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# La Chapelle

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

(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 2024

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 2024 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2023 as follows:

	Six months ended 30 June		Increase/ (decrease) %
	2024 <i>RMB’000</i> (unaudited)	2023 <i>RMB’000</i> (unaudited)	
<b>Financial highlights</b>			
Revenue	<b>69,354</b>	83,988	(17.4)
Gross profit	<b>53,498</b>	63,063	(15.2)
Operating (loss)/profit	<b>(62,555)</b>	(510,898)	87.8
(Loss)/profit before income tax	<b>(68,428)</b>	(578,539)	88.2
Income tax expenses	<b>(28,026)</b>	293	(9,665.2)
Net (loss)/profit	<b>(40,402)</b>	(578,832)	(93.0)
Basic and diluted (losses)/earnings per share (RMB: yuan)	<b>(0.02)</b>	(1.04)	98.1

	<b>30 June 2024</b>	31 December 2023	<b>Increase/ (decrease)</b>
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<b>%</b>
	<b>(unaudited)</b>	(audited)	
Total assets	<b>555,880</b>	597,849	(7.0)
Total equity attributable to shareholders of the Company	<b>(3,254,195)</b>	(3,240,854)	(0.4)

	<b>Six months ended 30 June</b>		<b>Increase/ (decrease)</b>
	<b>2024</b>	2023	<b>percentage point(s)</b>
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	
	<b>(unaudited)</b>	(unaudited)	
<b>Financial Ratios</b>			
Gross profit margin	<b>77.14%</b>	75.09%	2.05
Operating (loss)/profit margin	<b>(90.20%)</b>	(608.30%)	518.10
(Loss)/profit margin for the period	<b>(58.25%)</b>	(689.18%)	630.93

## INTERIM CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2024

		For the six months ended	
		30 June	
	Notes	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>69,354</b>	83,988
Less: Cost of sales	4	<b>15,856</b>	20,925
Taxes and surcharges		<b>574</b>	1,398
Selling and distribution expenses	5	<b>34,370</b>	50,613
General and administrative expenses	6	<b>20,945</b>	43,945
Financial expenses	7	<b>37,810</b>	47,057
Including: Interest expenses		<b>38,117</b>	47,338
Interest income		<b>554</b>	511
Add: Other income	11	<b>237</b>	14,080
Investment income	10	<b>(13,902)</b>	(457,311)
Including: investment income of joint ventures and associates		<b>(13,500)</b>	1,773
Gains on fair value changes		<b>(1,252)</b>	(330)
Credit impairment losses	8	<b>1,642</b>	17,176
Asset impairment losses	9	<b>(8,517)</b>	(4,976)
Gains on disposals of assets		<b>(562)</b>	413
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(62,555)</b>	(510,898)
Add: Non-operating income	12	<b>73</b>	142
Less: Non-operating expenses		<b>5,946</b>	67,783
		<hr/>	<hr/>
<b>Loss before income taxes</b>		<b>(68,428)</b>	(578,539)
Less: Income tax expenses	13	<b>(28,026)</b>	293
		<hr/>	<hr/>
<b>Net loss</b>		<b>(40,402)</b>	(578,832)
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	<i>Notes</i>	<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2024</b>	2023
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Classified by continuity of operations			
– Net loss from continuing operations		<b>(40,402)</b>	(578,832)
– Net loss from discontinued operations		–	–
Classified by ownership of the equity			
– Attributable to shareholders of the Company		<b>(13,341)</b>	(565,165)
– Attributable to minority interests		<b>(27,061)</b>	(13,667)
<b>Other comprehensive (loss)/income after tax</b>		<b>–</b>	–
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		–	–
<b>Total comprehensive (loss)/income</b>		<b>(40,402)</b>	(578,832)
– Attributable to shareholders of the Company		<b>(13,341)</b>	(565,165)
– Attributable to minority interests		<b>(27,061)</b>	(13,667)
<b>(Losses)/earnings per share</b>			
– Basic losses per share (RMB: yuan)		<b>(0.02)</b>	(1.04)
– Diluted losses per share (RMB: yuan)		<b>(0.02)</b>	(1.04)

# INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2024

ASSETS	<i>Notes</i>	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>Current assets</b>			
Cash at bank and on hand	15	36,839	49,930
Financial assets held for trading		–	–
Notes receivable		–	–
Accounts receivable	16	9,894	9,253
Advances to suppliers		4,078	1,472
Other receivables	17	5,831	5,469
Inventories	18	31,568	38,857
Non-current assets due within one year		–	–
Other current assets		85,696	83,226
<b>Total current assets</b>		<b>173,906</b>	<b>188,207</b>
<b>Non-current assets</b>			
Long-term receivables		–	–
Long-term equity investments		73,813	87,313
Other equity instruments investment		–	–
Other non-current financial assets		95,475	96,727
Fixed assets	14	107,180	110,972
Construction in progress		67,868	67,868
Right-of-use assets		2,152	8,988
Intangible assets		34,248	35,355
Goodwill		–	–
Long-term prepaid expenses		1,238	2,419
Deferred tax assets		–	–
Debt investment		–	–
Other non-current assets		–	–
<b>Total non-current assets</b>		<b>381,974</b>	<b>409,642</b>
<b>TOTAL ASSETS</b>		<b>555,880</b>	<b>597,849</b>

<b>LIABILITIES AND EQUITY</b>	<i>Notes</i>	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>Current liabilities</b>			
Short-term borrowings	20	1,077,598	1,077,598
Notes payable		–	–
Accounts payable	21	1,127,881	1,121,143
Advance from customers		417	782
Contract liabilities		3,069	5,170
Employee benefits payable		6,334	11,216
Taxes payable		106,836	134,175
Other payables	22	1,106,506	1,082,453
Including: Interests payable		410,321	372,204
Dividends payable		–	–
Non-current liabilities due within one year		1,370	3,219
Other current liabilities		375	488
<b>Total current liabilities</b>		<b>3,430,386</b>	<b>3,436,244</b>
<b>Non-current liabilities</b>			
Long-term borrowings		–	–
Lease obligations		1,008	5,238
Accrued liabilities		485,546	476,875
Deferred tax liabilities		–	–
Other non-current liabilities		4,350	4,500
<b>Total non-current liabilities</b>		<b>490,904</b>	<b>486,613</b>
<b>Total liabilities</b>		<b>3,921,290</b>	<b>3,922,857</b>
<b>Equity</b>			
Share capital	19	547,672	547,672
Capital surplus		1,913,251	1,913,251
Less: treasury share		20,010	20,010
Other comprehensive income		(43,606)	(43,606)
Surplus reserve		246,788	246,788
Undistributed profits		(5,898,290)	(5,884,949)
<b>Total equity attributable to shareholders of the Company</b>		<b>(3,254,195)</b>	<b>(3,240,854)</b>
<b>Minority interests</b>		<b>(111,215)</b>	<b>(84,154)</b>
<b>Total equity</b>		<b>(3,365,410)</b>	<b>(3,325,008)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>555,880</b>	<b>597,849</b>

## INTERIM CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30 June 2024

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	63,370	78,946
Tax and surcharge refunds	38	1
Cash received relating to other operating activities	3,188	12,242
	<u>66,596</u>	<u>91,189</u>
<b>Sub-total of cash inflows in operating activities</b>		
Cash paid for goods and services	16,983	19,480
Cash paid to and on behalf of employees	31,453	32,424
Payments of taxes and surcharges	1,350	5,320
Cash paid relating to other operating activities	25,122	35,537
	<u>74,908</u>	<u>92,761</u>
<b>Sub-total of cash outflows in operating activities</b>		
<b>Net cash flows from operating activities</b>	<u>(8,312)</u>	<u>(1,572)</u>
<b>Cash flows from investing activities</b>		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	–
Cash received from gain on investment	389	–
Net cash received from disposal of subsidiaries and other business units	–	–
Cash received relating to other investing activities	–	–
	<u>389</u>	<u>–</u>
<b>Sub-total of cash inflows in financing activities</b>		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	479	1,033
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
	<u>479</u>	<u>4,574</u>
<b>Sub-total of cash outflows in financing activities</b>		
<b>Net cash flows from investing activities</b>	<u>(90)</u>	<u>(4,574)</u>

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>		
Cash received from investments by others	–	–
Cash received from borrowings	–	–
Cash received relating to other financing activities	–	–
	<u>–</u>	<u>–</u>
<b>Sub-total of cash inflows in financing activities</b>	<u>–</u>	<u>–</u>
Cash repayments of borrowings	–	–
Cash payments for distribution of dividends, profits or interest expenses	–	–
Cash payments relating to other financing activities	<b>1,873</b>	517
	<u>1,873</u>	<u>517</u>
<b>Sub-total of cash outflows in financing activities</b>	<u>1,873</u>	<u>517</u>
<b>Net cash flows from financing activities</b>	<u>(1,873)</u>	<u>(517)</u>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>–</u>	<u>–</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,275)</b>	(6,663)
Add: Cash and cash equivalents at beginning of period	<b>41,642</b>	36,052
	<u>41,642</u>	<u>36,052</u>
<b>Cash and cash equivalents at end of period</b>	<b>31,367</b>	29,389
	<u><u>31,367</u></u>	<u><u>29,389</u></u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

(All amounts in RMB'000 unless otherwise stated)

## 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 RMB-denominated shares and H-shares of overseas-listed shares issued by the Company were listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”). On 8 July 2020, the Company changed its name to “Xinjiang La Chapelle Fashion Co., Ltd.”. 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 apparel design, promotion, and sale of apparel products.

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

These unaudited interim financial statements were approved by Company’s Board of Directors on 29 August 2024.

## 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 2023).

### 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			
	2024		2023	
	Revenue	Cost	Revenue	Cost
Principal business	64,136	13,373	73,904	17,314
Other business	5,218	2,483	10,084	3,611
Total	<u>69,354</u>	<u>15,856</u>	<u>83,988</u>	<u>20,925</u>

##### (2) Income derived from contracts:

Contract classifications	For the six months ended 30 June	
	2024	2023
1. Category of products		
Apparel	33,951	49,349
Brand-integrated services	30,185	24,555
Lease	3,798	6,147
Others	1,420	3,937
2. Classified by business areas		
Domestic	69,354	83,988
Overseas	–	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	35,371	53,286
Transferred at a point over time	33,983	30,702
<b>Total</b>	<u>69,354</u>	<u>83,988</u>

## 5. Selling and distribution expenses

For the six months ended  
30 June

2024 2023

Employee benefits expenses	13,571	15,973
Depreciation of right of use assets	960	1,808
Amortization of long-term prepaid expenses	1,711	1,787
Department store expenses	10,498	17,923
Online platform expenses	202	1,426
Utilities and electricity fees	520	622
Logistic expenses	175	692
Depreciation of fixed assets	2,397	6,295
Marketing expense	3,707	2,095
Costs of low value consumables	128	215
Repair and maintenance expenses	48	–
Traveling and communication expenses	292	484
Amortization of intangible assets	–	11
Office supplies	38	961
Design and consulting expenses	101	215
Others	22	106
	<hr/>	<hr/>
Total	<b>34,370</b>	<b>50,613</b>

## 6. General and administrative expenses

For the six months ended  
30 June

2024 2023

Employee benefits expenses	12,808	23,973
Depreciation of fixed assets	105	804
Consulting expenses	1,901	5,553
Amortization of intangible assets	961	2,211
Rental fees	1,263	4,958
Utilities and electricity fees	651	2,858
Office supplies	1,489	1,578
Traveling and communication expenses	557	975
Depreciation of right-of-use assets	970	–
Logistic expenses	119	326
Repair and maintenance expenses	32	75
Costs of low value consumables	32	82
Amortization of long-term prepaid expenses	–	62
Others	57	490
	<hr/>	<hr/>
Total	<b>20,945</b>	<b>43,945</b>

**7. Financial expenses****For the six months ended  
30 June**

2024 2023

Interest expenses	38,117	47,338
Less: Interest income	554	511
Bank charges	55	112
Financing fees and others	192	118
	<u>          </u>	<u>          </u>
Total	<u><u>37,810</u></u>	<u><u>47,057</u></u>

**8. Credit impairment losses****For the six months ended  
30 June**

2024 2023

Bad debt losses of accounts receivables	2,418	9,149
Bad debt losses of other receivables	(776)	8,027
	<u>          </u>	<u>          </u>
Total	<u><u>1,642</u></u>	<u><u>17,176</u></u>

**9. Asset impairment losses****For the six months ended  
30 June**

2024 2023

Loss on impairment of inventories	(8,517)	(4,976)
	<u>          </u>	<u>          </u>
Total	<u><u>(8,517)</u></u>	<u><u>(4,976)</u></u>

**10. Investment income**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Income from long-term equity investments accounted for by the equity method	<b>(13,500)</b>	1,773
Gain or loss on debt restructuring	<b>(402)</b>	5,372
Gain or loss on change in scope of consolidation	<b>—</b>	(464,456)
Total	<b><u>(13,902)</u></b>	<b><u>(457,311)</u></b>

**11. Other income**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Governmental grants relating to daily operational activities	<b>237</b>	14,143
Gains from debt restructuring and others	<b>—</b>	(63)
Total	<b><u>237</u></b>	<b><u>14,080</u></b>

**12. Non-operating income**

	<b>For the six months ended 30 June</b>		<b>The amount included in non-recurring profit or loss for the six months ended</b>
	<b>2024</b>	<b>2023</b>	<b>30 June 2024</b>
Compensation income	<b>65</b>	104	65
Others	<b>8</b>	38	8
Total	<b><u>73</u></b>	<b><u>142</u></b>	<b><u>73</u></b>

### 13. Income tax expenses

#### (1) Table of income tax expenses

	For the six months ended 30 June	
	2024	2023
Current income tax expense	–	–
Deferred income tax expense	<u>(28,026)</u>	<u>293</u>
Total	<u><u>(28,026)</u></u>	<u><u>293</u></u>

#### (2) Reconciliation between total profit and income tax expenses

	For the six months ended 30 June 2024
Total profit	(68,428)
Income tax expense at statutory tax rates	(17,107)
Effect of different tax rates applied to subsidiaries	–
Effect of adjusting income tax of prior periods	–
Effect of non-taxable income	3,688
Effect of non-deductible costs, expenses and losses	231
Effect of deductible losses from the use of prior period's unrecognized deferred tax assets	(1,402)
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	(13,436)
Income tax expense	<u><u>(28,026)</u></u>

**14. Fixed assets**

Item	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
<b>I. Original cost</b>					
1. Opening balance	144,350	7,024	1,422	28,081	180,877
2. Increases in the current year	–	–	–	11	11
Purchase	–	–	–	11	11
3. Decreases in the current year	–	841	–	516	1,357
Disposal or retirement	–	841	–	516	1,357
4. Closing balance	144,350	6,183	1,422	27,576	179,531
<b>II. Accumulated depreciation</b>					
1. Opening balance	35,863	6,331	1,351	26,360	69,905
2. Increases in the current year	3,609	44	–	82	3,735
Accrual for the period	3,609	44	–	82	3,735
3. Decreases in the current period	–	799	–	490	1,289
Disposal or retirement	–	799	–	490	1,289
4. Closing balance	39,472	5,576	1,351	25,952	72,351
<b>III. Impairment allowance</b>					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
<b>IV. Carrying amount</b>					
1. Closing balance	104,878	607	71	1,624	107,180
2. Opening balance	<u>108,487</u>	<u>693</u>	<u>71</u>	<u>1,721</u>	<u>110,972</u>

**15. Cash at bank and on hand**

	30 June 2024	31 December 2023
Cash on hand	22	15
Bank deposits	31,345	41,627
Other monetary funds	<u>5,472</u>	<u>8,288</u>
Total	<u>36,839</u>	<u>49,930</u>
Including: total amount of funds abroad	<u>2</u>	<u>2</u>



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

	<b>30 June 2024</b>	31 December 2023
Bank deposits restricted due to reasons such as judicial freezing	<u>5,472</u>	<u>8,288</u>
Total	<u><u>5,472</u></u>	<u><u>8,288</u></u>

## 16. Accounts receivable

	<b>30 June 2024</b>	31 December 2023
Accounts receivable	<b>1,578,602</b>	1,580,379
Less: Provision for bad debts	<u>1,568,708</u>	<u>1,571,126</u>
	<u><u>9,894</u></u>	<u><u>9,253</u></u>

(i) As at 30 June 2024, 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	<u>1,456,817</u>	<u>1,456,817</u>	<u>93</u>

(ii) As at 30 June 2024, 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
Shanghai La Chapelle Casual Fashion Co., Ltd. * (上海拉夏貝爾休閒服飾有限公司) ("La Chapelle Casual")	372,285	372,285	100	Note 4
Receivables from merchants	<u>139,853</u>	<u>139,853</u>	100	Note 5
Total	<u><u>1,567,511</u></u>	<u><u>1,567,511</u></u>	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:* On 23 August 2023, La Chapelle Casual, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy liquidation administrator designated by the court. As La Chapelle Casual 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 5:* 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 2024, the Group reserved allowance of bad debts based on aging analysis method. The amount was RMB1,197 thousand.

	<b>As at 30 June 2024</b>		
	<b>Provision of bad debts</b>	<b>Allowance of bad debts</b>	
	<b>Carrying amount</b>	<b>Expected credit loss (%)</b>	<b>Expected credit loss of the entire life</b>
Within credit period (90 days)	7,085	2	142
Overdue (90 days) to one year	2,779	5	139
One year to two years	375	30	113
Two years to three years	122	60	73
Above three years	730	100	730
	<u>11,091</u>	11	<u>1,197</u>

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

Items	Opening balance	Accrual	Changes		Other changes resulted from the changes of scope of consolidation	Closing balance
			Recovered or reversed	Written off		
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,570,175	–	2,664	–	–	1,567,511
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	951	246	–	–	–	1,197
Including: Accrual for bad debts on portfolio	<u>951</u>	<u>246</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,197</u>
Total	<u>1,571,126</u>	<u>246</u>	<u>2,664</u>	<u>–</u>	<u>–</u>	<u>1,568,708</u>

(v) There were no actual write-off of accounts receivable during the Reporting Period.

#### 17. Other receivables

	30 June 2024	31 December 2023
Deposits and security deposits	64,638	64,535
Employee reserve fund	306	104
Property rental fees	4,968	3,759
Current accounts receivable	775,887	776,263
Others	<u>3,108</u>	<u>3,108</u>
Less: Provision for bad debts	<u>843,076</u>	<u>842,300</u>
Total	<u>5,831</u>	<u>5,469</u>

(a) Movement of loss allowance and carrying amount

	Stage 1	Stage 2	Stage 3	Total
	Expected credit	Stage 2	Lifetime expected	
	Losses in the	Lifetime	Lifetime expected	
	next 12 months	credit losses (no	credit losses	
		credit impairment	(credit impairment	
		occurred)	occurred)	
Opening balance	3,121	195	838,984	842,300
Opening balance in current year	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	–	–	–	–
Provision during this period	–	1,202	2,804	4,006
Reversal or write-off during this period	2,983	–	247	3,230
Write-off during this period	–	–	–	–
<b>Closing balance</b>	<b>138</b>	<b>1,397</b>	<b>841,541</b>	<b>843,076</b>

18. Inventories

(a) Classification of inventories is as follows:

	As at 30 June 2024			As at 31 December 2023		
	Carrying		Carrying	Carrying		Carrying
	amount		amount	amount		amount
	before	Provision	amount	before	Provision	amount
	provision			provision		
Raw materials	980	980	–	980	–	980
Finished goods	93,561	62,173	31,388	98,011	62,728	35,283
Low value consumables	2,606	2,426	180	2,594	–	2,594
	<b>97,147</b>	<b>65,579</b>	<b>31,568</b>	<b>101,585</b>	<b>62,728</b>	<b>38,857</b>

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

	31 December 2023	Accrual in the current period	Reversal or write off	Other decrease	30 June 2024
Raw materials	–	980	–	–	980
Finished goods	62,728	5,111	5,666	–	62,173
Low value consumables	–	2,426	–	–	2,426
	<u>–</u>	<u>2,426</u>	<u>–</u>	<u>–</u>	<u>2,426</u>
Total	<u>62,728</u>	<u>8,517</u>	<u>5,666</u>	<u>–</u>	<u>65,579</u>

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 2024	Movement in the current period	As at 31 December 2023
RMB-denominated ordinary shares	332,882	–	332,882
Overseas-listed shares (H share)	214,790	–	214,790
	<u>547,672</u>	<u>–</u>	<u>547,672</u>
Total	<u>547,672</u>	<u>–</u>	<u>547,672</u>

20. Short-term borrowings

	As at 30 June 2024	As at 31 December 2023
Secured borrowing	54,000	54,000
Mortgages and guaranteed loans	473,598	473,598
Mortgage, pledge and guarantee loan	550,000	550,000
	<u>1,077,598</u>	<u>1,077,598</u>
Total	<u>1,077,598</u>	<u>1,077,598</u>

As at 30 June 2024, the annual interest rate range of the above borrowings is 4.55% to 7.00% (31 December 2023: 4.55% to 7.00%).

As at 30 June 2024, the balance of overdue loans was RMB1,077,598 thousand (31 December 2023: RMB1,077,598 thousand).

## 21. Accounts payable

	<b>30 June 2024</b>	31 December 2023
Payable for purchase	<b><u>1,127,881</u></b>	<u>1,121,143</u>

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

Aging	Closing Balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	<b>18,348</b>	<b>2</b>	36,503	3
Above 1 year	<b><u>1,109,533</u></b>	<u>98</u>	<u>1,084,640</u>	<u>97</u>
Total	<b><u>1,127,881</u></b>	<u>100</u>	<u>1,121,143</u>	<u>100</u>

## 22. Other payables

	<b>30 June 2024</b>	31 December 2023
Other payables		
Including: Payables for construction and decoration of department stores	<b>93,713</b>	96,611
Suppliers' deposits	<b>34,447</b>	35,392
Vendors' deposit	<b>11,884</b>	12,383
Payables for logistic expense	<b>4,801</b>	3,059
Payable for posts props and store promotion	<b>2,983</b>	3,031
Payables for rental fees	<b>58,238</b>	61,236
Litigation defaults, fees, and interests	<b>222,685</b>	227,783
Loans from the third parties	<b>2,700</b>	2,700
Payable for e-commerce	<b>6,122</b>	6,122
Consulting fees	<b>509</b>	609
Payables for software purchase	<b>893</b>	818
Estimated expenditures	<b>4,329</b>	9,005
Tax overdue payments	<b>33,933</b>	33,011
Others	<b>10,157</b>	11,048
External related party	<b>188,791</b>	187,441
Reorganisation investment deposit	<b>20,000</b>	20,000
Interest payable		
Including: Interest payable of short-term borrowings	<b><u>410,321</u></b>	<u>372,204</u>
	<b><u>1,106,506</u></b>	<u>1,082,453</u>

## 23. Dividends

The Board did not recommend the payment of any dividend for the six months ended 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW AND BUSINESS OPERATIONS

In the first half of 2024, with the continuous benefit of the policies for promoting consumption, the consumption demand continued to show a trend of recovery, and the domestic consumer market as a whole showed a steady growth trend. According to statistics from the National Bureau of Statistics, the total domestic retail sales of consumer goods in the first half of 2024 amounted to RMB23,596.9 billion, representing a year-on-year increase of 3.7%. The retail sales of apparel, footwear, hats and knitted textile products in the consumer goods category above the designated size amounted to RMB709.8 billion, representing a year-on-year increase of 1.3%, representing a trend of steady growth. In June 2024, the total domestic retail sales of consumer goods increased by 2.0% over the same period in the previous year, while the retail sales of apparel, footwear, hats and knitted textile products in the consumer goods category above the designated size decreased by 1.9% month-on-month and increased by 7.8% as compared to May 2024. As the “stabilizing growth” and “promoting consumption” policy continues to take effect and the national economy gradually improves, which will provide strong support for the growth of the consumer market, the trend of recovery of the consumer market will take effect in a further way.

In the first half of 2024, the Company actively promoted its reorganisation and consistently adhering to the general principle of “maintaining the stability in the main business while promoting transformation and innovation”, thereby ensuring the stability of its basic production and operation and core business, thereby laying a solid foundation for returning to a healthy growth trajectory.

During the Reporting Period, the Group achieved operating income of approximately RMB70 million, representing a decrease compared to the same period last year, which was mainly attributable to the year-on-year decrease in the number of stores. During the Reporting Period, the net loss attributable to the shareholders of the Company was approximately RMB10 million, representing a decrease of approximately RMB550 million compared to the same period last year. The main reasons for the continued loss during the Reporting Period are: (1) the Group still faced a high level of overdue debts during the Reporting Period, which resulted in accumulation in overdue interests expenses of approximately RMB40 million; (2) loss on fair value changes of invested enterprises amounted to approximately RMB15 million; (3) in the period, the Company made impairment losses for inventories of approximately 10 million.

### FINANCIAL REVIEW

#### Revenue

The revenue of the Group in the first half of 2024 decreased from RMB84.0 million in the first half of 2023 to RMB69.4 million, representing a decrease of 17.4%.

The decrease in revenue was mainly attributable to the year-on-year decrease in the number of stores. The number of retail points of the Group decreased by 62 from 217 as at 31 December 2023 to 155 as at 30 June 2024, representing a decrease of 28.6%.

## 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					
	2024			2023		
	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	12,288	17.7	66.9	22,308	26.6	(8.4)
Standalone retail outlets	8,255	11.9	68.4	13,034	15.5	(6.4)
Online platform	1,266	1.8	53.0	6,375	7.6	21.9
Franchise/Associates	11,883	17.2	48.7	7,408	8.8	4.4
Wholesale	259	0.4	99.6	224	0.3	0.5
Brand-integrated services	30,185	43.5	100.0	24,555	29.2	–
Others	5,218	7.5	52.4	10,084	12.0	11.8
<b>Total</b>	<b>69,354</b>	<b>100.0</b>	<b>77.1</b>	<b>83,988</b>	<b>100.0</b>	<b>2.0</b>

Note: “Others” mainly refers to the revenue from the Company’s leasing business of RMB3.798 million and other revenue, amounting to a sum of RMB5.218 million in total.

The revenue from concessionaire counters decreased from RMB22.3 million in the first half of 2023 to RMB12.3 million in the first half of 2024, representing a decrease of 44.9%. The revenue from standalone retail outlets decreased from RMB13.0 million in the first half of 2023 to RMB8.3 million in the first half of 2024, representing a decrease of 36.7%. The revenue from online platform decreased from RMB6.4 million in the first half of 2023 to RMB1.3 million in the first half of 2024, representing a decrease of 80.1%. The revenue from the franchise/associate increased from RMB7.4 million in the first half of 2023 to RMB11.9 million to the first half of 2024, representing an increase of 60.4%. The revenue from brand-integrated services increased from RMB24.6 million in the first half of 2023 to RMB30.2 million in the first half of 2024, representing an increase of 22.9%.



## 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					
	2024			2023		
	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	38,760	55.9	75.5	44,283	52.7	3.0
Puella	5,992	8.6	83.3	8,048	9.6	(1.7)
7 Modifier	1,102	1.6	98.9	1,829	2.2	8.8
La Babité	1,083	1.6	99.7	2,716	3.2	1.1
USHGEE	6,565	9.5	57.2	7,005	8.3	7.0
Menswear brands	7,763	11.2	99.5	7,433	8.9	2.2
8ém	2,869	4.1	100.0	2,571	3.1	–
Other brands	2	–	100.0	19	–	5.3
Others	5,218	7.5	52.4	10,084	12.0	(11.8)
<b>Total</b>	<b>69,354</b>	<b>100.0</b>	<b>77.1</b>	<b>83,988</b>	<b>100.0</b>	<b>2.0</b>

### Notes:

1. “Menswear brands” comprise JACK WALK, Pote and MARC ECKÖ brands; “Other brands” comprise brands including UlifeStyle;
2. “Others” mainly refers to the revenue from the leasing business of RMB3.798 million and other revenue. Revenue from leasing business decreased by 38.2% compared to the corresponding period of the previous year mainly because La Chapelle Taicang, the company holding the Taicang logistic property, entered into reorganisation bankruptcy in February 2023 and was no longer consolidated into consolidated statements of the Company and that the Chengdu logistic property was disposed of via judicial auction in August 2023.

## 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					
	2024			2023		
	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	8,183	11.8	62.2	16,714	19.9	4.5
Second-tier cities	12,756	18.4	60.6	19,679	23.4	(9.3)
Third-tier cities	9,067	13.1	55.2	15,669	18.7	(11.5)
Other cities	9,163	13.2	59.9	7,371	8.8	(3.1)
Brand-integrated services	30,185	43.5	100.0	24,555	29.2	–
<b>Total</b>	<b>69,354</b>	<b>100.0</b>	<b>77.1</b>	<b>83,988</b>	<b>100.0</b>	<b>2.0</b>

*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 2024, 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, the Group’s revenue in first-tier to third-tier of cities decreased.

## 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					
	2024			2023		
	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	23,089	33.3	62.1	32,352	38.5	(1.6)
Bottoms	4,341	6.3	64.2	6,168	7.4	(4.3)
Dresses	6,466	9.3	53.1	10,658	12.7	(13.3)
Accessories	55	0.1	31.8	171	0.2	(31.4)
Brand-integrated services	30,185	43.5	100.0	24,555	29.2	–
Others	5,218	7.5	52.4	10,084	12.0	(11.8)
<b>Total</b>	<b>69,354</b>	<b>100.0</b>	<b>77.1</b>	<b>83,988</b>	<b>100.0</b>	<b>2.0</b>

Note: “Others” mainly refers to the revenue from the leasing business of RMB3.798 million and other revenue. Revenue from leasing business decreased by 38.2% compared to the corresponding period of the previous year mainly because La Chapelle Taicang, holding Taicang logistic property, entered into reorganisation bankruptcy in February 2023 and was no longer consolidated into consolidated statements and that Chengdu logistic property was disposed of via judicial auction in August 2023.

In the first half of 2024, 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 last year, revenue contribution from sales of tops decreased by 5.2 percentage points, that from sales of bottoms decreased by 1.1 percentage points and that from sales of dresses decreased by 3.4 percentage points.

## **Cost of Sales**

The cost of sales of the Group decreased by 24.2% from RMB20.9 million in the first half of 2023 to RMB15.9 million in the first half of 2024.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group decreased from RMB63.1 million in the first half of 2023 to RMB53.5 million in the first half of 2024, representing a decrease of 15.2%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased from 75.1% in the first half of 2024 to 77.1% in the first half of 2023, 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 2024 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 2024 amounted to RMB34.4 million (the first half of 2023: RMB50.6 million), consisting primarily of department store expenses, sales staff salaries and benefits, marketing expenses and depreciation of fixed assets. Expressed as a percentage, selling and distribution expenses in the first half of 2024 as a percentage of total revenue in the first half of 2024 was 49.6% (the first half of 2023: 60.3%), representing a decrease compared with the same period last year. General and administrative expenses in the first half of 2024 amounted to RMB20.9 million (the first half of 2023: RMB43.9 million), consisting primarily of administrative employee salaries and benefits, office expenses and consulting service fee. Expressed as a percentage, general and administrative expenses as a percentage of total revenue in the first half of 2024 were 30.2% (the first half of 2023: 52.3%). The contribution of administrative staff salaries and benefits and that of rental fees and consulting service fees to our revenue for the Reporting Period decreased from the same period last year.

## **Asset Impairment Loss**

The asset impairment loss for the first half of 2024 was RMB8.5 million (the first half of 2023: RMB5.0 million), representing an increase compared with the same period last year, mainly due to an increase in the provision for impairment of inventories compared to the same period last year.

## **Credit Impairment Loss**

Credit impairment losses recorded RMB1.6 million for the first half of 2024 (the first half of 2023: RMB17.2 million), representing a decrease compared with the same period last year, mainly due to the decrease in the provision for expected credit losses on accounts receivables compared to the same period last year and that certain accounts receivables were partly recovered.

## **Investment Loss**

Investment loss for the first half of 2024 was RMB13.9 million (the first half of 2023: RMB457.3 million), representing a decrease compared with the same period last year, mainly due to the loss on derecognition resulting from certain former subsidiaries of the Company which entered into bankruptcy procedures in the last period and were no longer consolidated into the consolidated financial statements of the Company.

## **Other Income – Net**

The Group's other income amounted to RMB0.2 million in the first half of 2024 (the first half of 2023: RMB14.1 million), representing a decrease compared with the same period last year, mainly due to the decrease in taxes and additional deductions incurred in the period.

## **Finance Expenses/Income – Net**

The Group's net finance expenses were RMB37.8 million in the first half of 2024 (the first half of 2023: RMB47.1 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 procedures in the last period.

## **Loss before Income Tax**

Loss before income tax of the Group decreased from RMB578.5 million in the first half of 2023 to a loss before income tax of RMB68.4 million in the first half of 2024, representing a decrease of 88.2% from the same period last year. The decrease in the loss before income tax was mainly due to the investment loss on derecognition resulting from certain former subsidiaries of the Company, which entered into bankruptcy procedures in the last period and were no longer consolidated into the consolidated financial statements of the Company.

## **Income Tax Expense/Waiver**

Income tax expense amounted to RMB-28.0 million for the first half of 2024 (the first half of 2023: RMB0.3 million). The effective income tax rate, representing income tax expense divided by profit before tax, in the first half of 2024 was 41.0% (the first half of 2023: -0.1%).

## **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 2024 amounted to RMB40.4 million, representing a decrease of 93.0% from the net loss of RMB578.8 million for the first half of 2023. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB13.3 million, representing an decrease of 97.6% from the net loss of RMB565.2 million for the first half of 2023. Net loss margin for the period of the Group was 58.3% in the first half of 2024, compared to a net loss margin of 689.2% in the first half of 2023.

## Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In the first half of 2024, the capital expenditure incurred by the Group was RMB0.5 million (the first half of 2023: RMB1.0 million).

## Cash and Cash Flow

In the first half of 2024, net cash generated from operating activities amounted to an outflow of RMB8.3million (first half of 2023: net outflow of RMB1.6 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 2024, net cash used in investing activities amounted to a net cash outflow of RMB0.1 million (the first half of 2023: net outflow of RMB4.6 million). In the first half of 2024, the major net cash outflow in investing activities amounted to RMB0.5 million due to the acquisition of acquire fixed assets, intangible assets and other long-term assets.

In the first half of 2024, net cash used in financing activities amounted to an outflow of RMB1.9 million (the first half of 2023: net outflow of RMB0.5 million). Major financing activity in the first half of 2024 was payment relating to other financing activities resulting in a net cash outflow of RMB1.9 million.

As at 30 June 2024, the Group held cash and cash equivalents in the total amount of RMB31.4 million (31 December 2023: RMB41.6 million). In the first half of 2024, the net decrease in cash and cash equivalents was RMB10.3 million (the first half of 2023: net decrease of RMB6.7 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 same period last year.

In the first half of 2024, the average inventory turnover (based on apparel revenue) of the Group was 187 days (the first half of 2023: 133 days), and the average accounts receivable turnover was 27 days for the first half of 2024 (based on principal business revenue) (the first half of 2023: 75 days). The period-on-period increase in accounts receivable turnover rate was mainly due to the lower decrease rate in the Group's operating income compared with that in accounts receivable.

As at 30 June 2024, current liabilities of the Group amounted to RMB3,430.4 million (31 December 2023: current liabilities of the Group amounted to RMB3,436.2 million). Total assets less current liabilities amounted to RMB-2,874.5 million (31 December 2023: total assets less current liabilities amounted to RMB-2,838.4 million). The gearing ratio (formula used: total liabilities/total assets) was 705.4% (31 December 2023: 656.2%).

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 2024, total equity attributable to shareholders of the Company was RMB-3,254.2 million (as at 31 December 2023: RMB-3,240.9 million).

## Bank loans and other borrowings

As at 30 June 2024, bank borrowings of the Group amounted to RMB1,077.6 million (31 December 2023: outstanding loan balance amounted to RMB1,077.6 million), which mainly included mortgages, pledges and guaranteed loans due within one year.

## Pledge of assets

- (1) As at 30 June 2024, the book value of properties and buildings used as mortgage for bank loans was RMB104.9 million (31 December 2023: RMB108.5 million).
- (2) As at 30 June 2024, the book value of projects under construction was RMB67.9 million (31 December 2023: 67.9 million) were used as mortgage to obtain bank loans.
- (3) As at 30 June 2024, the land use right book value was RMB34.0 million (31 December 2023: RMB34.4 million) was used to support a mortgage to obtain bank loans; the amortization amount of the land use right in the first half of 2024 was RMB0.4 million (the first half of 2023: RMB0.7 million).

## Litigation and Contingent liabilities

- (a) 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) (“**CITIC Bank**”) sued the Company and its subsidiaries. The enforcement of the case has been completed and the case is closed by the court. For details, please refer to the announcements of the Company dated 5 March 2021, 6 August 2021 and 25 April 2022 and the announcements of the administrator of the Company dated 16 June 2023, 18 July 2023, 21 July 2023, 8 August 2023 and 19 December 2023.
- (b) As a result of disputes over financial borrowing agreements, Shanghai Caohejing Hi-tech Park Subbranch of China Everbright Bank Co., Ltd.\* (中國光大銀行股份有限公司上海漕河涇開發區支行) (“**China Everbright Caohejing**”) sued the Company and its subsidiaries. China Everbright Caohejing has applied to the court for compulsory enforcement, and the court holed that the real estate located at No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, the PRC\* (天津市西青區大寺鎮興華四支路24號) under the name of La Chapelle (Tianjin) Co., Ltd.\* (拉夏貝爾服飾(天津)有限公司) (“**La Chapelle Tianjin**”), shall be accessed and auctioned. The above-mentioned real estate was put up for the first and second online judicial auction and judicial sale respectively, which all failed to find any buyers. For details, please refer to the announcements of the Company dated 25 January 2021, 29 April 2021, 25 June 2021, 31 December 2021 and 28 December 2022 and the announcements of the administrator of the Company dated 17 February 2023, 22 March 2023, 12 May 2023, 3 July 2023 and 9 October 2023.

- (c) As a result of disputes over financial loan agreements, China CITIC Financial Asset Management Co., Ltd.\* (中國中信金融資產管理股份有限公司) (previously under the name of 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 overseas regulatory announcement of the Company dated 22 June 2018, the announcements of the Company dated 8 February 2021, 16 December 2022 and 1 February 2023 and the announcements of the administrator of the Company dated 1 March 2023, 7 July 2023 and 1 August 2023.
- (d) As a result of disputes over guarantee agreement, China CITIC Financial Asset Management Co., Ltd.\* (中國中信金融資產管理股份有限公司) (previously under the name of 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 overseas regulatory announcement of the Company dated 22 June 2018, the announcements of the Company dated 8 February 2021, 16 December 2022 and 16 January 2023 and the announcement of the administrator of the Company dated 1 August 2023.
- (e) As a result of a dispute over a property l e a s e 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 subsidiaries of the Company, and the subsidiaries of the Company received the reopening retrial judgement. For details, please refer to the announcements of the Company dated 17 June 2019, 15 October 2019, 7 November 2019, 10 March 2020, 12 January 2021, 18 March 2021, 27 May 2021, 22 October 2021 and 24 June 2022 and the announcement of the administrator of the Company dated 28 July 2023.
- (f) 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 Sarl (“**LaCha Apparel II**”), and 100% of its equity interest in Naf Naf SAS to Gemstone Advantage Limited (previously under the name of HTI ADVISORY COMPANY LIMITED) (“**Gemstone Advantage**”) for a loan of EUR37.4 million to fund the consideration for acquiring 60% equity interest in Naf Naf SAS. The Company accepted joint and several liability for the loan. For details, please refer to the Company’s announcement dated 22 May 2019. 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 requesting that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan. Afterwards, Gemstone Advantage withdrew the case and then filed a new case, which was later withdrawn again. For details, please refer to the Company’s announcements dated 25 September 2020, 31 August 2022, 16 January 2023, and 17 January 2023 and the announcement of the administrator of the Company dated 16 May 2023.



As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB484.7 million was provided for.

- (g) As a result of a dispute over an entrusted loan agreement, Urumqi High-tech Investment Development Group Co., Ltd.\* (烏魯木齊高新投資發展集團有限公司) sued the Company and its subsidiaries, and the first instance judgement, Enforcement Notice\* (《執行裁定書》), and “Notice of Assessment and Auction”\* (《評估拍賣通知書》) were received in 2021. In February 2023, the Company received the Enforcement Notice\* (《執行裁定書》), which ruled to auction the real estate under the name of La Chapelle Taicang, the Company’s former wholly-owned subsidiary located at No. 116 Guangzhou East Road, Taicang\* (太倉市廣州東路116號) and the structures thereon. As La Chapelle Taicang has entered into a bankruptcy reorganisation procedure, the above-mentioned auction has been withdrawn. For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 23 April 2021, 16 August 2021, 20 December 2021 and 2 February 2023, and the announcements of the administrator of the Company dated 15 February 2023 and 8 March 2023.
- (h) As a result of a dispute over a construction agreement, Shanghai Construction No. 2 (Group) Co., Ltd.\* (上海建工二建集團有限公司) (“**Shanghai Construction**”) claimed against the Company and its subsidiary. Since the Company’s wholly owned subsidiary, Shanghai Weile did not pay the first instalment of the construction price of RMB5 million to Shanghai Construction, Shanghai Construction has applied to Shanghai No. 1 Intermediate People’s Court for compulsory enforcement, and the said case has entered into the stage of application for compulsory enforcement. For details, please refer to the announcements of the Company dated 9 December 2020, 29 April 2021, 17 May 2021, 9 June 2021, 30 June 2021, 3 July 2022 and 22 July 2022.
- (i) As a result of a dispute over a clothing sale and purchase agreement, Xinjiang Hengding International Supply Chain Technology Co., Ltd.\* (新疆恒鼎國際供應鏈科技有限公司) sued the Company and its subsidiaries. As at the date of this announcement, the first instance judgement from the court was received. For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 28 January 2021, 9 March 2021, 28 January 2021, 23 February 2021, 24 February 2021, and 7 December 2021.
- (j) 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 2024, an aggregate of 96 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB5.47 million. As at 30 June 2024 as a result of factors such as the Group’s involvement in litigation cases, the Company’s equity interest in 3 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB108 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 2 July 2024.

As at 30 June 2024, as a result of the Group’s involvement in a total of 13 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, one real property of the Group (with an aggregate book value of approximately RMB213 million as at 31 May 2024) has been seized. The seizure has caused restriction to rights and there is a risk that the real property may be judicially auctioned for debt repayment. The Company will proactively engage with the relevant parties in order to properly resolve the seizure of the real property, and actively negotiate and conciliate with the applicants for the freezing order to release the real property from right restrictions and restore it to normal conditions as soon as possible. For details, please refer to the announcement of the administrator of the Company dated 2 July 2024.

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 2024, the number of domestic retail outlets of the Group was 155, decreased from 217 as at 31 December 2023. 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 2024 and as at 31 December 2023 by tier of cities in the PRC:

	As at 30 June 2024		As at 31 December 2023	
	Number of retail points	Percentage of total (%)	Number of retail points	Percentage of total (%)
First-tier cities	19	12.3	31	14.3
Second-tier cities	57	36.7	73	33.6
Third-tier cities	19	12.3	32	14.8
Other cities	60	38.7	81	37.3
<b>Total</b>	<b>155</b>	<b>100.0</b>	<b>217</b>	<b>100.0</b>

*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 2024 and as at 31 December 2023 by types of retail points:

	As at 30 June 2024		As at 31 December 2023	
	Number of retail points	Percentage of total (%)	Number of retail points	Percentage of total (%)
Concessionaire counters	38	24.5	23	10.6
Standalone retail outlets	17	11.0	59	27.2
Franchise/Associate	100	64.5	135	62.2
<b>Total</b>	<b>155</b>	<b>100.0</b>	<b>217</b>	<b>100.0</b>

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2024 and as at 31 December 2023 by brands:

	As at 30 June 2024		31 December 2023	
	Number of retail points	Percentage of total (%)	Number of retail points	Percentage of total (%)
La Chapelle	84	54.2	118	54.4
Puella	29	18.7	42	19.3
7 Modifier	3	1.9	7	3.2
La Babité	2	1.3	3	1.4
USHGEE	37	23.9	47	21.7
Menswear	–	–	–	–
8ém	–	–	–	–
Other brands	–	–	–	–
<b>Total</b>	<b>155</b>	<b>100.0</b>	<b>217</b>	<b>100.0</b>

*Note:* The number of stores of the Company is calculated based on the number of retail points, that is, if multiple brands are sold 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 2024 by brands:

	<b>As at 30 June 2024</b>	
	<b>Number of Net retail points closure</b>	<b>Percentage of total (%)</b>
La Chapelle	<b>(34)</b>	<b>(54.8)</b>
Puella	<b>(13)</b>	<b>(21.0)</b>
7 Modifier	<b>(4)</b>	<b>(6.5)</b>
La Babité	<b>(1)</b>	<b>(1.6)</b>
USHGEE	<b>(10)</b>	<b>(16.1)</b>
Menswear	–	–
8ém	–	–
	<hr/>	<hr/>
<b>Total</b>	<b><u>(62)</u></b>	<b><u>(100.0)</u></b>

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

## **FUTURE OUTLOOK**

In the second half of 2024, the Company will continue to promote reorganisation, strive to eliminate the debt burden it faced previously, improve its going concern capability and operating conditions, and return to a positive growth path.

### **1. Actively promote the reorganisation and strive to eliminate the debt burden.**

As at the date of this announcement, the Company and its administrator entered into the Reorganisation Investment Agreement\* (《重整投資協議》) with the reorganisation investors. A draft reorganisation scheme of the Company will be prepared in accordance with the law and be submitted to the creditors' meeting for deliberation and voting. If the draft reorganisation scheme is subsequently approved by court ruling, the Company will actively implement the scheme under the supervision of its administrator. If the reorganisation scheme is successfully implemented, the Company's historical debt burden will be effectively resolved and its asset and liability structure will be optimized. Upon completion of the reorganisation, with the support of the reorganisation investors, the Company will continue to focus on its principal business, gradually improve the scale of its main business and its sustainable profitability, and return to a positive growth path.

## **2. Divest inefficient assets and optimize the Group’s equity system.**

The Company plans to divest inefficient assets to further consolidate the asset quality after reorganisation and optimize the asset and liability structure. If the reorganisation is successful, the Company will focus on the development of its principal business, further rationalize the Group’s holding and controlling subsidiaries and optimize the equity structure and internal management accordingly by disposing of subsidiaries with no substantive business, revitalizing subsidiaries holding assets under their names, divesting subsidiaries engaging in non-core businesses, and properly resolving arrangements for the business, assets and personnel, so as to enhance the efficiency of asset utilisation.

## **3. Strengthen core brand building and achieve differentiated brands development.**

The Company will continue to implement its positioning strategy of “one strategy for one brand, differentiate between primary and secondary brands”, and will take women fashion brands as the core development line, reorganize the brand structure and different brand positioning, and concentrate superior resources to exploit the competitive advantage of the La Chapelle main brand. For brands that are clearly different from the main brand (such as USHGEE), they will maintain their own differentiated development direction. For brands that are similar to the main brand, they will be gradually integrated and adjusted to reshape the brand matrix with a clearer, personalised and differentiated positioning.

## **4. Strengthen business control to ensure long-term sustainable development of business.**

In order to ensure sustainable development of the brand empowerment business, the Company will further promote the branding, scaling up and standardization of industrial resources in accordance with the basic idea of “reshaping the brands and protecting the brands”. Possible measures include, but are not limited to, establishing a list of partners and a negative list, conducting regular training campaigns, unifying store decoration and visual image styles, formulating and strictly implementing a scientific pricing policy, and prohibiting the sale of counterfeit and imitated brand products. At the same time, the Company will further strengthen the awareness of brand protection to match the long-term development needs of the brand integration service business.

## **5. Repair the credit system and improve financing capacity.**

Upon completion of the reorganisation, the Company will actively promote the repair and establishment of its credit system, strengthen communication and cooperation with financial institutions, standardize the selection and management of suppliers, and rebuild its supply chain system. At the same time, the Company will exploit the scale and cash flow advantages as a consumer enterprise to restore and improve the Company’s financing capacity.

## **DIVIDENDS**

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 June 2024, 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the “**Listing Rules**”) for the six months ended 30 June 2024 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 C1 to the Listing Rules for the six months ended 30 June 2024.

## **CONSTITUTIONAL DOCUMENTS**

During the Reporting Period, the Company proposed to make certain amendment(s) (the “**Proposed Amendment(s)**”) to the existing articles of association of the Company (the “**Articles of Association**”). The Proposed Amendment(s) were approved by the shareholders at the annual general meeting held on 31 May 2024. The revised Articles of Association has been published on both the websites of the Hong Kong Stock Exchange and the Company.

## **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 C3 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 2024.

## 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 2024 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.

## SIGNIFICANT EVENT AFTER REPORTING PERIOD

- (1) On 17 July 2024, the Company received the third issue of the (2023) Hu 03 Po 64 Decision\* ((2023) 滬03破64號之三《決定書》) from the Shanghai No.3 Intermediate People’s Court\* (上海市第三中級人民法院) (the “**Court**”), in which the Court gave approval to the Company to perform the information disclosure obligations independently under the supervision of its administrator. On 24 July 2024, the Company and its administrator entered into the Reorganisation Investment Agreement\* (《重整投資協議》) with the reorganisation investors. On 8 August 2024, the administrator of the Company received the third issue of the (2023) Hu 03 Po 64 Reply Letter\* ((2023) 滬03破64號之三《覆函》) issued by the Court. On 5 August 2024, the administrator received the application of 40 creditors from the Court for the substantive consolidation in reorganisation (實質合併重整) of the Company with 32 related companies, and the Court will review their application and make a decision, which will have an impact on the draft reorganisation scheme of the Company. The Court agreed to the administrator’s application that the period for review of the substantive consolidation in reorganisation will not be included in the calculation of deadline stipulated in Article 79 of the Enterprise Bankruptcy Law of the People’s Republic of China\* (《中華人民共和國企業破產法》). For details, please refer to the announcements of the Company dated 17 July 2024, 24 July 2024 and 9 August 2024.
- (2) On 23 July 2024, La Chapelle Taicang received the second issue of the (2023) Su 0585 Po No.7 Civil Judgment\* ((2023) 蘇0585破7號之二《民事裁定書》) issued by the People’s Court of Taicang City, Jiangsu Province\* (江蘇省太倉市人民法院) (the “**Court of Taicang**”). The Court of Taicang approved the draft reorganisation scheme of La Chapelle Taicang and terminated La Chapelle Taicang’s reorganisation procedures. For details, please refer to the announcements of the Company dated 24 July 2024.
- (3) 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 2024, an aggregate of 93 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB5.93 million. As at 31 July 2024, as a result of factors such as the Group’s involvement in litigation cases, the Company’s equity interest in 3 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB32.87 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 Company dated 2 August 2024.

As at 31 July 2024, as a result of the Company's involvement in a total of 13 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, one property of the Company (with an aggregate book value of approximately RMB0.212 billion as at 30 June 2024) 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 Company dated 2 August 2024.

## **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](http://www.lachapelle.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). An interim report for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the shareholders of the Company (if applicable) and available on the websites of the Company, the Hong Kong Stock Exchange and National Equities Exchange and Quotations ([www.neeq.com.cn](http://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, trading in the shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 7 February 2023, and will remain suspended until further notice. Under Listing Rules 6.01A(1), the Hong Kong Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period has expired on 6 August 2024. 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  
29 August 2024

*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 purpose only.*