	23,976	2	480
Overdue (90 days) to one year	14,095	5	705
One year to two years	6,924	30	2,077
Two years to three years	2,116	60	1,269
Above three years	187	100	187
	47,298	10	4,718

(iv) No amount of bad debt provision was transferred during the period.

(v) Actual write-off of accounts receivable during the reporting period set out as follows:

Item	Write-off amount
Actual write-off of accounts receivable	24,095

18. OTHER RECEIVABLES

	31 December 2022	31 December 2021
Deposits and security deposits	**58,143**	106,529
Refund of service charge expenses	**9,778**	9,778
Employee reserve fund	**1,798**	1,754
Property rental fees	**7,822**	12,522
Current accounts receivable	**578,679**	190,869
Others	**7,523**	1,089
Less: Provision for bad debts	**652,445**	269,088
Total	**11,298**	53,453

(a) Movement of loss allowance and carrying amount

	Stage 1 Expected credit Losses in the next 12 months	**Stage 2 Lifetime expected credit losses**	**Stage 3 Credit-impaired financial assets (lifetime expected credit losses)**	**Total**
Opening balance	6,385	13,908	248,795	269,088
Opening balance in current year	(163)	(9,397)	9,560	–
– Transfer to stage 2	(17)	17	–	–
– Transfer to stage 3	(146)	(9,414)	9,560	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	–	–	–	–
Provision during this year	(1,189)	(3,797)	443,703	438,717
Reversal during this year	–	–	–	–
Write-off during this year	–	–	47,264	47,264
Other changes	2,239	588	5,269	8,096
Closing balance	2,794	126	649,525	652,445

19. INVENTORIES

(a) Classification of inventories is as follows:

	As at 31 December 2022			As at 31 December 2021		
	Carrying amount before provision	**Provision**	**Carrying amount**	Carrying amount before provision	Provision	Carrying amount
Raw materials	**980**	**–**	**980**	1,020	–	1,020
Finished goods	**142,635**	**107,803**	**34,832**	297,996	245,273	52,723
Goods in transit	**–**	**–**	**–**	21,525	19,420	2,105
Low value consumables	**2,887**	**–**	**2,887**	5,017	–	5,017
Total	**146,502**	**107,803**	**38,699**	325,558	264,693	60,865

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

	31 December 2021	**Accrual and withdrawal in the current period**	**Reduction in the current period**	**Other decrease**	**31 December 2022**
Finished goods	245,273	17,635	135,483	19,622	107,803
Goods in transit	19,420	–	19,420	–	–
Total	264,693	17,635	154,903	19,622	107,803

The Company accrues for impairment of inventories based on the age of the inventory and also uses the principle of lower of net realizable value or cost to provide for impairment and provides for impairment based on the principle of prudence. The reversal during the period was due to the sale of inventories for which inventory impairment had been made.

20. SHARE CAPITAL

	As at 31 December 2022	Movement in the current period	As at 31 December 2021
RMB-denominated ordinary shares	**332,882**	–	332,882
Overseas-listed shares (H share)	**214,790**	–	214,790
Total share capital	**547,672**	–	547,672

21. SHORT-TERM BORROWINGS

	As at 31 December 2022	As at 31 December 2021
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**543,748**	545,220
Mortgage, pledge and guarantee loan	**550,000**	550,000
Total	**1,147,748**	1,149,220

As at 31 December 2022, the annual interest rate range of the above borrowings is 4.55% to 7.00% (31 December 2021: 4.55% to 7.00%).

As at 31 December 2022, the balance of overdue loans was RMB1,147,748 thousand (31 December 2021: RMB1,149,220 thousand).

22. ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Payable for purchase	**893,963**	826,501

Major accounts payable aging over one year:

Name of company	**Closing balance**	**Reason**
Shanghai Leou Apparel Co., Ltd.	134,703	Difficulties in capital turnover
Nantong Minglong Fashion Co., Ltd.	77,899	Difficulties in capital turnover
Huangshan Dongming Apparel Co., Ltd.	27,912	Difficulties in capital turnover
Hunan Suoyate Garment Co., Ltd.	19,827	Difficulties in capital turnover
Jiaxing Chengxin Garment Co., Ltd.	19,261	Difficulties in capital turnover
Guangzhou Chuangxing Garment Group Co., Ltd.	17,353	Difficulties in capital turnover
Shanghai Yafeng Garment & Apparel Co., Ltd.	17,270	Difficulties in capital turnover
Xinjiang Hengding International Supply Chain Technology Co., Ltd.	14,964	Difficulties in capital turnover
Nantong Sanrun Garment Co., Ltd.	14,842	Difficulties in capital turnover
Guangzhou Runxing Garment Co., Ltd.	14,779	Difficulties in capital turnover
Total	358,810	

23. OTHER PAYABLES

	31 December 2022	31 December 2021
Other payables:		
Payables for construction and decoration of department stores	**142,223**	390,986
Suppliers' deposits	**42,762**	61,313
Vendors' deposit	**17,555**	21,544
Outsourcing staff service fee	**156**	238
Payables for logistic expense	**3,607**	2,409
Trustee fees	**2,153**	15,594
Payable for posts props and store promotion	**4,883**	1,890
Payables for rental fees	**96,565**	94,963
Litigation defaults, fees, and interests	**111,973**	72,155
Loans from the third parties	**2,900**	4,403
Payable for e-commercial	**3,597**	3,779
Consulting fees	**7,800**	156
Payables for software purchase	**2,819**	2,620
Estimated expenditures	**8,699**	3,371
Tax overdue payments	**34,669**	18,328
Others	**9,419**	13,933
External related party	**178,469**	–
Interest payable:		
Interest of long-term borrowings with installment of interest and repayment of principal upon maturity	**–**	49,431
Interest payable of short-term borrowings	**288,683**	157,021
	958,932	914,134

24. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2022.

No payment of cash dividends or stock dividends and no transfer from capital surplus to share capital for the year ended 31 December 2021 was approved at the 2021 annual general meeting of the Company held on 29 June 2022.

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 2022.

I. Disclaimer of Opinion

We have audited the financial statements of Xinjiang La Chapelle Fashion Co., Ltd (hereinafter as "**La Chapelle**"), which comprised the consolidated and parent company's balance sheet as of 31 December 2022, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statement, the consolidated and parent company's statement of changes in shareholder's equity for the fiscal year 2022, and notes to the financial statements.

We do not express audit opinion on the accompanying financial statements of La Chapelle. Due to the significance of the matters described in the "Basis for Disclaimer of Opinion" section, we are unable to obtain sufficient and appropriate audit evidence to form the basis of our audit opinion on the financial statements.

II. Basis for Disclaimer of Opinion

A. Significant uncertainty of going concern

La Chapelle has incurred a net loss of RMB1,073,774 thousand in 2022 and has sustained losses for five consecutive years. As of December 31, 2022, La Chapelle's total liabilities exceeded its total assets by RMB2,573,209 thousand. Due to failure to repay overdue debts, La Chapelle is facing multiple litigations with its major bank accounts and equity interest in its subsidiaries being frozen and real estate being seized, and La Chapelle is listed as a discredited debtor. As mentioned in "Other important matter - Other important matters to be disclosed" in Note 14 to the financial statements, on 2 February 2023, the court has accepted the bankruptcy liquidation application filed against La Chapelle by Shanghai Qihui Enterprise Management Co., Ltd. and appointed administrator, and La Chapelle has entered into bankruptcy liquidation proceedings. As of the date of our report, La Chapelle is still under bankruptcy liquidation status.

As disclosed in "Basis for preparation of the financial statements" note 2 to the financial statements, at present, the main business of La Chapelle is running normally, and its operation and management are in good order. The board of directors and management are also actively planning to promote the bankruptcy liquidation into reorganization procedure in order to completely solve the historical debt burden of the Company. Therefore, La Chapelle's management has prepared its financial statements on going concern basis and plans to take measures to improve La Chapelle's financial position.

However, La Chapelle has not yet completed its reorganization plan, and it is uncertain whether such plan will be approved by its creditors, whether the necessary pre-approval procedures for the bankruptcy reorganization can be completed, whether the subsequent application for bankruptcy reorganization will be accepted by the court or whether the court will rule for it to enter into the reorganization procedures. The circumstances of the above indicate that there is significant uncertainty regarding the Company's continued operation. We were unable to obtain sufficient and appropriate audit evidence to determine whether it is appropriate for La Chapelle to prepare its 2022 financial statements on going concern basis.

B. Litigation matters

As disclosed in "Litigation Matters" in note 11-2-1 in the financial statements, due to La Chapelle's default in repaying debt, the amount of unadjudicated litigation was RMB741,821 thousand as of 31 December 2022, and the amount of adjudicated litigation was RMB465 thousand as of the date of audit report. Also as disclosed in "Effects of New Litigation or Arbitration" in note 12-1-1 of the financial statements, from 1 January 2023 to the report date, new litigations cases involving a total amount of RMB76,576 thousand were filed against La Chapelle.

Wholly owned subsidiaries of La Chapelle, Shanghai Weile Apparel Co., Ltd. and Shanghai Leou Apparel Co., Ltd. entered into bankruptcy and liquidation progress in July 2022, and their financial data was no longer included in the consolidated financial statements of La Chapelle after it lost control over them. As of December 31, 2022, among the outstanding lawsuits of the La Chapelle, there are cases where the above two companies have assumed guarantee obligations for or received guarantee from La Chapelle and other subsidiaries within the scope of consolidation. Some of these creditors have declared their claims to the above two companies, and if they cannot be fully repaid, the outstanding portion will be recovered from La Chapelle and its subsidiaries.

Although La Chapelle has made necessary presentation for the effects of certain litigation matters in the financial statements, we were unable to obtain sufficient and appropriate audit evidence to determine the potential loss from such litigation matters and the accuracy and completeness of the estimated liabilities related to such litigation and arbitration due to the complexity of litigation matters and the uncertainty of their outcome; such as the amount involved in these litigation matter, amount of default payment and the completeness of the litigation matters.

Our responsibility is to perform the audit of the financial statements of La Chapelle in accordance with CAS(China Accounting Standards) in order to issue an audit report. However, we are unable to obtain sufficient and appropriate audit evidence as a basis for our audit opinion because of the matters described in the "Basis for Disclaimer of Opinion" section.

THE BOARD'S AND THE AUDIT COMMITTEE'S VIEWS ON THE DISCLAIMER OF OPINION FOR THE YEAR END 31 DECEMBER 2022

Da Hua Certified Public Accountants (Special General Partnership) issued a disclaimer of opinion on the Company's financial statements for the year ended 31 December 2022. The bases for the disclaimer of opinion objectively reflect the actual situation of the Company and reveal the risks faced by it. The Board and the audit committee of the Board respect the independent judgment of Da Hua Certified Public Accountants (Special General Partnership) in issuing a qualified opinion, and attach great importance to the impact of the matters forming the bases for such an opinion on the Company. The Company will take active measures to eliminate the impact of such matters as soon as possible, and safeguard the interests of its investors.

MAJOR ACTIONS PROPOSED TO BE TAKEN BY THE COMPANY

(I) For actions proposed to be taken by the Company in respect of the material uncertainties, the Company plans to take proactive measures to improve the Company's ability to sustain and operate, and to put the Company back on the growth track, please refer to the section of "Future outlook" in this announcement.

(II) the Company's involvement in a relatively large number of litigation cases involving a relatively high amount of monetary claims

During the Reporting Period, the Company proactively negotiated with the court, creditors and financial institutions. hoping to reach agreements in relation to obtaining a certain discount for debt compromise or payment by instalments. In the meantime, the Company has made timely and reasonable adjustments and provisions to the liabilities recorded on the Company's financial accounts based on the progress of the outstanding litigation cases; and has been continuously updating the cumulative litigation statistical ledger to collate and verify the relevant data and figures of all litigation cases that have not yet been adjudicated, adjudicated but not yet enforced, and adjudicated and enforced. However, as (1) the adjudication and enforcement of litigation cases is affected by various factors, and (2) the Company and its subsidiaries have mutual guarantee obligations or undertake joint and several liability obligations with the Company's two subsidiaries that entered bankruptcy liquidation procedures (Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) and Candie's Shanghai Fashion Co., Ltd.* (上海樂歐服飾有限公司) entered into bankruptcy liquidation procedures in July 2022), if the debts of the above-mentioned two companies are not fully repaid, their creditors will seek to recover the outstanding portion from the Company and its subsidiaries. As at the date of the audit report, the Company is unable to estimate the amount of the adjustment to the liabilities and the amount of the estimated loss and is unable to produce the best estimate of the expenses required for the Group to meet the related current obligations. Taking into account the above factors, the auditors considered that due to the complexity of litigation matters and the uncertainty of the outcome of litigation matters, the auditors were unable to obtain sufficient and appropriate audit evidence to determine the possible losses arising from litigation matters and the accuracy and completeness of the estimated liabilities related to litigation and arbitration, and therefore issued a disclaimer of opinion.

In response to the litigation case faced by the Company and the related matters of litigation cases, the Company intends to eliminate the related effects by the following aspects:

(1) the litigations cases related to the Company and its subsidiaries

On the one hand, the Company expects that the Company's payment obligations will be clarified after the creditors' meeting of the Company. Currently, the Company entered into the bankruptcy liquidation procedure, the Company and relevant parties have been proactively cooperating with the administrator to promote the bankruptcy liquidation work in an orderly manner. the first creditors' meeting of the Company is scheduled to be held in May 2023. As at the date of this announcement, the administrator is carrying out the work of creditors' filing of claims and verification of debts and assets in an orderly manner. In view of this, the Company expects that after the first creditors' meeting of the Company, the amount of debts to be assumed by the Company will be preliminarily confirmed and reviewed, which will be eventually decided by the court. The payment obligation to be assumed by the Company will also be clarified accordingly.

On the other hand, the Group will continue to negotiate with the court, creditors and financial institutions to obtain a certain percentage of debt discount or payment by instalments conditions to avoid the uncertainty brought to the Group by new litigation cases. Meanwhile, the Company will proactively explore overall solutions to its debt problems, including but not limited to exploring the viability of overall debt restructuring, reaching settlement agreements, judicial reorganisation and creditors' arrangements, with a view to eliminating the debt burden of the Company through a packaged solution and promoting the Company's return to a sound development track.

(2) the mutual guarantee obligations or joint and several liability obligations related to Shanghai Weile and Candie's Shanghai

As at the date of this announcement, the first creditors' meetings of Shanghai Weile and Candie's Shanghai have already been held respectively, and the second creditors' meetings of them are expected to be held in 2023. At the second creditors' meetings of them, if the above-mentioned companies are still in bankruptcy liquidation procedures, their creditors may consider and resolve management plan of debtor's properties, price adjustment plan for bankruptcy properties, and distribution plan of bankruptcy properties; if the above-mentioned companies have moved from bankruptcy liquidation procedures to bankruptcy reorganization procedures, their creditors will review and decide on the debtor's reorganization plan at the meetings respectively. Therefore, after the second creditors' meetings of the above-mentioned companies, the Company expects that the debt repayment plan of the above-mentioned companies will be clarified. The obligation to pay by the Company will also be clarified accordingly. The relevant review procedures and rulings will also provide strong support for the auditors to determine the accuracy and completeness of the estimated liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review and Business Operations

In 2022, the domestic consumer market was under significant pressure due to the repeated waves of the COVID-19 pandemic. According to the National Bureau of Statistics, total retail sales of consumer goods in 2022 amounted to RMB43,973.3 billion, down by 0.2% over the previous year. The retail sales of apparel, footwear, hats and knitted textile products in the consumer goods category above the quota amounted to RMB1,300.3 billion, down by 6.5% year-on-year. Although the consumer market was hit hard by the pandemic in 2022, consumer market showed recovery with the full release of the pandemic prevention and control policy in December 2022. In December 2022, the total retail sales of apparel, footwear, hats and knitted textiles products in the consumer goods category above the quota increased by 3.53% as compared with November 2022. With the implementation of the national policy to promote consumption and the continuous improvement of the consumer environment, the domestic consumer market continued to recover and improve.

In 2022, in face of the impact of the pandemic on its business, the Company followed the general principle of "maintaining the stability of its main business and promoting transformation and innovation" and took remedial measures to address the affected business chains and market areas, thus maintaining the stability of its basic production and operation and core business. At the same time, the Company continued to implement changes in the areas of brand rebranding, product innovation and pipeline optimization to promote brand connotation, brand image enhancement and quality and efficiency improvement in its end-of-line retail business. In addition, the Company further rationalized its internal management system and organizational structure in accordance with the changes in its business model and its practical circumstances, and established a lean and efficient operation and management organization system by adjusting the structure, reducing the number of levels and flattening the hierarchy, thereby laying a solid foundation for returning to a healthy growth path.

During the Reporting Period, the Company achieved operating income of approximately RMB200 million, a decrease compared to last year, mainly due to the decrease in the number of offline stores and customer acquisition resulting from the adverse impact of the COVID-19 pandemic in the domestic market. During the Reporting Period, the Company's net loss attributable to shareholders amounted to approximately RMB1.074 billion, an increase of approximately RMB2.51 billion in net loss compared to the last year. The main reasons for the loss during the Reporting Period are: (1) the Company still faces a high level of overdue debts, which resulted in accumulation in interests on debts, overdue penalty interests, litigation expenses, and fines relating to tax arrears totaling approximately RMB0.311 billion; (2) as Shanghai Weile and Shanghai Le'ou, the former subsidiaries of the Company, entered into bankruptcy liquidation procedure in July 2022, the Company lost control over them, resulting in investment losses of approximately RMB5.96 billion; (3) the Company's operating income for the year 2022 decreased by approximately 54.00% compared to the previous year, and the total operating costs, sales expenses, and administrative expenses also decreased by approximately 54.15%, and not with standing the Company's sales revenue declined, it still bears fixed costs such as the provision for asset depreciation and impairment, with an amount of approximately RMB0.075 billion; and (4) the investment loss resulting from the equity method accounting for loss-making investee companies during the Reporting Period amounted to approximately RMB0.038 billion.

Financial Review

For the year ended 31 December 2022, the Group's revenue and operating loss reached RMB197.8 million and RMB942.0 million respectively, representing a decrease of 54% and an increase of 30% respectively, as compared with the last year. The net loss for the year ended 31 December 2022 amounted to RMB1,073.8 million, representing an increase of 30.5% as compared with the last year.

Revenue

The revenue of the Group for the year ended 31 December 2022 decreased from RMB430.1 million for 2021 to RMB197.8 million, representing a decrease of 54.0%.

The decrease in revenue was mainly because (1) in the first half of the year, due to the impact of the COVID-19 pandemic, the number of customers in offline stores decreased, and especially during the period from March to May when the COVID-19 pandemic raged, the Company's revenue from offline channel fell by more than 70% as compared with the corresponding period last year; (2) the number of the Company's existing stores decreased as at the end of the Reporting Period compared with the end of the previous year, whereby the number of retails points of the Group decreased by 82 from 300 as at 31 December 2021 to 218 as at 31 December 2022, representing a decrease of 27.3%; and (3) during the Reporting Period, revenue from brand-integrated services (i.e. brand licensing in the corresponding period of last year) recorded approximately RMB28.3 million, representing a decrease of 53.1% compared with the previous year, mainly due to factors such as fluctuations in settlement cycle and sales collection resulted from the impact of the COVID-19 pandemic.

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					
	2022			2021		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gorss profit margin increase or decrease compared to the same period of last year *(percentage point(s))*
Concessionaire counters	**49,116**	**24.8**	**75.6**	103,023	23.8	26.2
Standalone retail outlets	**31,593**	**16.0**	**79.1**	99,260	23.1	37.5
Online platform	**2,867**	**1.4**	**33.8**	16,142	3.8	(45.4)
Franchise/Associates	**18,946**	**9.6**	**52.8**	50,033	11.6	0.9
Wholesale	**4,943**	**2.5**	**99.3**	34,230	8.0	134.8
Brand-integrated services	**28,336**	**14.3**	**100.0**	60,448	14.1	–
Others	**62,040**	**31.4**	**48.0**	66,992	15.6	1.0
Total	**197,841**	**100.0**	**68.8**	430,128	100.0	19.8

As the number of offline stores and the customer traffic both decreased due to the impact of COVID-19 pandemic, the revenue from concessionaire counters decreased from RMB103.0 million for the year ended 31 December 2021 to RMB49.1 million for the year ended 31 December 2022, representing a decrease of 52.3%. The revenue from standalone retail outlets decreased from RMB99.3 million for the year ended 31 December 2021 to RMB31.6 million for the year ended 31 December 2022, representing a decrease of 68.2%. The revenue from franchise/associates decreased from RMB50.0 million for the year ended 31 December 2021 to RMB18.9 million for the year ended 2022, representing a decrease of 62.1%. Due to the factors such as the fluctuations in the settlement cycle and sales collection which were resulted from the impact of the COVID-19 pandemic, the revenue from brand-integrated services for the year ended 31 December 2022 was RMB28.3 million, representing a significant decrease from the same period last year.

Note: "Brand-integrated services" refer to brand licensing in the previous year; "Others" mainly refers to the revenue from the Company's leasing business of RMB50.24 million and other revenue, amounting to a sum of RMB62.04 million in total.

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					
	2022			2021		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gross profit margin increase or decrease compared to the same period of last year *(percentage point(s))*
La Chapelle	**61,157**	**30.9**	**74.2**	130,146	30.3	27.3
Puella	**18,892**	**9.5**	**77.7**	54,520	12.7	31.5
7 Modifier	**9,719**	**4.9**	**82.1**	42,246	9.8	29.4
La Babité	**10,644**	**5.4**	**91.0**	46,590	10.8	48.7
Candie's	**4,177**	**2.1**	**91.2**	33,544	7.8	39.3
USHGEE	**10,031**	**5.1**	**49.0**	3,430	0.8	13.8
Menswear brands	**13,611**	**6.9**	**98.5**	34,170	7.9	37.6
8ém	**4,140**	**2.1**	**97.6**	5,532	1.3	41.3
Other brands	**3,355**	**1.7**	**80.7**	12,958	3.0	14.8
Others	**62,115**	**31.4**	**47.5**	66,992	15.6	0.5
Total	**197,841**	**100.0**	**68.8**	430,128	100.0	19.8

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKÕ brands; "Other brands" comprise brands including UlifeStyle, Siastella, and EYEH; "Others" mainly refers to the revenue from the leasing business of RMB50.24 million and other revenue.

2. As the number of offline stores and the customer traffic both decreased due to the impact of the COVID-19 pandemic, except for USHGE brand, which was established in the second half year of 2021, and Candie's brand, (Shanghai Candie's, the company that operated Candie's brand, entered bankruptcy liquidation procedure in July 2022), the revenue from other brands recorded a decrease.

3. Due to the adoption of brand-integrated services (i.e. brand licensing in the corresponding period of last year) with a higher gross profit during the Reporting Period and the Company's increased efforts to sell aged inventories at a value higher than the net value, the gross profit of certain brands of the Company recorded an increase.

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 2022 had an overall decrease of 54.0%. The revenue from each of the major brands decreased, and in particular, the revenue from womenswear brands decreased by 63.1%, and that from menswear brands decreased by 60.2%. At the same time, due to the increase in the proportion of revenue from brand-integrated serves in the total revenue and the increase in the effort to sell aged inventories at a value higher than the net value, the overall gross profit margin of the Group recorded an increase.

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					
	2022			2021		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gross profit margin increase or decrease compared to the same period of last year *(percentage point(s))*
First-tier cities	**39,761**	**20.1**	**73.1**	61,836	14.3	54.4
Second-tier cities	**45,388**	**22.9**	**75.0**	161,576	37.6	37.8
Third-tier cities	**72,602**	**36.7**	**51.4**	98,568	22.9	0.6
Other cities	**11,754**	**5.9**	**62.3**	47,700	11.1	2.4
Brand-integrated services	**28,336**	**14.4**	**100.0**	60,448	14.1	–
Total	**197,841**	**100.0**	**68.8**	430,128	100.0	19.8

Note:

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

In 2022, the Group's revenue in all tiers of cities decreased, mainly because the number of offline stores and the customer traffic both decreased which were resulted from the impact of the COVID-19 pandemic. The decline in revenue varies by tier of cities, mainly due to the substantial changes in the allocation of offline retail points in different tiers of cities.

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					
	2022			2021		
	Revenue **(*RMB'000*)**	**% of tota**	**Gross Profit Margin**	Revenue (*RMB'000*)	% of total	Gross profit margin increase or decrease compared to the same period of last year (*percentage point(s)*)
Tops	**69,463**	**35.1**	**75.5**	209,337	48.7	40.0
Bottoms	**13,232**	**6.7**	**74.4**	29,193	6.8	25.7
Dresses	**24,167**	**12.2**	**63.0**	60,228	14.0	17.2
Accessories	**603**	**0.3**	**83.1**	3,930	0.9	14.8
Brand-integrated services	**28,336**	**14.3**	**100.0**	60,448	14.1	–
Others	**62,040**	**31.4**	**48.0**	66,992	15.5	0.9
Total	**197,841**	**100.0**	**68.8**	430,128	100.0	19.8

Note: "Others" mainly refers to the revenue from the leasing business of RMB50.24 million and other revenue.

In 2022, revenue of the Group from sales recorded a significant decrease across tops, bottoms, and dresses, which was partly attributable to the year-on-year decrease in the number of existing stores of the Group, the impact of COVID-19 pandemic, and the decrease in product purchases during the Reporting Period. In respect of the revenue contribution of each product type as compared with the same period of last year, revenue contribution from sales of tops decreased by 13.6 percentage points, that from sales of bottoms decreased by 0.1 percentage point and that from sales of dresses decreased by 1.8 percentage points.

Cost of Sales

The cost of sales of the Group decreased by 71.8% from RMB219.4 million for the year ended 31 December 2021 to RMB61.8 million for the year ended 31 December 2022. The decrease in cost of sales was mainly due to the year-on-year decrease in revenue, which resulted in a decrease in the corresponding cost carryforward.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB210.8 million for the year ended 31 December 2021 to RMB136.1 million for the year ended 31 December 2022, representing a decrease of 35.4%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased to 68.8% for the year ended 31 December 2022 from 49.0% for the year ended 31 December 2021, mainly due to the high proportion of aged inventory sold at a price higher than net value, resulting in a slight period-on-period increase in actual comprehensive average gross profit margin.

Selling and Distribution Expenses and General and Administrative Expenses

Selling and distribution expenses for the year ended 31 December 2022 amounted to RMB81.2 million (2021: RMB215.4 million), consisting primarily of depreciation of fixed assets, sales staff salaries and benefits, concessionaire expenses relating to retail points and online stores, amortisation of store decoration expenses and depreciation of right-of-use assets. Expressed as a percentage, selling and distribution expenses for the year ended 31 December 2022 as a percentage of total revenue for the year ended 31 December 2022 was 41.0% (2021: 50.1%), representing a significant decrease compared with the same period last year, which was mainly due to the Company's closure of loss-making and inefficient stores, resulting in a significant drop in rental fees. However, on the whole, the ratio of selling and distribution expenses to revenue was still at a high level. General and administrative expenses for the year ended 31 December 2022 amounted to RMB129.0 million (2021: RMB158.5 million), consisting primarily of administrative employee salaries and benefit expenses, consulting service fees and depreciation of fixed assets. Expressed as a percentage, general and administrative expenses as a percentage of total revenue for the year ended 31 December 2022 were 65.2% (2021: 36.8%). The contribution of administrative staff salaries and benefits and that of depreciation of fixed assets to our revenue for the year ended 31 December 2022 increased from the corresponding period of last year.

Asset Impairment Loss

The asset impairment loss for the year ended 31 December 2022 was RMB22.6 million (2021: RMB310.2 million), which was mainly due to a decrease in the provision for impairment of inventories.

Credit Impairment Loss

Credit impairment losses recorded RMB27.9 for the year ended 31 December 2022 (2021: RMB186.5 million), mainly due to the decrease in the provision for expected credit losses on accounts receivable and other receivables compared to last year.

Investment Loss

Investment income for the year ended 31 December 2022 was RMB-629.5 million (2021: RMB31.8 million), mainly due to the loss on derecognition resulting from the former subsidiaries of the Company's entering bankruptcy liquidation procedure.

Other Income – Net

The Group's other income amounted to RMB17.7 million for the year ended 31 December 2022 (2021: RMB108.4 million), mainly due to the debt restructuring income generated by the settlement of debts with goods in the Reporting Period.

Finance Expenses/Income – Net

The Group's net finance expenses were RMB181.7 million for the year ended 31 December 2022 (2021: RMB199.7 million). The increase in the net financial expenses was mainly a result of the interest and penalty interest arising from overdue debts charged by financial institutions.

Loss before Income Tax

Loss before income tax of the Group increased from RMB835.7 million for the year ended 31 December 2021 to a loss before income tax of RMB1,074.2 million for the year ended 31 December 2022, representing an increase of 28.5% from the corresponding period of last year. The increase in loss before income tax was mainly due to the loss on derecognition resulting from the former subsidiaries of the Company's entering bankruptcy liquidation procedure.

Income Tax Expense/Waiver

Income tax credit amounted to RMB-0.5 million for the year ended 31 December 2022 (2021: RMB-12.9 million). The effective income tax rate for the year ended 31 December 2022 was 0.04% (2021: 1.5%).

Net Loss and Net Loss Margin for the Reporting Period

As a result of the foregoing, net loss of the Group for the year ended 31 December 2022 amounted to RMB1,073.8 million, representing an increase by 30.5% from the net loss of RMB822.8 million for the year ended 31 December 2021. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB1,072.0 million, representing a increase by 30.5% from the net loss of RMB821.3 million for the year ended 31 December 2021. Loss margin for the period of the Group was 542.7% in 2022, compared to a loss margin of 191.3% in 2021.

Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In 2022, the capital expenditure incurred by the Group was RMB6.7 million (the 2021: RMB4.9 million).

Cash and Cash Flow

In 2022, net cash generated from operating activities amounted to an inflow of RMB16.0 million (2021: net inflow of RMB37.9 million). The decrease in net cash generated from operating activities was mainly due to the Company having to bear the fixed costs in relation to operating activities despite a revenue decrease caused by the COVID-19 pandemic.

In 2022, net cash used in investing activities amounted to a net cash outflow of RMB7.0 million (2021: net inflow of RMB13.3 million). In 2022, the major net cash outflow in investing activities amounted to RMB6.7 million in relation to the acquisition of fixed assets, intangible assets and other long-term assets.

In 2022, net cash used in financing activities amounted to an outflow of RMB2.3 million (2021: net outflow of RMB14.2 million). Major financing activity in 2022 was payment relating to other financing activities resulting in a net cash outflow of RMB2.3 million.

As at 31 December 2022, the Group held cash and cash equivalents in the total amount of RMB36.1 million (31 December 2021: RMB61.4 million). In 2022, the net increase in cash and cash equivalents is RMB-25.3 million (2021: RMB37.0 million), the reason of which was the decrease in net cash flow from the operating activities, resulting from the impact of the COVID-19 pandemic.

In 2022, the average inventory turnover (based on principal business revenue) of the Group was 133 days (2021: 251 days), and the average receivables turnover was 121 days for 2022 (2021: 152 days). The period-on-period increase in inventory turnover rate was mainly due to the higher proportion of aged inventories and the increase in the provision for impairment of inventories.

As at 31 December 2022, current liabilities of the Group amounted to RMB3,227.8 million (31 December 2021: current liabilities of the Group amounted to RMB3,486.5 million). Total assets less current liabilities amounted to RMB-2,071.6 million (31 December 2021: total assets less current liabilities amounted to RMB-1,079.6 million). The gearing ratio (formula used: total liabilities/total assets) was 322.6% (31 December 2021: 162.7%).

Most transactions of the Group carried out in mainland China are settled in Renminbi. The Group also pays dividends to holders of H Shares in Hong Kong dollars.

Total equity attributable to shareholders of the Company

As at 31 December 2022, total equity attributable to shareholders of the Company was RMB-2,505.8 million (31 December 2021: RMB-1,431.3 million).

Bank loans and other borrowings

As at 31 December 2022, bank borrowings of the Group amounted to RMB1,147.7 million (31 December 2021: outstanding loan balance amounted to RMB1,497.0 million), which mainly included mortgages, pledges and guaranteed loans due within one year.

Pledge of assets

(a) As at 31 December 2022, the book value of properties and buildings used as mortgage for bank loans was RMB513.6 million (31 December 2021: RMB1,493.5 million).

(b) As at 31 December 2022, the book value of projects under construction was 70.0 million (31 December 2021: 75.0 million) were used as mortgage to obtain bank loans.

(c) As at 31 December 2022, the land use right book value was RMB86.8 million (31 December 2021: RMB144.1 million) was used to support a mortgage to obtain bank loans; the amortization amount of the land use right in 2022 was RMB2.8 million (2021: RMB3.4 million)

Litigation and Contingent liabilities

(a) 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 Gemstone Advantage Limited (previously under the name of HTI ADVISORY COMPANY LIMITED) ("**Gemstone Advantage**") for a loan of EUR37.4 million 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, Gemstone Advantage 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. Gemstone Advantage 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. Afterwards, Gemstone Advantage withdrawn the case and then filed a new case. For details, please refer to the Company's announcements dated 25 September 2020, 31 August 2022, 16 January 2023 and 17 January 2023.

    As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB407.2 million was provided for.

(b) As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 31 December 2022, an aggregate of 127 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately 54 million. As at 31 December 2022 as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 12 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB0.22 billion. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the Company dated 3 January 2023.

As at 31 December 2022, as a result of the Company's involvement in a total of 11 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 real properties of the Company (with an aggregate book value of approximately RMB0.33 billion as at 30 November 2022) have been seized. The seizure has caused restriction to rights and there is a risk that the real properties may be judicially auctioned for debt repayment. The Company will proactively engage with the relevant parties in order to properly resolve the seizure of the real properties, and actively negotiate and conciliate with the applicants for the freezing order to release the real properties from right restrictions and restore them to normal conditions as soon as possible. For details, please refer to the announcement dated 3 January 2023.

For the details of the update announcement after the Reporting Period, please refer to the section "SIGNIFICANT EVENT AFTER REPORTING PERIOD" below.

BUSINESS REVIEW

Retail Network

For the year ended 31 December 2022, the number of domestic retail outlets of the Group was 218, decreasing from 300 as at 31 December 2021, which were situated at approximately 117 physical locations. 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 2022 and as at 31 December 2021 by tier of cities in the PRC:

	As at 31 December			
	2022		2021	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
First-tier cities	**35**	**16.1**	23	7.7
Second-tier cities	**97**	**44.5**	128	42.7
Third-tier cities	**40**	**18.3**	58	19.3
Other cities	**46**	**21.1**	91	30.3
Total	**218**	**100.0**	300	100.0

Note: In respect of the classification of the tier of cities, please refer to the prospectus of the Company dated 24 September 2014.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2022 and as at 31 December 2021 by type of the retail points:

	As at 31 December			
	2022		2021	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
Concessionaire counters	**87**	**39.9**	117	39.0
Standalone retail outlets	**27**	**12.4**	32	10.7
Franchise/Associate	**104**	**47.7**	151	50.3
Total	**218**	**100.0**	300	100.0

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2022 and as at 31 December 2021 by brands:

	As at 31 December			
	2022		2021	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
La Chapelle	**95**	**43.5**	150	50.1
Puella	**42**	**19.3**	43	14.3
7 Modifier	**31**	**14.2**	45	15.0
La Babité	**20**	**9.2**	25	8.3
Candie's	**–**	**–**	25	8.3
USHGEE	**25**	**11.5**	12	4.0
Menswear	**4**	**1.8**	–	–
8ém	**1**	**0.5**	–	–
Other brands	**–**	**–**	–	–
Total	**218**	**100.0**	300	100.0

Notes:

1. The number of stores of the Company is calculated based on the number of retail points, that is, if multiple brands are included in the same collection store, the collection store is counted as multiple terminal retail points. During the Reporting Period, continuously streamlined its offline terminal channel and further closed and made adjustments in some loss-making and inefficient stores.

2. As at 31 December 2022, other brands include EYEHI; as at 31 December 2021, other brands include UlifeStyle and Siastella.

The table below sets out the distribution of the Group's net retail points open/(closure) in the PRC in as at 31 December 2022 and as at 31 December 2021 by brands:

	For the year ended 31 December			
	2022		2021	
	Number of Net retail points open/ (closure)	**Percentage of total** *(%)*	Number of retail points points open/ (closure)	Percentage of total *(%)*
La Chapelle	**(55)**	**67.1**	(103)	(15.5)
Puella	**(1)**	**1.2**	(159)	(24.1)
7 Modifier	**(14)**	**17.1**	(131)	(19.9)
La Babité	**(5)**	**6.1**	(129)	(19.6)
Candie's	**(25)**	**30.5**	(117)	(17.8)
USHGEE	**13**	**(15.9)**	12	1.8
Menswear	**4**	**(4.9)**	(21)	(3.2)
8ém	**1**	**(1.2)**	(5)	(0.8)
Other brands	**–**	**–**	(6)	(0.9)
Total	**(82)**	**100.0**	(659)	100.0

In the Reporting Period, the number of retail points of the Group's major brands declined.

Same store sales

Due to the adjustments in market structure, the Company has seen the migration of certain customers from department stores and shopping centers to online shopping platforms, causing reduction in same store sales of traditional clothing enterprises that relied on department stores as their primary distribution channels. On the other hand, due to the insignificant recovery of the consumption market, same store sales of retail shops in 2022 decreased by 36.0%, compared to that of 2021.

FUTURE OUTLOOK

In 2023, the Company will continue to pursue the theme of "Transformation", striving to eliminate its debt burden through bankruptcy restructuring, improve its going concern capability and operating conditions, and achieve quantitative and qualitative transformation.

1. **Plan and facilitate the bankruptcy restructuring process and strive to eliminate the debt burden through a comprehensive package.**

   Currently, the Company has been ruled by the court to enter into the bankruptcy liquidation procedure and is cooperating with the administrator to start the work of creditors declaration, debt and asset verification in an orderly manner in accordance with the applicable laws. With the objective of protecting the legitimate rights and interests of creditors and safeguarding the overall value of La Chapelle, the Company will conduct in-depth analysis and discussions with shareholders and creditors on the feasibility of debt restructuring to decrease its debt levels, actively recruit and select restructuring investors to obtain new funding, and discuss with relevant parties to resolve the Company's debts and future operational development, with a view to resolving the Company's debt problems, and thereby enhancing the Company's main business scale and sustainable profitability, and promoting the Company's early return to a positive growth path.

2. **Promote the restructuring of the group structure and corresponding disposal of certain assets to optimize the asset and liability structure of the Company.**

   As at the date of this announcement, two of the Company's subsidiaries (or former subsidiaries) holding core properties, Shanghai Weile and La Chapelle Taicang, have entered into insolvency proceedings and restructuring proceedings, respectively, and the Company expects that by going through the insolvency or restructuring proceedings for these two entities, this would be a means for the Company to indirectly dispose of the Company's property assets and obtain funding, reduce the pressure of overdue debts and deferred interest payments, and improve the Company's assets and liabilities structure. In the future, the Company will further sort out the Group's holding and controlling subsidiaries and optimize the group structure and internal management accordingly through means such as disposing of subsidiaries with no substantive business, revitalizing subsidiaries holding assets in their names, divesting subsidiaries engaging in non-core business, and properly resolve arrangements for the business, assets and personnel, so as to realise the value in the Company's various property assets and equity investments and significantly enhance the efficiency of asset utilization.

3. **Build an online brand to empower the next ecosystem to achieve scale breakthrough and better performance.**

   The Company will continue to increase its business development efforts in brand empowerment, further explore distributors and pipelines with quality industry resources and rich operational experience for cooperation, expand the brands, categories of goods and platform pipelines covered by its online business, and accelerate the transformation to a light-asset, high-margin, fast-turnaround business model. At the same time, the Company will extend its business chain to provide comprehensive services such as brand culture, image visualization, supply chain integration, data analysis and operation and maintenance enhancement to online customers, establishing a mutually beneficial cooperation and long-term sustainable win-win mechanism. In addition, the Company has been exploring self-operated live-streaming business in the form of self-operated online core shops in combination with live-streaming in offline shops, integrating offline retail outlets with online new retail business, empowering the terminal retail shops to attract consumer traffic and achieve multi-level access to consumers, facilitating the Company's scale breakthrough and performance realization.

4. **Focus on refining offline management capabilities and improving business profitability.**

   At this stage, the Company has reached its minimum the number of offline pipeline outlets in general. The Company will continue to adhere to its strategy of "opening new shops and opening good shops" and fully focus on the more profitable southwest, northwest and northern regions in China, with shops in the core business areas being directly operated by the Company and shops in the remaining business areas operating also through franchises and associates and agents to achieve the effect of reducing the management radius and operating capital investment. At the same time, the Company will focus on improving the level of refinement of management, adopting the management mindset of "headquarters management reaches stores and management responsibility reaches individual staff", actively adjusting the product strategy and staff structure, using single-store approach as a gateway to clear the remaining problems and improving the shop efficiency and profitability of the offline network.

5. **Strengthen comprehensive budget management and cost control to ensure a stable balance of funds for operations.**

   The Company will further strengthen its overall budget management and cost control and improve the profitability of its main business through strict focus on "cost reduction and efficiency enhancement" measures. During the Reporting Period, the Company has taken measures to optimize the structure of its functional departments and streamline redundant staff in line with the business restructuring process, so as to significantly reduce fixed costs such as labor costs and fees and enhance management efficiency. In the future, the Company will pay more attention to the preparation, control and execution of comprehensive budget, focus on strengthening cost control at source, strictly control various costs and expenses, conduct input and output analysis of key expenses, and form a closed-loop management of important expenses and project expenditures. The Company will also strengthen the management of payments and receipts for supply chain and for brand empowerment, and monitor and supervise the overall budgeting process to ensure a stable balance of funds for the Company's operations.

6. **Strengthen internal control management and regulate operation to improve and finetune the internal control system.**

   The Company will continue to strengthen its internal control management and standard of operation, pay more attention to "standardization, process and refinement" management, and ensure the continuous standardization of the Company's operation by improving the internal control system, strengthening the internal approval process, delineating the financial approval authority and improving the internal audit system. At the same time, the Company will endeavour to maintain a stable management team that can adapt to the development of its business at this stage. With the core objectives of improving operational quality and enhancing profitability, the Company will adapt to the development needs of its business activities at this stage and enhance the standard of internal control and operational efficiency by narrowing the focus on core resources, innovating the mode of operation and management and improving workflow.

DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (year ended 31 December 2021: 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. Since the audited distributable profit of the Company for 2022 was negative, the Company intended not to make profit distribution in any form for 2022.

CLOSURE OF REGISTER OF MEMBERS FOR H SHARES FOR 2022 AGM

In order to determine the H Shareholders who are entitled to attend the 2022 annual general meeting (the "**2022 AGM**"), the register of members for H Shares of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (both days inclusive), during which period no transfer of H Shares of the Company can be registered. In order to be qualified to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023.

H Shareholders whose names appear on the register of members for H Shares of the Company at the close of business on Wednesday, 24 May 2023 are entitled to attend and vote at the 2022 AGM. Please refer to Domestic Share announcement as published by the Company on the website of the National Equities Exchange and Quotations* (全國中小企業股份轉讓系統) for relevant information in respect of the shareholders of Domestic Shares attending the 2022 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2022.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2022 and up to the date of this announcement, save as to the deviation from the Code Provision C.1.8 of Part 2.

Under Code Provision C.1.8 of Part 2, 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.

Save as disclosed above, there has been no deviation from the Code Provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

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 2022.

AUDITOR

Da Hua Certified Public Accountants (Special General Partnership) was appointed as the Company's domestic and international auditor for the year ended 31 December 2022. The consolidated financial statements of the Group for the year ended 31 December 2022, prepared in accordance with the Accounting Standards for Business Enterprises, have been audited by Da Hua Certified Public Accountants (Special General Partnership).

THE AUDIT COMMITTEE

The audit committee of the Board comprising one non-executive director, namely Mr. Yang Heng, and two independent non-executive Directors, namely Mr. Xing Jiangze and Ms. Chow Yue Hwa Jade, have reviewed the results of the Group for the year ended 31 December 2022, and discussed with the management the accounting policies and practices, risk management and internal control and financial reporting matters adopted by the Group.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

1. Previously, four creditors of the Company submitted to the the People's Court of Xinshi District, Urumqi (the "**Court of Xinshi District**") for bankruptcy liquidation of the Company. The Court of Xinshi District held that it does not have the relevant jurisdiction, thus the petitions are dismissed. One of the four creditors appealed to the Court of Xinshi District, and the Court of Xinshi District held that it does not have the relevant jurisdiction, thus the appeal is dismissed. For details, please refer to the announcements of the Company dated 22 November 2021, 30 December 2021, 10 January 2022, 14 February 2022, and 30 January 2023.

2. The creditor of the Company had presented a liquidation petition to the Shanghai No.3 Intermediate People's Court* (上海市第三中級人民法院) for the reason that the Company was unable to repay its debts as they fell due. The court decided to accept the case and designated King & Wood Mallesons (Beijing), Shanghai Branch* (北京市金杜律師事務所上海分所) to act as the administrator of the Company, and the first creditors' meeting is scheduled to be held at 14:00 on 24 May 2023. For details, please refer to the the announcements of the Company dated 14 October 2022, 3 February 2023, 6 February 2023, and 7 February 2023, the announcement of the administrator of the Company dated 8 February 2023, and the indicative announcements of the administrator of the Company dated 10 February 2023, 17 February 2023, 24 February 2023, 3 March 2023, 10 March 2023, 17 March 2023 and 24 March 2023.

3. According to paragraph 2 of article 33 of The Regulations Governing the Transfer of Shares of NET Companies and Delisted Companies* (《兩網公司及退市公司股票轉讓辦法》), if a court accepted the bankruptcy liquidation petition for a company or a company has entered the winding-up procedure, such company shall apply for suspension of its share transfer. Upon application to the National Equities Exchange and Quotations, the transfer of the Company's domestic shares has been suspended since 6 February 2023. The Company will apply for the resumption of transfer of the Company's domestic shares after the factors leading to the suspension of transfer are eliminated. The investors of the Company are advised to pay attention to the risk arising from the suspension of the transfer of the Company's domestic shares. For details, please refer to the announcement of the Company dated 3 February 2023 and the indicative announcements of the administrator of the Company dated 10 February 2023, 17 February 2023, 24 February 2023, 3 March 2023, 10 March 2023, 17 March 2023 and 24 March 2023.

4. Previously, an application for the reorganization and pre-reorganization of La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司), the then wholly-owned subsidiary of the Company, was submitted to the court by a creditor of La Chapelle Taicang. The court decided to commence the pre-reorganization of La Chapelle Taicang and appoint a provisional administrator. In February 2023, the court decided to accept the application for reorganization of La Chapelle Taicang by its creditor and designated the administrator, and the first creditors' meeting is scheduled to be held at 14:00 on 25 April 2023. For details, please refer to the announcements of the Company dated 12 July 2022, 14 July 2022, 19 July 2022 and the announcement of the administrator of the Company dated 15 February 2023 and 14 March 2023.

5. A creditor of Nuoxing (Shanghai) Clothing Co., Ltd.* (諾杏(上海)服飾有限公司), a wholly-owned subsidiary of the Company, had presented a liquidation petition to the Court for the reason that Nuoxing Shanghai was unable to repay its debts as they fell due, and the court decided to accept the case and designated the administrator, and the first creditors' meeting is scheduled to be held at 9:30 a.m. on 25 April 2023. For the details, please refer to the announcements of the Company dated 25 January 2021 and 12 October 2022 and the announcements of the administrator of the Company dated 8 February 2023, 9 February 2023 and 10 February 2023.

6. As mentioned in the item (a) of "Litigation and Contingent liabilities" of the section "MANAGEMENT DISCUSSION AND ANALYSIS", Gemstone Advantage commenced proceedings in order that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan again. For details, please refer to the Company's announcements dated 16 January 2023 and 17 January 2023.

7. On 13 January 2023, the Company convened the 2023 first extraordinary general meeting and class meetings and proposed to the cancel 3,573,200 domestic shares deposited in the securities account designated for share repurchase of the Company in accordance with laws. For details, please refer to the announcement of the Company dated 13 January 2023. In February 2023, the court decided to accept the case of bankruptcy liquidation petition for the Company, and the Company has entered the liquidation procedure. The cancellation procedure of the above-mentioned domestic shares was suspended accordingly.

8. Due to dispute over guarantee agreement, China Huarong Asset Management Co., Ltd. ("**Huarong Asset**") sued the Company. For details, please refer to the announcement of the Company dated 16 January 2023. Due to disputes over financial loan agreements, Huarong Asset sued The Company and the subsidiaries of the Company, namely Chengdu Lewei Fashion Co., Ltd. * (成都樂微服飾有限公司), La Chapelle (Tianjin) Co., Ltd. * (拉夏貝爾服飾(天津)有限公司), La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司), and Xing Jiaxing. For details, please refer to the announcement of the Company dated 1 February 2023 and the announcement of the administrator of the Company dated 1 March 2023.

9. As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 28 February 2023, an aggregate of 115 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB49 million. As at 28 February 2023, as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 12 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB202 million. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the administrator of the Company dated 1 March 2023.

   As at 28 February 2023, as a result of the Company's involvement in a total of 12 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 real properties of the Company (with an aggregate book value of approximately RMB0.326 billion as at 31 January 2023) have been seized. The seizure has caused restriction to rights and there is a risk that the real properties may be judicially auctioned for debt repayment. The Company will proactively engage with the relevant parties in order to properly resolve the seizure of the real properties, and actively negotiate and conciliate with the applicants for the freezing order to release the real properties from right restrictions and restore them to normal conditions as soon as possible. For details, please refer to the announcement of the administrator of the Company dated 1 March 2023.

10. The Company received a letter from the Stock Exchange dated 2 March 2023, in which the Stock Exchange set out the following guidance for the resumption of trading in the shares of the Company:

    (a) have the winding up petition (or order, if made) withdrawn or discharged and the appointment of the Administrator discharged;

    (b) demonstrate the Company's compliance with Rule 13.24; and

    (c) announce all material information for the Company's shareholders and investors to appraise its position.

    For details, please refer to the announcement of the the administrator of the Company dated 8 March 2023.

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.

PUBLICATIONS OF ANNUAL RESULTS AND ANNUAL REPORT OF THE COMPANY

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.lachapelle.cn). The annual report for the year ended 31 December 2022 will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, following the designation of the administrator for the Company's bankruptcy liquidation, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 7 February 2023, and will remain suspended until further notice. The Company will publish further announcement(s) to inform the shareholders and potential investors of any material developments in connection with the suspension of trading as and when appropriate.

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. Zhao Jinwen
Chairman

Shanghai, the People's Republic of China
30 March 2023

As of the date of this announcement, the executive directors of the Company are Mr. Zhao Jinwen and Ms. Zhang Ying, the non-executive directors of the Company are Ms. Wang Yan and Mr. Yang Heng, and the independent non-executive directors of the Company are Mr. Xing Jiangze, Ms. Chow Yue Hwa Jade and Mr. Zhu Xiaozhe.

* *For identification purpose only.*