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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Director(s)**") of Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**") with comparative figures for the corresponding period in 2022 as follows:

	Six months ended 30 June		**Increase/**
	2023	2022	**(decrease)**
	RMB'000	*RMB'000*	
	(unaudited)	(unaudited)	%
Financial highlights			
Revenue	**83,988**	112,584	(25.4)
Gross profit	**63,063**	79,482	(20.7)
Operating (loss)/profit	**(510,898)**	(129,391)	(294.8)
(Loss)/profit before income tax	**(578,539)**	(178,277)	(224.5)
Income tax expenses	**293**	1,639	(82.1)
Net (loss)/profit	**(578,832)**	(179,916)	(221.7)
Basic and diluted (losses)/earnings per share *(RMB)*	**(1.04)**	(0.33)	(215.2)

	30 June 2023	31 December 2022	**Increase/ (decrease)**
	RMB'000	*RMB'000*	
	(unaudited)	(audited)	%
Total assets	**713,866**	1,156,191	(38.3)
Total equity attributable to shareholders of the Company	**(3,071,014)**	(2,505,849)	(22.6)

	Six months ended 30 June		**Increase/ (decrease) percentage point(s)**
	2023	2022	
	RMB'000	*RMB'000*	
	(unaudited)	(unaudited)	
Financial Ratios			
Gross profit margin	**75.09%**	70.60%	4.49
Operating (loss)/profit margin	**(608.30%)**	(114.93%)	(493.37)
(Loss)/profit margin for the period	**(689.18%)**	(159.81%)	(529.37)

INTERIM CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
		RMB'000	*RMB'000*
Revenue	*4*	**83,988**	112,584
Less: Cost of sales	*4*	**20,925**	33,102
Taxes and surcharges		**1,398**	8,560
Selling and distribution expenses	*5*	**50,613**	43,522
General and administrative expenses	*6*	**43,945**	52,319
Financial expenses	*7*	**47,057**	80,131
Including: Interest expenses		**47,338**	80,617
Interest income		**511**	698
Add: Other income	*11*	**14,080**	10,444
Investment income	*10*	**(457,311)**	523
Including: investment income of joint ventures and associates		**1,773**	(2,260)
Changes in fair value		**(330)**	(969)
Credit impairment losses	*8*	**17,176**	(15,487)
Asset impairment losses	*9*	**(4,976)**	(18,006)
Gains/(loss) on disposals of assets		**413**	(846)
Operating loss		**(510,898)**	(129,391)
Add: Non-operating income	*12*	**142**	1,043
Less: Non-operating expenses		**67,783**	49,929
Loss before income taxes		**(578,539)**	(178,277)
Less: Income tax expenses	*13*	**293**	1,639
Net loss		**(578,832)**	(179,916)

	Notes	For the six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Classified by continuity of operations			
– Net loss from continuing operations		**(578,832)**	(179,916)
– Net loss from discontinued operations		**–**	–
Classified by ownership of the equity			
– Attributable to shareholders of the Company		**(565,165)**	(177,649)
– Attributable to minority interests		**(13,667)**	(2,267)
Other comprehensive (loss)/income after tax		**–**	–
Attributable to shareholders of the Company, net of tax		**–**	–
– Other comprehensive losses that cannot be reclassified into profit or loss		**–**	–
– Changes in fair value of other equity instrument investments		**–**	–
– Other comprehensive income that can be reclassified into profit or loss		**–**	–
– Translation differences on translation of foreign currency financial statements		**–**	–
Total comprehensive (loss)/income		**(578,832)**	(179,916)
– Attributable to shareholders of the Company		**(565,165)**	(177,649)
– Attributable to minority interests		**(13,667)**	(2,267)
(Losses)/earnings per share			
– Basic losses per share (RMB)		**(1.04)**	(0.33)
– Diluted losses per share (RMB)		**(1.04)**	(0.33)

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2023

ASSETS	*Notes*	**30 June 2023**	31 December 2022
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current assets			
Cash at bank and on hand	*15*	**87,421**	100,238
Financial assets held for trading		**–**	–
Notes receivable		**–**	–
Accounts receivable	*16*	**18,401**	42,580
Advances to suppliers		**5,458**	5,004
Other receivables	*17*	**6,810**	11,298
Inventories	*18*	**33,917**	38,699
Non-current assets due within one year		**–**	–
Other current assets		**30,246**	32,288
Total current assets		**182,253**	230,107
Non-current assets			
Long-term receivables		**–**	–
Long-term equity investments		**108,037**	106,264
Other equity instruments investment		**–**	–
Other non-current financial assets		**91,878**	92,208
Fixed assets	*14*	**200,127**	526,254
Construction in progress		**69,778**	69,778
Right-of-use assets		**3,802**	36,427
Intangible assets		**54,644**	91,125
Goodwill		**–**	–
Long-term prepaid expenses		**3,367**	4,028
Deferred tax assets		**–**	–
Debt investment		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**531,633**	926,084
TOTAL ASSETS		**713,886**	1,156,191

LIABILITIES AND EQUITY	*Notes*	**30 June 2023**	31 December 2022
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current liabilities			
Short-term borrowings	*20*	**1,147,749**	1,147,748
Notes payable		**–**	–
Accounts payable	*21*	**1,104,032**	893,963
Advance from customers		**943**	267
Contract liabilities		**3,414**	4,408
Employee benefits payable		**7,625**	10,563
Taxes payable		**143,267**	201,028
Other payables	*22*	**934,993**	958,932
Non-current liabilities due within one year		**2,105**	10,348
Other current liabilities		**449**	578
Total current liabilities		**3,344,577**	3,227,835
Non-current liabilities			
Long-term borrowings		**–**	–
Lease obligations		**1,942**	26,673
Accrued liabilities		**516,092**	469,473
Deferred tax liabilities		**–**	–
Other non-current liabilities		**4,650**	5,419
Total non-current liabilities		**522,684**	501,565
Total liabilities		**3,867,261**	3,729,400
Equity			
Share capital	*19*	**547,672**	547,672
Capital surplus		**1,910,806**	1,910,806
Less: treasury share		**20,010**	20,010
Other comprehensive income		**(43,606)**	(43,606)
Surplus reserve		**246,788**	246,788
Undistributed profits		**(5,712,664)**	(5,147,499)
Total equity attributable to shareholders of the Company		**(3,071,014)**	(2,505,849)
Minority interests		**(82,361)**	(67,360)
Total equity		**(3,153,375)**	(2,573,209)
TOTAL LIABILITIES AND EQUITY		**713,886**	1,156,191

INTERIM CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	**78,946**	82,846
Tax and surcharge refunds	**1**	6,704
Cash received relating to other operating activities	**12,242**	8,032
Sub-total of cash inflows in operating activities	**91,189**	97,582
Cash paid for goods and services	**19,480**	23,025
Cash paid to and on behalf of employees	**32,424**	39,331
Payments of taxes and surcharges	**5,320**	6,894
Cash paid relating to other operating activities	**35,537**	21,858
Sub-total of cash outflows in operating activities	**92,761**	91,108
Net cash flows from operating activities	**(1,572)**	6,474
Cash flows from investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**–**	–
Net cash received from disposal of subsidiaries and other business units	**–**	–
Cash received relating to other investing activities	**–**	–
Sub-total of cash inflows in financing activities	**–**	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**1,033**	3,084
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	**3,541**	–
Sub-total of cash outflows in financing activities	**4,574**	3,084
Net cash flows from investing activities	**(4,574)**	(3,084)

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Cash received from investments by others	**–**	–
Cash received from borrowings	**–**	–
Cash received relating to other financing activities	**–**	–
Sub-total of cash inflows in financing activities	**–**	–
Cash repayments of borrowings	**–**	–
Cash payments for distribution of dividends, profits or interest expenses	**–**	–
Cash payments relating to other financing activities	**517**	748
Sub-total of cash outflows in financing activities	**517**	748
Net cash flows from financing activities	**(517)**	(748)
Effect of foreign exchange rate changes on cash and cash equivalents	**–**	–
Net decrease in cash and cash equivalents	**(6,663)**	2,642
Add: Cash and cash equivalents at beginning of period	**36,052**	61,356
Cash and cash equivalents at end of period	**29,389**	63,998

1. General information

Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is a joint stock company, established and converted from 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 unaudited interim financial statements were approved by Company's Board of Directors on 30 August 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 the basis of it, 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.

The Company depreciates over the remaining useful life of the leased asset where it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term. 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 accrual for impairment has been made are depreciated in future periods at their carrying amounts net of accrual for 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 interim 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 deferred expense

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)	Estimated residual value rate (%)	Annual depreciation rate (%)
House and Building	Straight-line method	10 to 20 years	0	5% to 10%
Machinery and 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 electronic 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.

4. Revenue and cost of sales

(1) Revenue and cost of sale

	For the six months ended 30 June			
	2023		2022	
	Revenue	**Cost**	Revenue	Cost
Principal business	**73,904**	**17,314**	72,839	14,280
Other business	**10,084**	**3,611**	39,745	18,822
Total	**83,988**	**20,925**	112,584	33,102

(2) Income derived from contracts:

Contract classifications	**For the six months ended 30 June**	
	2023	2022
1. Category of products		
Apparel	**49,349**	59,023
Brand-integrated services	**24,555**	13,816
Lease	**6,147**	32,801
Others	**3,937**	6,944
2. Classified by business areas		
Domestic	**83,988**	112,584
Overseas	**–**	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	**53,286**	65,967
Transferred at a point over time	**30,702**	46,617
Total	**83,988**	112,584

5. Selling and distribution expenses

	For the six months ended 30 June	
	2023	2022
Employee benefits expenses	**15,284**	15,515
Depreciation of right of use assets	**1,808**	1,316
Amortization of long-term prepaid expenses	**1,787**	173
Department store expenses	**17,923**	1,788
Online platform expenses	**1,426**	286
Utilities and electricity fees	**622**	3,460
Logistic expenses	**692**	653
Depreciation of fixed assets	**6,295**	15,134
Marketing expense	**250**	117
Costs of low value consumables	**215**	90
Repair and maintenance expenses	**–**	4,257
Traveling and communication expenses	**484**	4
Amortization of intangible assets	**11**	87
Quality inspection fee	**9**	–
Office supplies	**961**	91
Design and consulting expenses	**2,749**	551
Sample garment procurement fee	**97**	–
Total	**50,613**	43,522

6. General and administrative expenses

	For the six months ended 30 June	
	2023	2022
Employee benefits expenses	**19,583**	18,504
Depreciation of fixed assets	**804**	16,874
Consulting expenses	**9,943**	3,548
Amortization of intangible assets	**2,211**	3,535
Rental fees	**4,958**	2,801
Utilities and electricity fees	**2,858**	1,048
Office supplies	**1,578**	2,577
Traveling and communication expenses	**975**	884
Sample purchase fee	**490**	–
Logistic expenses	**326**	88
Repair and maintenance expenses	**75**	4
Costs of low value consumables	**82**	39
Amortization of long-term prepaid expenses	**62**	2,371
Others	**–**	46
Total	**43,945**	52,319

7. Financial expenses

	For the six months ended 30 June	
	2023	2022
Interest expenses	**47,338**	80,617
Less: Interest income	**511**	698
Bank charges	**112**	132
Financing fees	**118**	80
Total	**47,057**	80,131

8. Credit impairment losses

	For the six months ended 30 June	
	2023	2022
Bad debt losses of accounts receivables	**9,149**	(10,323)
Bad debt losses of other receivables	**8,027**	(5,164)
Total	**17,176**	(15,487)

9. Asset impairment losses

	For the six months ended 30 June	
	2023	2022
Loss on impairment of inventories	**(4,976)**	(18,540)
Others	**–**	534
Total	**(4,976)**	(18,006)

10. Investment income

	For the six months ended 30 June	
	2023	2022
Income from long-term equity investments accounted for by the equity method	**1,773**	(2,260)
Investment loss of disposal of long-term equity investment	**–**	–
Gain or loss on debt restructuring (Note 1)	**5,372**	2,783
Change due from scope of consolidation (Note 2)	**(464,456)**	–
Total	**(457,311)**	523

Note:

(1) As of 30 June 2023, the Company negotiated with some suppliers, and recognized investment income by debt forgiveness for RMB5,372 thousand in this period.

(2) As Shanghai Nuoxing and La Chapelle Taicang, former wholly-owned subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures in 7 February 2023 and 10 February 2023 respectively, and they are no longer consolidated into consolidated financial statements of the Company, resulting in investment losses of RMB464,456 thousand.

11. Other income

	For the six months ended 30 June	
	2023	2022
Governmental grants relating to daily operational activities	**14,143**	2,019
Gains from debt restructuring	**(63)**	8,425
Total	**14,080**	10,444

12. Non-operating income

	For the six months ended 30 June		The amount included in non-recurring profit or loss for the six months ended 30 June 2023
	2023	2022	
Compensation income	**104**	2	104
Others	**38**	1,041	38
Total	**142**	1,043	142

13. Income tax expenses

(1) Table of income tax expenses

	For the six months ended 30 June	
	2023	2022
Current income tax expense	**–**	1,639
Deferred income tax expense	**293**	–
Total	**293**	1,639

(2) Reconciliation between total profit and income tax expenses

	For the six months ended 30 June 2023
Total profit	**(578,537)**
Income tax expense at statutory tax rates	**(144,634)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**–**
Effect of non-taxable income	**(361)**
Effect of non-deductible costs, expenses and losses	**567**
Effect of deductible losses from the use of prior period's unrecognized deferred tax assets	**(5,419)**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**150,140**
Income tax expense	**293**

14. Fixed assets

Item	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
1. Opening balance	702,388	56,787	1,760	39,551	800,486
2. Increases in the current year	–	–	–	382	382
Purchase	–	–	–	382	382
3. Decreases in the current year	447,677	48,934	338	11,273	508,222
Disposal or retirement	–	–	–	1,034	1,034
Decrease due from scope of consolidation	447,677	48,934	338	10,239	507,188
4. Closing balance	254,711	7,853	1,422	28,660	292,646
II. Accumulated depreciation					
1. Opening balance	188,801	48,149	1,551	35,731	274,232
2. Increases in the current year	7,438	331	113	843	8,725
Accrual for the period	7,438	331	113	843	8,725
3. Decreases in the current period	138,937	41,454	321	9,726	190,438
Disposal or retirement	–	–	–	970	970
Decrease due from scope of consolidation	138,937	41,454	321	8,756	189,468
4. Closing balance	57,302	7,026	1,343	26,848	92,519
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	197,409	827	79	1,812	200,127
2. Opening balance	513,587	8,638	209	3,820	526,254

15. Cash at bank and on hand

	30 June 2023	31 December 2022
Cash on hand	**12**	27
Bank deposits	**29,377**	36,025
Other monetary funds	**58,032**	64,186
Total	**87,421**	100,238
Including: total amount of funds abroad	**2**	2

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

	30 June 2023	31 December 2022
Bank deposits restricted due to reasons such as judicial freezing	**58,032**	64,186
Total	**58,032**	64,186

16. Accounts receivable

	30 June 2023	31 December 2022
Accounts receivable	**1,222,333**	473,608
Less: Provision for bad debts	**1,203,932**	431,028
	18,401	42,580

(i) As at 30 June 2023, 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	1,098,115	1,098,115	89

(ii) As at 30 June 2023, the provision for bad debts made for the accounts receivable are as follows:

	Book balance	**Bad debt provision**	**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
La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司) ("**La Chapelle Taicang**")	787,562	787,562	100	Note 3
Receivables from merchants	147,457	147,457	100	Note 4
Total	1,202,830	1,202,830	100	

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: On 10 February 2023, La Chapele Taicang, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy re-organization administrator designated by the court. As La Chapele Taicang 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 4: 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 30 June 2023, the Group reserved allowance of bad debts based on aging analysis method. The amount was RMB1,102 thousand.

	As at 30 June 2023		
	Provision of bad debts	**Allowance of bad debts**	
	Carrying amount	**Expected credit loss (%)**	**Expected credit loss of the entire life**
Within credit period (90 days)	16,930	2	339
Overdue (90 days) to one year	1,211	5	61
One year to two years	479	30	144
Two years to three years	810	60	485
Above three years	73	100	73
	19,503	6	1,102

(iv) Accrual, recovery, or reversal of bad debts allowance during the period

Items	**Opening balance**	**Changes** Accrual	**Changes** Recovered or reversed	**Changes** Written off	**Changes** Other decreases	**Closing balance**
Accounts receivable subjected to accrual for expected credit losses on individual basis	426,310	788,838	7,129	13	5,176	1,202,830
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	4,718	–	2,020	–	1,596	1,102
Including: Accrual for bad debts on portfolio	4,718	–	2,020	–	1,596	1,102
Total	431,028	788,838	9,149	13	6,772	1,203,932

(v) Actual write-off of accounts receivable during the reporting period

Item	**Write-off amount**
Actual write-off of accounts receivable	13

17. Other receivables

	30 June 2023	31 December 2022
Deposits and security deposits	**69,662**	58,143
Refund of service charge expenses	**3,278**	9,778
Employee reserve fund	**596**	1,798
Property rental fees	**3,361**	7,822
Current accounts receivable	**786,367**	578,679
Others	**2,859**	7,523
Less: Provision for bad debts	**859,313**	652,445
Total	**6,810**	11,298

(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	2,794	126	649,525	652,445
Opening balance in current year	–	(3)	3	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	(3)	3	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	–	–	–	–
Provision during this year	–	1,138	227,244	228,382
Reversal during this year	800	–	7,227	8,027
Write-off during this year	–	–	–	–
Other decreases	361	12	13,113	13,487
Closing balance	1,632	1,249	856,432	859,313

18. Inventories

(a) Classification of inventories is as follows:

	As at 30 June 2023			As at 31 December 2022		
	Carrying amount before provision	**Provision**	**Carrying amount**	Carrying amount before provision	Provision	Carrying amount
Raw materials	**980**	**–**	**980**	980	–	980
Finished goods	**127,558**	**97,271**	**30,287**	142,635	107,803	34,832
Low value consumables	**2,650**	**–**	**2,650**	2,887	–	2,887
	131,188	**97,271**	**33,917**	146,502	107,803	38,699

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

	31 December 2022	Accrual in the current period	Recovered or reversed	Other decrease	30 June 2023
Raw materials	107,803	4,976	15,508	–	97,271
Total	107,803	4,976	15,508	–	97,271

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.

19. Share capital

	As at 30 June 2023	Movement in the current period	As at 31 December 2022
RMB-denominated ordinary shares	**332,882**	–	332,882
Overseas-listed shares (H share)	**214,790**	–	214,790
Total	**547,672**	–	547,672

20. Short-term borrowings

	As at 30 June 2023	As at 31 December 2022
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**543,749**	543,748
Mortgage, pledge and guarantee loan	**550,000**	550,000
Total	**1,147,749**	1,147,748

As at 30 June 2023, the annual interest rate range of the above borrowings is 4.55% to 7.00% (31 December 2022: 4.55% to 7.00%).

As at 30 June 2023, the balance of overdue loans was RMB1,147,749 thousand (31 December 2022: RMB1,147,748 thousand).

21. Accounts payable

	30 June 2023	31 December 2022
Payable for purchase	**1,104,032**	893,963

(a) The aging of accounts payable based on invoice date are analysed below:

	Closing Balance		Opening balance	
Aging	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	**18,755**	**2**	68,005	8
Above 1 year	**1,085,277**	**98**	825,958	92
Total	**1,104,032**	**100**	893,963	100

22. Other payables

	30 June 2023	31 December 2022
Other payables	**600,093**	670,249
Including: payables for construction and decoration of department stores	**95,162**	142,223
Suppliers' deposits	**37,372**	42,762
Vendors' deposit	**9,383**	17,555
Outsourcing staff service fee	**10**	156
Payables for logistic expense	**3,138**	3,607
Trustee fees	**21**	2,153
Payable for posts props and store promotion	**3,211**	4,883
Payables for rental fees	**82,501**	96,565
Litigation defaults, fees, and interests	**113,804**	111,973
Loans from the third parties	**2,700**	2,900
Payable for e-commercial	**5,682**	3,597
Consulting fees	**1,693**	7,800
Payables for software purchase	**459**	2,819
Estimated expenditures	**4,976**	8,699
Tax overdue payments	**32,160**	34,669
Others	**10,857**	9,419
External related party	**196,964**	178,469
Interest payable	**334,900**	288,683
Including: Interest payable of short-term borrowings	**334,900**	288,683
	934,993	958,932

23. Dividends

The Board did not recommend the payment of any dividend for the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, as the economy and society fully resumed to normal operation, and with the benefit from the implementation and effect of the national policies to promote consumption, the consumption environment continued to improve, and the domestic consumer market as a whole shows a recovery trend. According to statistics from the National Bureau of Statistics, total domestic retail sales of consumer goods in the first half of the year amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. Among the retail sales of enterprises above the designated size, the total retail sales of apparel, footwear, hats, and knitted textiles amounted to RMB683.4 billion, representing a year-on-year increase of 12.8%, and the consumer market continued to recover. In June 2023, the total retail sales of consumer goods increased by 3.1% as compared with the same period in last year. Among the retail sales of enterprises above the designated size, the total retail sales of apparel, footwear, hats and knitted textiles products increased by 6.9% as compared with the same period in last year, implying a continued expansion of demand in the consumer market. With the economic recovery improving and the per capita disposable income of residents across the country continuing to increase, along with a series of policies such as "expanding domestic demand, promoting consumption, and stabilizing growth" continue to take effect, the consumer market is expected to further accelerate its recovery.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue and operating loss reached RMB84.0 million, representing a slight decrease compared with the corresponding period of last year. The main reason is that some wholly-owned subsidiaries of the Company have been in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business involved are no longer consolidated into the consolidated financial statements of the Company. During the Reporting Period, the Company's net loss attributable to shareholders amounted to approximately RMB565 million, an increase of approximately RMB388 million in net loss compared to the corresponding period of 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 and overdue penalty interests totaling approximately RMB108 million and (2) as Shanghai Nuoxing and La Chapelle Taicang, former subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures respectively in the Reporting Period, the Company lost control over them, resulting in investment losses of approximately RMB464 million.

Revenue

The revenue of the Group in the first half of 2023 decreased from RMB112.6 million in the first half of 2022 to RMB84.0 million, representing a decrease of 25.4%.

The decrease in revenue was mainly because (1) some wholly-owned subsidiaries of the Company have been in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business involved are no longer consolidated into the consolidated financial statements of the Company and (2) the number of the Company's existing stores decreased as at the end of the Reporting Period compared with the corresponding period of the previous year; the number of retails points of the Group decreased by 18 from 218 as at 31 December 2022 to 200 as at 30 June 2023, representing a decrease of 8.3%.

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:

	Six months ended 30 June					
	2023			2022		
	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))
Concessionaire counters	**22,308**	**26.6**	**75.3**	29,742	26.4	(2.3)
Standalone retail outlets	**13,034**	**15.5**	**74.8**	16,199	14.4	(2.9)
Online platform	**6,375**	**7.6**	**31.1**	80	0.1	(68.9)
Franchise/Associates	**7,408**	**8.8**	**44.3**	11,617	10.3	(21.3)
Wholesale	**224**	**0.3**	**99.1**	1,384	1.2	(0.9)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Others	**10,084**	**12.0**	**64.2**	39,746	35.3	11.6
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

As the number of offline stores and the customer traffic both decreased, during the Reporting Period, the revenue from concessionaire counters decreased from RMB29.7 million in the first half of 2022 to RMB22.3 million in the first half of 2023, representing a decrease of 25.0%. The revenue from retail outlets decreased from RMB16.2 million in the first half of 2022 to RMB13.0 million in the first half of 2023, representing a decrease of 19.5%. The revenue from the franchise/associate decreased from RMB11.6 million in the first half of 2022 to RMB7.4 million to the first half of 2023, representing a decrease of 36.2%. As the Company expanded brand-integrated services business in the period and due to the low base affected by the Covid-19 pandemic in the corresponding period of last year, the revenue from brand-integrated services recorded approximately RMB24.6 million, representing a significant increase with the corresponding period of the previous year.

Note: "Others" mainly refers to the revenue from the Company's leasing business of RMB6.147 million and other revenue, amounting to a sum of RMB10.084 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:

	Six months ended 30 June					
	2023			2022		
	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	**44,283**	**52.7**	**72.4**	31,190	27.7	(4.7)
Puella	**8,048**	**9.6**	**85.1**	8,669	7.7	13.8
7 Modifier	**1,829**	**2.2**	**90.1**	6,599	5.9	17.0
La Babité	**2,716**	**3.2**	**98.6**	5,522	4.9	9.5
Candie's	**–**	**–**	**–**	4,358	3.9	–
USHGEE	**7,005**	**8.3**	**50.3**	3,864	3.4	(9.3)
Menswear brands	**7,433**	**8.9**	**97.3**	6,961	6.2	(0.6)
8ém	**2,571**	**3.1**	**100.0**	2,303	2.0	1.9
Other brands	**19**	**–**	**94.7**	1,963	1.7	2.8
Others	**10,084**	**12.0**	**64.2**	41,155	36.6	9.9
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKŌ brands; "Other brands" comprise brands including UlifeStyle, Siastella, and EYEH; "Others" mainly refers to the revenue from the leasing business of RMB6.147 million and other revenue.

2. As the revenue of La Chapelle brand, menswear brands, and 8ém brand from the channel of brand-integrated services increased continuously, their revenue increased by 41.98%, 6.78%, and 11.64% compared with the corresponding period of the previous year respectively. Benefiting from the expansion of retail outlets and the optimization of product structure, the revenue of USHGEE brand recorded a period-on-period increase of 81.29%. As the number of offline stores and the customer traffic both decreased, the revenue from other main brands recorded a decrease.

3. Due to the adoption of brand-integrated services 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.

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:

	Six months ended 30 June					
	2023			2022		
	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	**16,714**	**19.9**	**57.7**	16,725	14.9	(24.8)
Second-tier cities	**19,679**	**23.4**	**69.9**	27,605	24.5	(5.9)
Third-tier cities	**15,669**	**18.7**	**66.8**	46,191	41.0	11.6
Other cities	**7,371**	**8.8**	**63.0**	8,247	7.3	(3.2)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

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 the first half of 2023, except for the revenue of first-tier cities, the Group's revenue in other tiers of cities decreased, mainly because the number of offline stores and the customer traffic both decreased, coupled with factors such as the Company's targeted distribution strategy for 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:

	Six months ended 30 June					
	2023			2022		
	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))
Tops	**32,352**	**38.5**	**63.7**	39,900	35.4	(10.4)
Bottoms	**6,168**	**7.4**	**68.5**	6,977	6.2	(11.7)
Dresses	**10,658**	**12.7**	**66.4**	11,814	10.5	(11.7)
Accessories	**171**	**0.2**	**63.2**	331	0.3	(34.4)
Brand-integrated services	**24,555**	**29.2**	**100.0**	13,816	12.3	–
Others	**10,084**	**12.0**	**64.2**	39,746	35.3	11.6
Total	**83,988**	**100.0**	**75.1**	112,584	100.0	4.5

Note: "Others" mainly refers to the revenue from the leasing business of RMB6.147 million and other revenue.

In the first half of 2023, revenue of the Group from sales recorded a decrease from sales of tops, bottoms, and dresses, which was partly attributable to factors such as the period-on-period decrease in the number of existing stores of the Group 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 increased by 3.1 percentage points, that from sales of bottoms increased by 1.2 percentage points and that from sales of dresses decreased by 2.2 percentage points.

Cost of Sales

The cost of sales of the Group decreased by 36.8% from RMB33.1 million in the first half of 2022 to RMB20.9 million in the first half of 2023.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB79.5million in the first half of 2022 to RMB63.1million in the first half of 2023, representing a decrease of 20.7%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased to 75.1% in the first half of 2023 from 70.6% in the first half of 2022, mainly due to the larger proportion of the revenue from brand-integrated services, which has a higher gross profit margin, in the first half of 2023 and 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 in the first half of 2023 amounted to RMB50.6 million (the first half of 2022: RMB43.5 million), consisting primarily of concessionaire expenses relating to retail points and online stores, sales staff salaries and benefits, design and consulting expenses, depreciation of fixed assets, amortisation of store decoration expenses and depreciation of right-of-use assets. Expressed as a percentage, selling and distribution expenses in the first half of 2023 as a percentage of total revenue in the first half of 2023 was 60.3% (the first half of 2022: 38.6%), representing a significant increase compared with the same period last year, which was mainly because some wholly-owned subsidiaries of the Company were in bankruptcy liquidation procedures or bankruptcy reorganization procedures, the revenue of whose business involved are no longer consolidated into the consolidated financial statements of the Company, while the Group still needs to burden the fixed expensed such as concessionaire expenses relating to retail points, salaries of business employees, and so on. Therefore, on the whole, the ratio of selling and distribution expenses to revenue was still at a high level. General and administrative expenses in the first half of 2023 amounted to RMB43.9 million (the first half of 2022: RMB52.3 million), consisting primarily of administrative employee salaries and benefit expenses, consulting service fees and property rents. Expressed as a percentage, general and administrative expenses as a percentage of total revenue in the first half of 2023 were 52.3% (the first half of 2022: 46.5%). The contribution of administrative staff salaries and benefits and that of consulting service fees to our revenue for the Reporting Period increased from the corresponding period of last year.

Asset Impairment Loss

The asset impairment loss for the first half of 2023 was RMB5.0 million (the first half of 2022: RMB18.0 million), which was mainly due to a decrease in the provision for impairment of inventories compared to the corresponding period of last year.

Credit Impairment Loss

Credit impairment losses recorded RMB-17.2 million for the first half of 2023 (the first half of 2022: RMB15.5 million), mainly due to the decrease in the provision for expected credit losses on accounts receivables compared to the corresponding period of last year and that certain accounts receivables were partly recovered.

Investment Loss

Investment loss for the first half of 2023 was RMB457.3 million (the first half of 2022: RMB-0.5 million), mainly due to the loss on derecognition resulting from it that Shanghai Nuoxing and La Chapelle Taicang, subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures in the period, and they are no longer consolidated into the consolidated financial statements of the Company.

Other Income – Net

The Group's other income amounted to RMB14.1 million in the first half of 2023 (the first half of 2022: RMB10.4 million), mainly due to the increase in taxes and additional deductions incurred in the period.

Finance Expenses/Income – Net

The Group's net finance expenses were RMB47.1 million in the first half of 2023 (the first half of 2022: RMB80.1 million). The decrease in the net financial expenses was mainly due to the cessation of accrual of interest on borrowings resulting from the Company's entering into bankruptcy liquidation procedures in the period.

Loss before Income Tax

Loss before income tax of the Group increased from RMB178.3 million in the first half of 2022 to a loss before income tax of RMB578.5 million in the first half of 2023, representing an increase of 224.5% from the corresponding period of last year. The increase in loss before income tax was mainly due to (1) the Company still faces a high level of overdue debts, which resulted in accumulation in interests on debts and overdue penalty interests totaling approximately RMB110 million and (2) as Shanghai Nuoxing and La Chapelle Taicang, former subsidiaries of the Company, entered into bankruptcy liquidation procedures and bankruptcy reorganization procedures respectively in the Reporting Period, the Company lost control over them, resulting in a loss on derecognition of approximately RMB460 million.

Income Tax Expense/Waiver

Income tax expense amounted to RMB0.3 million for the first half of 2023 (the first half of 2022: RMB1.6 million). The effective income tax rate in the first half of 2023 was -0.1% (the first half of 2022: -0.9%).

Net Loss and Net Loss Margin for the Reporting Period

As a result of the foregoing, net loss of the Group for the first half of 2023 amounted to RMB578.8 million, representing an increase of 221.7% from the net loss of RMB179.9 million for the first half of 2022. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB565.2 million, representing an increase of 218.1% from the net loss of RMB177.6 million for the first half of 2022. Net loss margin for the period of the Group was 689.2% in the first half of 2023, compared to a net loss margin of 159.8% in the first half of 2022.

Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In the first half of 2023, the capital expenditure incurred by the Group was RMB1.0 million (the first half of 2022: RMB3.1 million).

Cash and Cash Flow

In the first half of 2023, net cash generated from operating activities amounted to an outflow of RMB1.6million (first half of 2022: inflow of RMB6.5 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 decrease in revenue.

In the first half of 2023, net cash used in investing activities amounted to a net cash outflow of RMB4.6 million (the first half of 2022: net outflow of RMB3.1 million). In the first half of 2023, the major net cash outflow in investing activities amounted to RMB3.5 million due to the loss control of subsidiaries.

In the first half of 2023, net cash used in financing activities amounted to an outflow of RMB0.5 million (the first half of 2022: net outflow of RMB0.7 million). Major financing activity in the first half of 2023 was payment relating to other financing activities resulting in a net cash outflow of RMB0.5 million.

As at 30 June 2023, the Group held cash and cash equivalents in the total amount of RMB29.4 million (31 December 2022: RMB36.1 million). In the first half of 2023, the net decrease in cash and cash equivalents was RMB6.7 million (the first half of 2022: net increase of RMB2.6 million), mainly due to the decrease in net cash flow from operating activities resulting from the decrease in the revenue from operating activities compared with the corresponding period of last year.

In the first half of 2023, the average inventory turnover (based on apparel revenue) of the Group was 133 days (the first half of 2022: 146 days), and the average receivables turnover was 75 days for the first half of 2023 (based on principal business revenue) (the first half of 2022: 197 days). The period-on-period increase in inventory turnover rate was mainly due to the higher decrease rate of accounts receivable than that of revenue of the Group resulting from derecognition of some subsidiaries.

As at 30 June 2023, current liabilities of the Group amounted to RMB3,344.6 million (31 December 2022: current liabilities of the Group amounted to RMB3,227.8 million). Total assets less current liabilities amounted to RMB-2,630.7 million (31 December 2022: total assets less current liabilities amounted to RMB-2,071.6 million). The gearing ratio (formula used: total liabilities/total assets) was 541.7% (31 December 2022: 322.6%).

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 30 June 2023, total equity attributable to shareholders of the Company was RMB-3,071.0 million (as at 31 December 2022: RMB-2,505.8 million).

Bank loans and other borrowings

As at 30 June 2023, bank borrowings of the Group amounted to RMB1,147.7 million (31 December 2022: outstanding loan balance amounted to RMB1,147.7 million), which mainly included mortgages, pledges and guaranteed loans due within one year.

Pledge of assets

(1) As at 30 June 2023, the book value of properties and buildings used as mortgage for bank loans was RMB197.4 million (31 December 2022: RMB513.6 million).

(2) As at 30 June 2023, the book value of projects under construction was RMB70.0 million (31 December 2022: 70.0 million) were used as mortgage to obtain bank loans.

(3) As at 30 June 2023, the land use right book value was RMB52.1 million (31 December 2022: RMB86.8 million) was used to support a mortgage to obtain bank loans; the amortization amount of the land use right in the first half of 2023 was RMB0.7 million (the first half of 2022: RMB2.8 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 (previous name: 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. LaCha 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, which was later withdrawn again. For details, please refer to the Company's announcements or the announcements of the administrator of the Company dated 25 September 2020, 31 August 2022, 16 January 2023, 17 January 2023 and 16 May 2023.

As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB454.0 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 30 June 2023, an aggregate of 103 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB24 million. As at 30 June 2023 as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 11 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 3 July 2023.

As at 30 June 2023, as a result of the Company's involvement in a total of 15 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 properties of the Company (with an aggregate book value of approximately RMB0.321 billion as at 31 May 2023) have been seized. The seizure has caused restriction to rights and there is a risk that the 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 properties, and actively negotiate and conciliate with the applicants for the freezing order to release the 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 3 July 2023.

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

BUSINESS REVIEW

Retail Network

For the six months ended 30 June 2023, the number of domestic retail outlets of the Group was 200, decreased from 218 as at 31 December 2022, which were situated at approximately 122 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 30 June 2023 and as at 31 December 2022 by tier of cities in the PRC:

	As at 30 June 2023		As at 31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
First-tier cities	**29**	**14.5**	35	16.1
Second-tier cities	**77**	**38.5**	97	44.5
Third-tier cities	**37**	**18.5**	40	18.3
Other cities	**57**	**28.5**	46	21.1
Total	**200**	**100.0**	218	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 30 June 2023 and as at 31 December 2022 by types of retail points:

	As at 30 June 2023		As at 31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
Concessionaire counters	**86**	**43.0**	87	39.9
Standalone retail outlets	**30**	**15.0**	27	12.4
Franchise/Associate	**84**	**42.0**	104	47.7
Total	**200**	**100.0**	218	100.0

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2023 and as at 31 December 2022 by brands:

	As at 30 June 2023		31 December 2022	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
La Chapelle	**100**	**50.0**	95	43.5
Puella	**32**	**16.0**	42	19.3
7 Modifier	**14**	**7.0**	31	14.2
La Babité	**7**	**3.5**	20	9.2
Candie's	**–**	**–**	–	–
USHGEE	**47**	**23.5**	25	11.5
Menswear	**–**	**–**	4	1.8
8ém	**–**	**–**	1	0.5
Other brands	**–**	**–**	–	–
Total	**200**	**100.0**	218	100.0

Notes:

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.

The table below sets out the distribution of the Group's net retail points open/(closure) in the PRC in the first half of 2023 by brands:

	As at 30 June 2023	
	Number of Net retail points closure	**Percentage of total (%)**
La Chapelle	**5**	**(27.8)**
Puella	**(10)**	**55.6**
7 Modifier	**(17)**	**94.4**
La Babité	**(13)**	**72.2**
Candie's	**–**	**–**
USHGEE	**22**	**(122.2)**
Menswear	**(4)**	**22.2**
8ém	**(1)**	**5.6**
Other brands	**–**	**–**
Total	**(18)**	**100.0**

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

Although the Company has entered bankruptcy liquidation procedures in February 2023, the Company has always followed the general principle of "maintaining the stability of its main business and promoting transformation and innovation", and maintained the stability of its basic production and operation and core business. At the same time, the Company continued promote changes in the areas of brand rebranding, product innovation and channels optimization to promote brand connotation, brand image enhancement and quality and efficiency improvement in its end-offline retail business. The Company continued to rationalize its internal management system and organizational structure and clarifying the business development path and key measures in the future, thereby laying a solid foundation for returning to a healthy growth path.

FUTURE OUTLOOK

In the second half of 2023, the Company will continue to pursue the theme of "Transformation", and will strive 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 is still in the bankruptcy liquidation procedure, and the administrator of the Company has previously published pre-invitation for intended investors for the bankruptcy liquidation case of the Company. The Company has initiated discussion with certain of its creditors with respect to the feasibility of conducting bankruptcy restructuring before the initiation of the bankruptcy liquidation procedure and has been continuously discussing with such creditors. The Company will still aims to protect the legitimate rights and interests of creditors and safeguarding the overall value of the Company and conduct in-depth analysis and discussions with its shareholders and creditors on the feasibility of restructuring, discuss with relevant parties to resolve the Company's debts and to plan future operational development, proactively plan and facilitate the bankruptcy restructuring process, 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. **Strengthen online business brand empowerment and to achieve scale breakthrough and better performance.**

   The Company will continue to increase its business development efforts in brand empowerment, cooperate with distributors and pipelines with quality industry resources and rich operational experience, 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 adopted self-operated livestreaming 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.

3. **Continue Focusing on refining offline management capabilities and improving business profitability.**

   The Company will expand offline business based on the criteria of profit and 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 operated through both franchises and associates model to achieve the effect of reducing the management radius and operating capital investment. At the same time, the Company will continue focusing 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 product strategy and staff structure, and improving shop efficiency and profitability of the offline network.

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

   The Company will persistently strengthen its overall budget management and cost control and improve the profitability of its main business through implementing "cost reduction and efficiency enhancement" measures. During the Reporting Period, the Company has taken measures to improve management, optimize process, streamline redundant staff in line with the business restructuring process, so as to optimize expenses and costs as well as proactively promote benign collaboration across departments and enhance management efficiency to achieve organizational efficiency improvement. 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 for key expenses, and form a closed-loop management for 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.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 six months ended 30 June 2023 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 six months ended 30 June 2023.

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 six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Ms. Wang Yan, and two independent non-executive Directors, namely Mr. Xing Jiangze and Ms. Chow Yue Hwa Jade.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

(1) As a result of a dispute over a property lease agreement, Nanbu County Mei Hao Jia Yuan Real Estate Development Co., Ltd.* (南部縣美好家園房地產開發有限公司) applied for reopening retrial of its claim against the Company and its subsidiaries, and the Company received retrial judgement. For details, please refer to the announcement of the administrator of the Company dated 28 July 2023.

(2) As a result of disputes over financial loan agreements, China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) sued the Company and its wholly-owned subsidiaries, and the Company received the first instance judgements. For details, please refer to the announcements of the administrator of the Company dated 7 July 2023 and 1 August 2023.

(3) As a result of disputes over guarantee agreement, China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) sued the Company, and the Company received a first instance judgement. For details, please refer to the announcements of the administrator of the Company dated 1 August 2023.

(4) As a result of disputes over financial loan agreements, China CITIC Bank Corporation Limited Shanghai Branch* (中信銀行股份有限公司上海分行) sued the Company and its subsidiaries. The case has reached the stage of applications for compulsory enforcement. The assets held by Chengdu Lewei Fashion Co., Ltd.* (成都樂微服飾有限公司) was put up for judicial auction through the online platform of Taobao.com from 10:00 a.m. on 17 July 2023 to 10:00 a.m. on 18 July 2023. As at the end of the auction, no bids had been placed, so the auction has failed to find any buyers. The above-mentioned assets was put up for a second judicial auction through the online platform of Taobao.com from 10:00 a.m. on 7 August 2023 to 10:00 a.m. on 8 August 2023. This judicial auction has already produced bidding results. For details, please refer to the announcements of the administrator of the Company dated 18 July 2023, 21 July 2023 and 8 August 2023.

(5) 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 July 2023, an aggregate of 103 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB15 million. As at 31 July 2023, as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 11 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 August 2023.

    As at 31 July 2023, as a result of the Company's involvement in a total of 15 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 properties of the Company (with an aggregate book value of approximately RMB0.320 billion as at 30 June 2023) have been seized. The seizure has caused restriction to rights and there is a risk that the properties may be judicially auctioned for debt repayment. The Company will proactively coordinate with the relevant parties, properly handle the seizures, and actively negotiate with the applicants for such seizures so that the rights restrictions can be lifted and the properties involved can return to normal conditions as soon as possible. For details, please refer to the announcement of the administrator of the Company dated 1 August 2023.

(6) The Company has applied to the Shanghai No.3 Intermediate People's Court* (上海市第三中級人民法院) for entering into reorganization procedure on 29 August 2023. For details, please refer to the announcement of the administrator of the Company dated 30 August 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 INTERIM RESULTS AND INTERIM REPORT OF THE COMPANY

This interim results announcement is published on the websites of the Company (www.lachapelle.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk). An interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company, the Hong Kong Stock Exchange and National Equities Exchange and Quotations (www.neeq.com.cn) 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 August 2023

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

* *For identification purposes only*