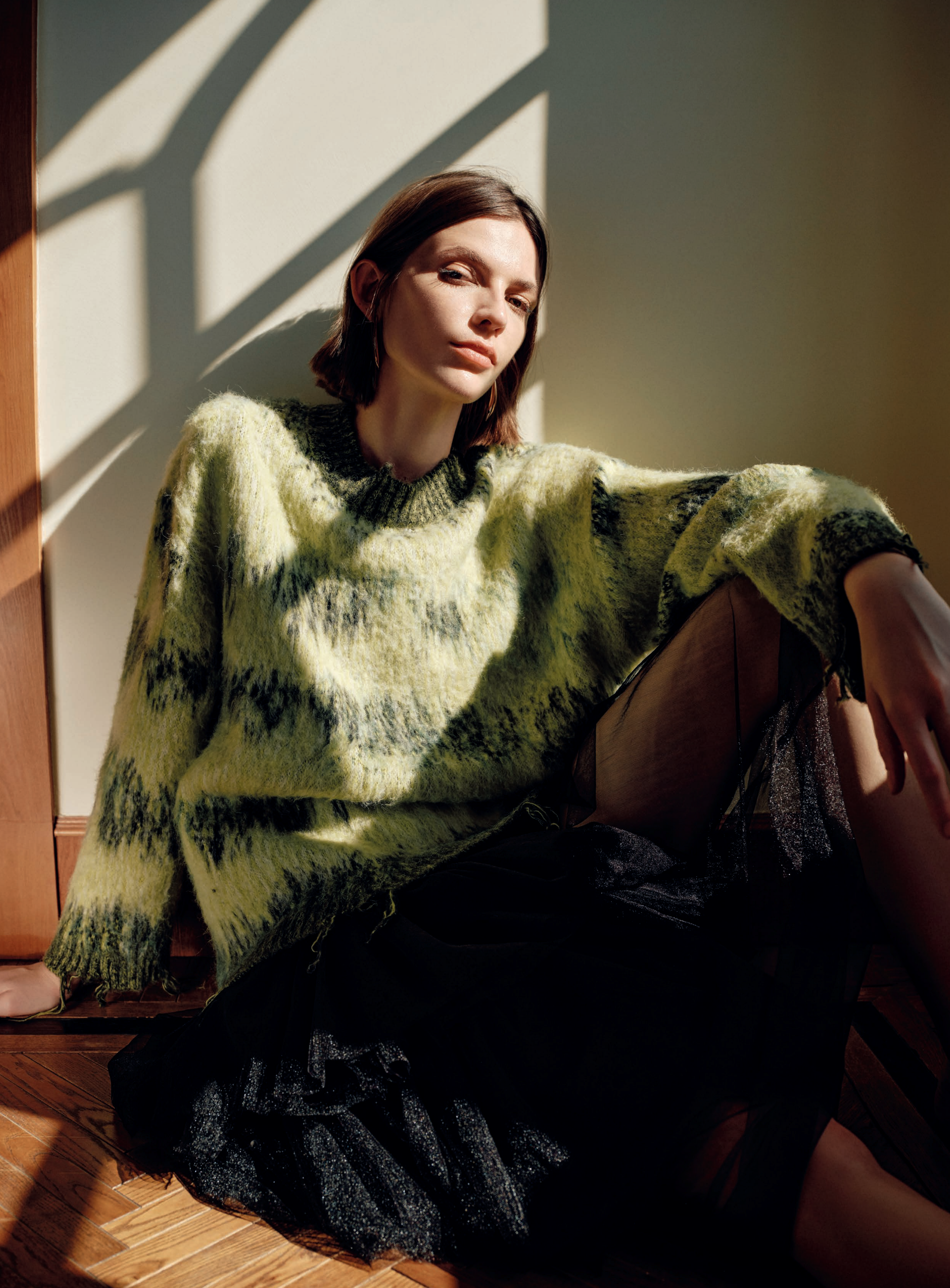
La Chapelle

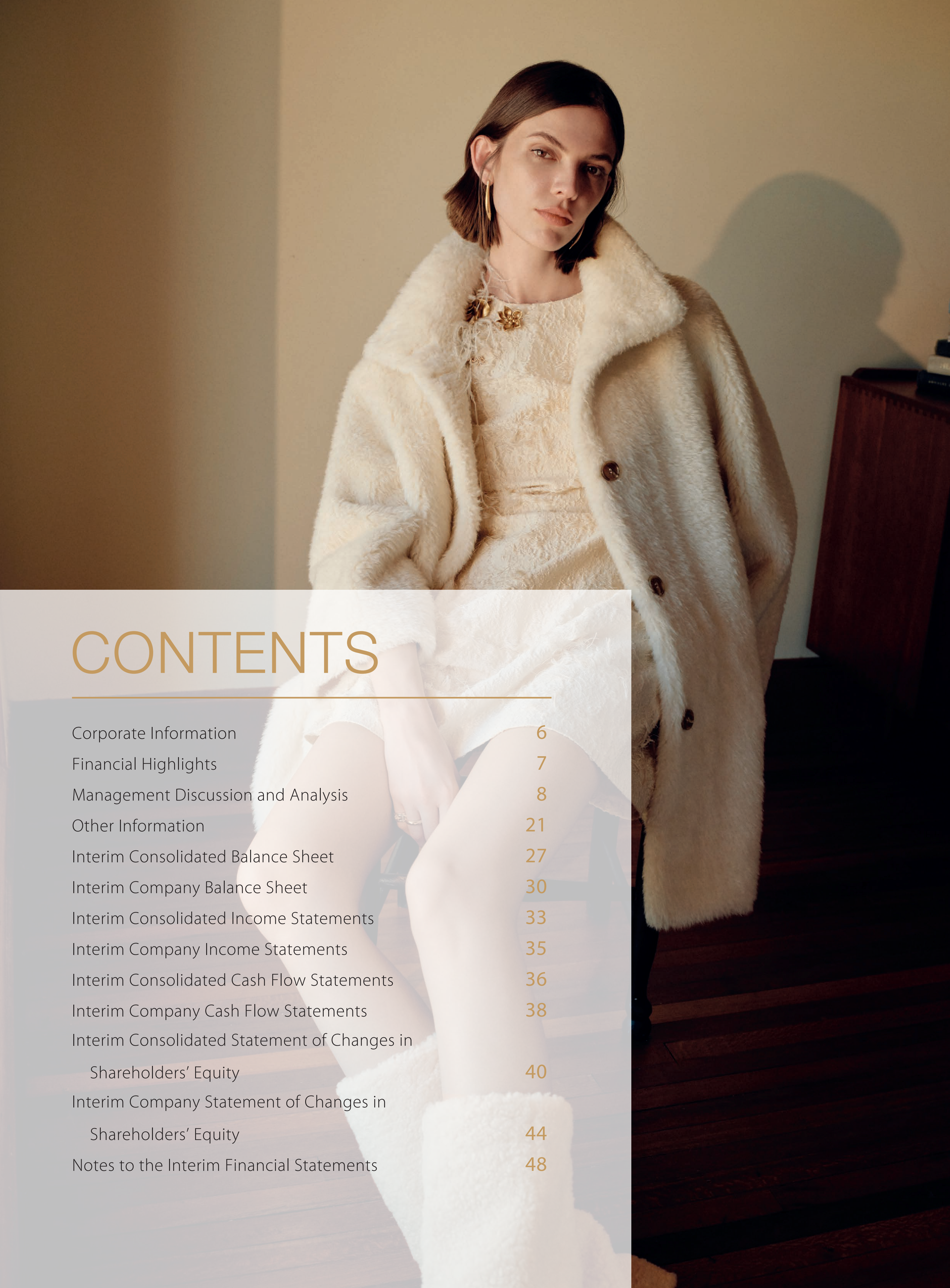
Xinjiang La Chapelle Fashion Co., Ltd.

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

INTERIM REPORT 2024

(Stock Code: 06116)





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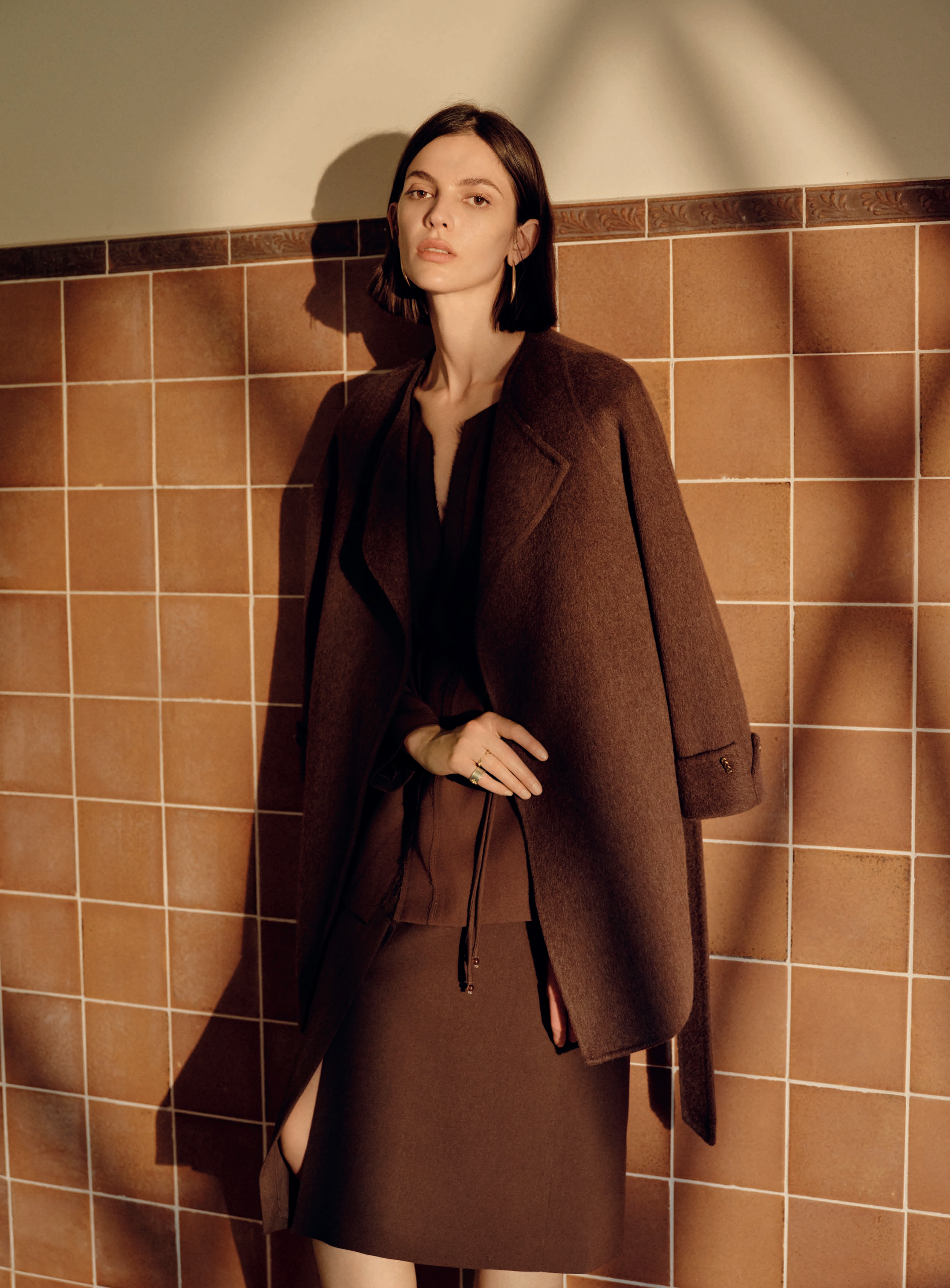

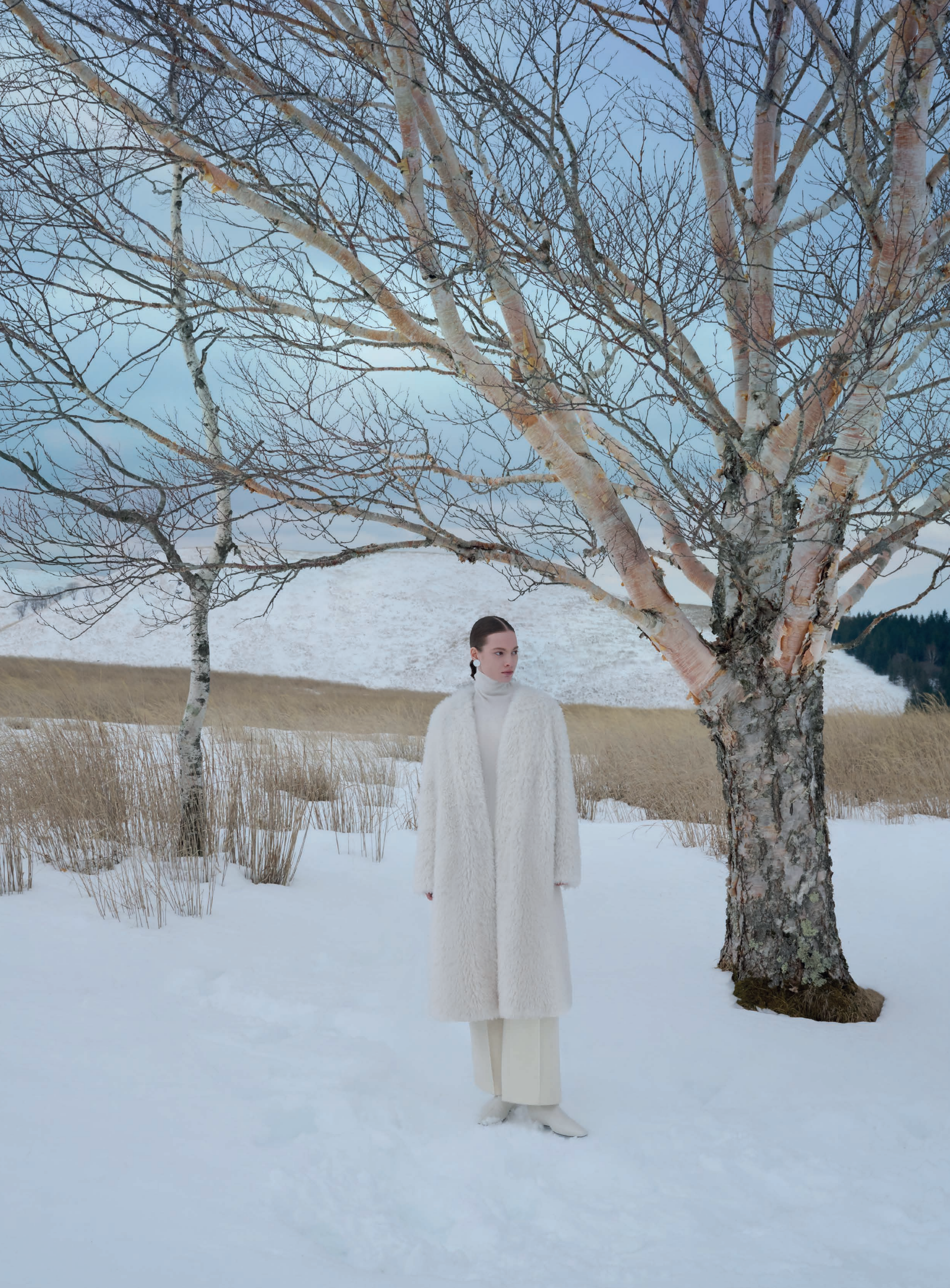

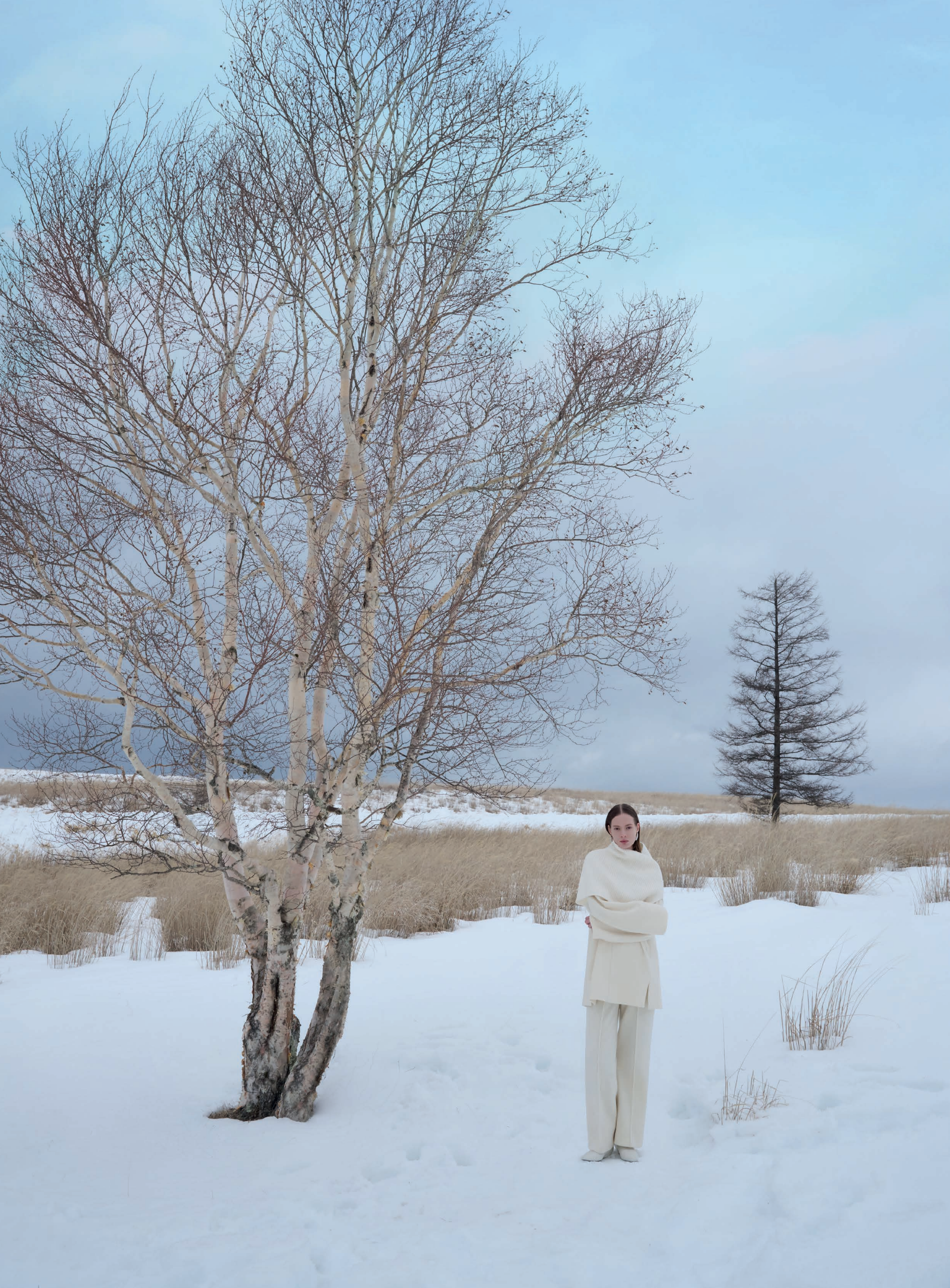

CORPORATE INFORMATION

REGISTERED CHINESE NAME

新疆拉夏貝爾服飾股份有限公司

ENGLISH NAME

Xinjiang La Chapelle Fashion Co., Ltd.

HEADQUARTERS

Building 4
No. 50, Lane 2700,
South Lianhua Road Minhang District, Shanghai, PRC

REGISTERED OFFICE IN THE PRC

Room 2008, 20/F, Tower D, Chuangxin Square,
Si Ping Road, Xin Shi District,
Urumqi, Xinjiang, RPC

PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East Wanchai, Hong Kong

COMPANY'S WEBSITE

www.lachapelle.cn

DIRECTORS

Executive Directors

Mr. Zhao Jinwen *(Chairman)*
Ms. Zhang Ying *(President)*
Mr. Zhu Fengwei

Non-executive Director

Ms. Wang Yan

Independent Non-executive Directors

Mr. Xing Jiangze
Ms. Chow Yue Hwa Jade
Ms. Yang Linyan

AUDIT COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Ms. Wang Yan
Ms. Chow Yue Hwa Jade

NOMINATION COMMITTEE

Ms. Yang Linyan *(Chairman)*
Ms. Zhang Ying
Mr. Xing Jiangze

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Mr. Zhao Jinwen
Ms. Yang Linyan

BUDGET COMMITTEE

Ms. Zhang Ying *(Chairman)*
Mr. Zhao Jinwen
Mr. Zhu Fengwei
Mr. Xing Jiangze
Ms. Chow Yue Hwa Jade

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Zhao Jinwen *(Chairman)*
Ms. Zhang Ying
Mr. Zhu Fengwei
Ms. Wang Yan
Ms. Chow Yue Hwa Jade
Ms. Yang Linyan

SUPERVISORS

Mr. Gu Zhenguang *(Chairman)*
Mr. Sun Bin
Mr. Wang Jiajie

COMPANY SECRETARY

Ms. Wong Wai Ling *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jinwen
Ms. Wong Wai Ling

LEGAL ADVISERS

Herbert Smith Freehills *(as to Hong Kong Law)*

AUDITOR

Nil

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.
Bank of Communications Co., Ltd.

STOCK CODE

6116

FINANCIAL HIGHLIGHTS

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

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

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

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 the 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, 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 retails 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)
Total	**69,354**	**100.0**	**77.1**	83,988	100.0	2.0

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)
Total	69,354	100.0	77.1	83,988	100.0	2.0

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKŌ 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	–
Total	**69,354**	**100.0**	**77.1**	83,988	100.0	2.0

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)
Total	**69,354**	**100.0**	**77.1**	83,988	100.0	2.0

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, the company holding the 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 RMB8.3 million (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 held 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 lease agreement, Nanbu County Mei Hao Jia Yuan Real Estate Development Co., Ltd.* (南部縣美好家園房地產開發有限公司) applied for reopening retrial of its claim against the 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**") sued 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 in accordance with the mediation plan, 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 financial 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 "EVENTS 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
Total	**155**	**100.0**	217	100.0

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

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 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
Total	**155**	**100.0**	217	100.0

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	**–**	**–**	–	–
Total	**155**	**100.0**	217	100.0

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, the Company 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:

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

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 historical debt burden.

As at the the latest practicable date before printing this report (i.e. 23 September 2024), 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 the successful 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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, none of the Directors, Supervisors and the chief executives of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO); or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**").

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2024, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2024	Approximate percentage shareholding in the total issued Shares at 30 June 2024
Shanghai Qijin Enterprise Management Partnership LLP* (上海其錦企業管理合夥企業(有限合夥))[1]	Beneficial owner	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Lijin Asset Management Co., Ltd. *(杭州文盛勵錦資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. *(杭州文盛祥文資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Shanghai Wensheng Asset Management Co., Ltd. * (上海文盛資產管理股份有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
	Beneficial owner	21,600,000 Domestic Shares (L)	6.49%	3.94%

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2024	Approximate percentage shareholding in the total issued Shares at 30 June 2024
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號 FOF 單一資產管理計劃)[2]	Beneficial owner	80,000,000 Domestic Shares (L)	24.03%	14.61%
China Merchants Asset Management, Construction and Investment Overseas No. 1 Overseas Single Asset Management Plan* (招商資管建投海外1號海外單一資產管理計劃)	Others	11,400,000 H Shares (L)	5.31%	2.08%
China Cinda Asset Management Co., Ltd.[3]	Interest in controlled corporation	49,597,132 H Shares (L)	23.09%	9.06%
Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保稅港區金信昌泰投資(有限合夥))[4]	Beneficiary of a trust	22,150,000 H Shares (L)	10.31%	4.04%
Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司)[5]	Interest in controlled corporation	22,236,800H Shares (L)	10.35%	4.06%
Senda International Capital Limited[5]* (盛達國際資本有限公司)	Beneficial owner	16,630,800 H Shares (L)	7.74%	3.04%

Notes:

1. Shanghai Wensheng directly holds 21,600,000 Domestic Shares and is deemed to be interested in 85,200,000 Domestic Shares held by Shanghai Qijin. Shanghai Wensheng is deemed to be interested in the Domestic Shares held by Shanghai Qijin because Hangzhou Wensheng Xiangwen Asset Management Co., Ltd.* (杭州文盛祥文資產管理有限公司), a subsidiary of Shanghai Wensheng is the limited partner of Shanghai Qijin, and Hangzhou Wensheng Lijin Asset Management Co., Ltd.* (杭州文盛勵錦資產管理有限公司), a wholly-owned subsidiary of Shanghai Wensheng is the general partner of Shanghai Qijin.

2. Shanghai Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號 FOF 單一資產管理計劃) managed by Haitong Securities Asset Management Co., Ltd.* (上海海通證券資產管理有限公司) directly holds 80,000,000 Domestic Shares.

3. China Cinda Asset Management Co., Ltd. was deemed to be interested in an aggregate of 49,597,132 H shares of the Company by virtue of the SFO. Those interests are held through Cinda Investment Co., Ltd., Hainan Jianxin Investment Management Co., Ltd. and Jinxin Changtai Investment Partnership in Meishan Bonded Port Area, Ningbo (Limited Partnership).

4. Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保稅港區金信昌泰投資合夥企業(有限合夥)) invested in H Shares of the Company as an asset principal through China Merchants Asset Management, Construction and Investment Overseas No. 1 Single Asset Management Plan.

5. These H Shares were held by Senda International Capital Limited and Well Prospering Limited* (樺盛有限公司), being wholly-owned subsidiaries of Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司), which held 16,630,800 H Shares and 5,606,000 H Shares respectively.

6. The letter "L" denotes the person's or entity's long position in Shares.

Other than as disclosed above, as at 30 June 2024, the Directors have not been notified by any person (not being the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to section 336 of the SFO.

INTERIM DIVIDEND

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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments held or material acquisitions or disposals of subsidiaries during the period under review, and no plans have been authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

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 Limited (the "**Listing Rules**") for the six months ended 30 June 2024 and as at the latest practicable date before printing this report, 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 mainly because 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.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, Supervisor(s) and relevant employees on terms no less exacting than the Model Code. 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.

CHANGE IN INFORMATION REGARDING DIRECTORS AND SUPERVISORS ACCORDING TO RULE 13.51B (1) OF THE LISTING RULES

In accordance with Rule 13.51B(1) of the Listing Rules, there is no change in the information regarding Directors and Supervisors, which are the consistent with the information set out in the 2023 annual report.

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.

EVENTS AFTER REPORTING PERIOD

As at the latest practicable date before printing this report (i.e. 23 September 2024), the events after reporting period are as follows.

(1) On 17 July 2024, the Company received the third issue of the (2023) Hu 03 Po No. 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 No. 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》). On 29 August 2024, the administrator of the Company published the notice of the second creditors' meeting of the Company to be held on 12 September 2024 via off-site method (in writing). Previously, 40 creditors applied to the Court for substantive consolidation in reorganization of the Company with 32 related companies. The Court has decided that a hearing would be held on 14 September 2024 at 9:30 a.m. via both on site meeting and video conference, and the hearing was held as scheduled. On 2 September 2024, the administrator of the Company published the change notice of the second creditors' meeting of the Company, stating that the second creditors' meeting of the Company originally to be held on 12 September 2024 via off-site method (in writing) would be rescheduled to be held at 14:30 p.m. on 14 September 2024 via both on site meeting and video conference. As at the latest practicable date before printing this report, the second creditors' meeting of the Company was held, and the voting was finished on a prolonged basis as scheduled. For details, please refer to the announcements of the Company dated 17 July 2024, 24 July 2024, 9 August 2024, 30 August 2024, 3 September 2024 and 19 September 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 August 2024, an aggregate of 93 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB6.29 million. As at 31 August 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 3 September 2024.

As at 31 August 2024, as a result of the Group's involvement in a total of 13 litigation cases arising from disputes such as disputes over financial loan agreements and construction agreements, one property of the Group (with a net value of approximately RMB211 million as at 31 July 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 3 September 2024.

(4) The Company received a letter from the Hong Kong Stock Exchange dated 23 August 2024 stating that the Listing Committee of the Hong Kong Stock Exchange (the "**Listing Committee**") has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company had failed to fulfil all the Resumption Guidance (the "**Decision**").

On 3 September 2024, the Company submitted an application requesting the Decision be referred to the Listing Review Committee of the Hong Kong Stock Exchange for review pursuant to Chapter 2B of the Listing Rules. The Company hereby reminds the shareholders and potential investors of the Company that the outcome of the Review is uncertain. Shareholders who have any queries about the implications of the delisting of the Company's H shares are advised to seek appropriate professional advice.

(5) On 10 September 2024, the Company received from the court the relevant enforcement notices in respect of the disputes over financial loan agreements, in which 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 Chengdu Lewei Fashion Co.,Ltd.* (成都樂微服飾有限公司), La Chapelle (Tianjin) Co., Ltd.* (拉夏貝爾服飾(天津)有限公司) and Xing Jiaxing. According to the (2024) Hu 0106 Zhi No.6947 Enforcement Notice* ((2024) 滬0106執6947號《執行通知書》) and the (2024) Hu 0106 Zhi No. 6947 Property Reporting Order* ((2024) 滬0106執6947號《報告財產令》), the cases have reached the stage of applications for compulsory enforcement. For details, please refer to the announcement of the Company dated 11 September 2024.

Saved as disclosed herein, there was no other material event that may possibly affect the Group since the end of the Reporting Period.

APPRECIATION

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

By Order of the Board
Xinjiang La Chapelle Fashion Co., Ltd.
Mr. Zhao Jinwen
Chairman

Shanghai, the PRC, 27 September 2024

Interim Consolidated Balance Sheet

As at 30 June 2024

(All amounts in RMB'000 unless otherwise stated)

Assets	Note V	**Closing Balance**	Opening Balance
Current assets:			
Monetary Funds	(I)	**36,839**	49,930
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(II)	**9,894**	9,253
Accounts receivable financing		**–**	–
Prepayments	(III)	**4,078**	1,472
Other receivables	(IV)	**5,831**	5,469
Inventories	(V)	**31,568**	38,857
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year	(VI)	**–**	–
Other current assets	(VII)	**85,696**	83,226
Total current assets		**173,906**	188,207
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(VIII)	**73,813**	87,313
Other equity instruments investment	(IX)	**–**	–
Other non-current financial assets	(X)	**95,475**	96,727
Investment properties		**–**	–
Fixed assets	(XI)	**107,180**	110,972
Construction in progress	(XII)	**67,868**	67,868
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets	(XIII)	**2,152**	8,988
Intangible assets	(XIV)	**34,248**	35,355
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses	(XV)	**1,238**	2,419
Deferred tax assets	(XVI)	**–**	–
Other non-current assets		**–**	–
Total non-current assets		**381,974**	409,642
Total assets		**555,880**	597,849

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Balance Sheet

As at 30 June 2024

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note V	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	(XVIII)	**1,077,598**	1,077,598
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable	(XIX)	**1,127,881**	1,121,143
Advance from customers	(XX)	**417**	782
Contract liabilities	(XXI)	**3,069**	5,170
Payroll Payable	(XXII)	**6,334**	11,216
Tax payable	(XXIII)	**106,836**	134,175
Other payables	(XXIV)	**1,106,506**	1,082,453
Held-for-sale liabilities		**–**	–
Non-current liability due within one year	(XXV)	**1,370**	3,219
Other current liabilities	(XXVI)	**375**	488
Total current liabilities		**3,430,386**	3,436,244
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities	(XXVII)	**1,008**	5,238
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities	(XXVIII)	**485,546**	476,875
Deferred income		**–**	–
Deferred tax liabilities	(XVI)	**–**	–
Other non-current liabilities	(XXIX)	**4,350**	4,500
Total non-current liabilities		**490,904**	486,613
Total liabilities		**3,921,290**	3,922,857

(Attached notes to financial statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note V	Closing Balance	Opening Balance
Equity:			
Share capital	(XXX)	**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus	(XXXI)	**1,913,251**	1,913,251
Less: Treasury share	(XXXII)	**20,010**	20,010
Other comprehensive income	(XXXIII)	**(43,606)**	(43,606)
Special reserves		**–**	–
Surplus reserve	(XXXIV)	**246,788**	246,788
Undistributed profits	(XXXV)	**(5,898,290)**	(5,884,949)
Equity attributable to Shareholders of the Company		**(3,254,195)**	(3,240,854)
Minority interests		**(111,215)**	(84,154)
Total equity		**(3,365,410)**	(3,325,008)
Total liabilities and equity		**555,880**	597,849

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Balance Sheet

As at 30 June 2024

(All amounts in RMB'000 unless otherwise stated)

Assets	Note XV	Closing Balance	Opening Balance
Current assets:			
Monetary Funds		**54**	968
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(I)	**336,901**	332,877
Accounts receivable financing		**–**	–
Prepayments		**625**	82
Other receivables	(II)	**667,404**	670,519
Inventories		**818**	5,560
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year		**–**	–
Other current assets		**75,355**	71,873
Total current assets		**1,081,157**	1,081,879
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(III)	**450,520**	450,520
Other equity instruments investment		**–**	–
Other non-current financial assets		**30,542**	30,612
Investment properties		**–**	–
Fixed assets		**1,654**	1,707
Construction in progress		**–**	–
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets		**–**	5,819
Intangible assets		**265**	945
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses		**–**	–
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**482,981**	489,603
Total assets		**1,564,138**	1,571,482

(Attached notes to financial statements are part of the consolidated financial statements)

As at 30 June 2024

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XV	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		**527,598**	527,598
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable		**1,056,783**	1,049,776
Advance from customers		**281**	745
Contract liabilities		**–**	–
Payroll payable		**1,588**	1,588
Tax payables		**86,569**	88,552
Other payables		**1,544,196**	1,553,361
Held-for-sale liabilities		**–**	–
Non-current liability due within a year		**–**	1,602
Other current liabilities		**–**	–
Total current liabilities		**3,217,015**	3,223,222
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities		**–**	3,451
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities		**1,548,732**	1,548,732
Deferred income		**–**	–
Deferred tax liabilities		**–**	–
Other non-current liabilities		**–**	–
Total non-current liabilities		**1,548,732**	1,552,183
Total liabilities		**4,765,747**	4,775,405

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Balance Sheet

As at 30 June 2024

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XV	**Closing Balance**	Opening Balance
Equity:			
Share capital		**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus		**1,897,270**	1,897,270
Less: Treasury share		**20,010**	20,010
Other comprehensive income		**–**	–
Special reserves		**–**	–
Surplus reserve		**246,788**	246,788
Undistributed profits		**(5,873,329)**	(5,875,643)
Total equity		**(3,201,609)**	(3,203,923)
Total liabilities and equity		**1,564,138**	1,571,482

Legal representative:	Principal in charge of accounting：	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Income Statements

January to June 2024
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the 6 months ended 30 June 2024 Consolidated	2023 Consolidated
1. Revenue	(XXXVI)	**69,354**	83,988
Less: Costs of sales	(XXXVI)	**15,856**	20,925
Taxes and surcharges	(XXXVII)	**574**	1,398
Selling expenses	(XXXVIII)	**34,370**	50,613
Administrative expenses	(XXXIX)	**20,945**	43,945
Research and development expenses		**–**	–
Finance expenses	(XL)	**37,810**	47,057
Including: Interest expenses		**38,117**	47,338
Interest income		**554**	511
Add: Other income	(XLI)	**237**	14,080
Investment income (loss stated with "-")	(XLII)	**(13,902)**	(457,311)
Including: Investment income from associates and joint ventures		**(13,500)**	1,773
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging (loss stated with "-")		**–**	–
Gain/(Loss) on fair value changes (loss stated with "-")	(XLIII)	**(1,252)**	(330)
Credit impairment losses (loss stated with "-")	(XLIV)	**1,642**	17,176
Asset impairment losses (loss stated with "-")	(XLV)	**(8,517)**	(4,976)
Gain on disposal of assets (loss stated with "-")	(XLVI)	**(562)**	413
2. Operating profit (loss stated with "-")		**(62,555)**	(510,898)
Add: Non-operating income	(XLVII)	**73**	142
Less: Non-operating expenses	(XLVIII)	**5,946**	67,783
3. Profit before tax (loss stated with "-")		**(68,428)**	(578,539)
Less: Income tax expenses	(XLIX)	**(28,026)**	293
4. Net profit (loss stated with "-")		**(40,402)**	(578,832)
I. Classified by continuity of operations			
Net profit from continuing operations (net loss stated with "-")		**(40,402)**	(578,832)
Net profit from discontinuing operations (net loss stated with "-")		**–**	–
II. Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company (net loss stated with "-")		**(13,341)**	(565,165)
Net profit attributable to non-controlling interests (net loss stated with "-")		**(27,061)**	(13,667)

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Income Statements

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the 6 months ended 30 June **2024** **Consolidated**	 2023 Consolidated
5. Other comprehensive income, net of tax		**–**	–
Other comprehensive income after tax attributable to parent company		**–**	–
I. Items of other comprehensive income that cannot be reclassified into profit and loss		**–**	–
i. Changes in fair value of investments in equity instruments		**–**	–
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
i. Translation differences on translation of foreign currency financial statement		**–**	–
Other comprehensive income attributable to non-controlling interests after tax		**–**	–
6. Total comprehensive income		**(40,402)**	(578,832)
Attributable to shareholders of the company		**(13,341)**	(565,165)
Attributable to non-controlling interests		**(27,061)**	(13,667)
7. Earnings per share:			
I. Basic earnings per share		**(0.02)**	(1.04)
II. Diluted earnings per share		**(0.02)**	(1.04)

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Income Statements

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

Items	Note XV	For the 6 months ended 30 June 2024 Company	2023 Company
1. Revenue	(IV)	**10,843**	15,129
Less: Costs of sales	(IV)	**1,362**	3,358
Taxes and surcharges		**18**	105
Selling and distribution expenses		**150**	2,622
Administrative expenses		**4,554**	15,317
Research and development expenses		**–**	–
Finance expenses		**51**	7,993
Including: Interest expenses		**116**	8,326
Interest income		**75**	359
Add: Other income		**2**	708
Investment income (loss stated with "-")	(V)	**(402)**	(134)
Including: Investment income from associates and joint ventures		**–**	–
Derecognition of financial assets at amortized cost		**–**	–
Gain from net exposure hedging (loss stated with "-")		**–**	–
Gain on fair value changes (loss stated with "-")		**(69)**	(197)
Credit impairment losses (loss stated with "-")		**911**	10,867
Asset impairment losses (loss stated with "-")		**(4,460)**	(98,858)
Gain on disposal of assets (loss stated with "-")		**(588)**	252
2. Operating profit (loss stated with "-")		**102**	(101,628)
Add: Non-operating income		**–**	111
Less: Non-operating expenses		**1**	671,953
3. Profit before tax (loss stated with "-")		**101**	(773,470)
Less: Income tax expenses		**(2,213)**	133
4. Net profit (loss stated with "-")		**2,314**	(773,603)
i. Net profit from continuing operations (net loss stated with "-")		**2,314**	(773,603)
ii. Net profit from discontinuing operations (net loss stated with "-")		**–**	–
5. Other comprehensive income, net of tax		**–**	–
I. Items of other comprehensive income that cannot be reclassified into profit and loss		**–**	–
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
6. Total comprehensive income		**2,314**	(773,603)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Cash Flow Statements

January to June 2024
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the 6 months ended 30 June 2024 Company	 2023 Company
1. Cash flows from operating activities:			
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	(L)	**3,188**	12,242
Total of cash inflows in operating activities		**66,596**	91,189
Cash paid for goods and services		**16,983**	19,480
Cash paid to and for employees		**31,453**	32,424
Taxes and surcharges paid		**1,350**	5,320
Other cash payments related to operating activities	(L)	**25,122**	35,537
Total of cash outflows in operating activities		**74,908**	92,761
Net cash flows from operating activities		**(8,312)**	(1,572)
2. Cash flows from investing activities:			
Cash received from return on investments		**–**	–
Cash received from gain on investment		**389**	–
Net cash received from disposals of fixed assets, intangible assets, and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business units		**–**	–
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**389**	–
Cash paid for fixed assets, intangible assets, and other long-term assets		**479**	1,033
Cash paid for investments		**–**	–
Net cash paid for acquiring subsidiaries and other business units		**–**	–
Cash paid relating to other investing activities	(L)	**–**	3,541
Total cash outflows from investing activities		**479**	4,574
Net cash flows from investing activities		**(90)**	(4,574)

(Attached notes to financial statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Items	Note V	For the 6 months ended 30 June 2024 Company	2023 Company
3. Cash flows from financing activities:			
Cash received from investments by others		**–**	–
Including: Cash received by subsidiaries from non-controlling investors		**–**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**–**	–
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Including: Dividends or profit paid by subsidiaries to minority shareholders		**–**	–
Other cash payments related to financing activities	(L)	**1,873**	517
Total cash outflows from financing activities		**1,873**	517
Net cash flows from financing activities		**(1,873)**	(517)
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**(10,275)**	(6,663)
Add: Opening balance of cash and cash equivalents		**41,642**	36,052
6. Closing balance of cash and cash equivalents		**31,367**	29,389

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Jinwen	**Hu Zhiguo**	**Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Cash Flow Statements

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

Items	Note XV	For the 6 months ended 30 June **2024** **Company**	 2023 Company
1. Cash flows from operating activities:			
Cash received from sales of products or rendering of services		**6,147**	1,948
Tax and surcharge refunds		**2**	1
Cash received relating to other operating activities		**520**	8,448
Total cash inflows from operating activities		**6,669**	10,397
Cash paid for goods and services		**–**	–
Cash paid to and for employees		**15**	–
Taxes and surcharges paid		**59**	–
Other cash payments related to operating activities		**6,423**	10,412
Total cash outflows from operating activities		**6,497**	10,412
Net cash flows from operating activities		**172**	(15)
2. Cash flows from investing activities:			
Cash received from return on investments		**–**	–
Cash received from gain on investments		**389**	–
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business units		**–**	–
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**389**	–
Cash paid for fixed assets, intangible assets, and other long-term assets		**–**	–
Cash paid for investments		**–**	–
Net cash paid for acquiring subsidiaries and other business units		**–**	–
Cash paid relating to other investing activities		**–**	–
Total cash outflows from investing activities		**–**	–
Net cash flows from investing activities		**389**	–

(Attached notes to financial statements are part of the consolidated financial statements)

(All amounts in RMB'000 unless otherwise stated)

Items	Note XV	For the 6 months ended 30 June 2024 Company	2023 Company
3. Cash flows from financing activities:			
Cash received from investments by others		**–**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**–**	–
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Other than cash payments related to financing activities		**836**	–
Total cash outflows from financing activities		**836**	–
Net cash flows from financing activities		**(836)**	–
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**(275)**	(15)
Add: Opening balance of cash and cash equivalents		**277**	17
6. Closing balance of cash and cash equivalents		**2**	2

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

Items	2024											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	547,672	-	-	-	1,913,251	20,010	(43,606)	-	246,788	(5,884,949)	(84,154)	(3,325,008)
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	547,672	-	-	-	1,913,251	20,010	(43,606)	-	246,788	(5,884,949)	(84,154)	(3,325,008)
3. Increase/decrease for current year	-	-	-	-	-	-	-	-	-	(13,341)	(27,061)	(40,402)
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(13,341)	(27,061)	(40,402)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

Items	2024											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,913,251**	**20,010**	**(43,606)**	**-**	**246,788**	**(5,898,290)**	**(111,215)**	**(3,365,410)**

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

	2023											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	547,672	–	–	–	1,910,806	20,010	(43,606)	–	246,788	(5,147,499)	(67,360)	(2,573,209)
Add: Increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in prior period	–	–	–	–	–	–	–	–	–	–	–	–
Business combination under common control	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
2. Opening balance of current year	547,672	–	–	–	1,910,806	20,010	(43,606)	–	246,788	(5,147,499)	(67,360)	(2,573,209)
3. Increase/decrease for current year	–	–	–	–	2,445	–	–	–	–	(737,450)	(16,794)	(751,799)
I. Total comprehensive income	–	–	–	–	–	–	–	–	–	(737,450)	(15,860)	(753,310)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	400	400
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	400	400
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–	–

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Consolidated Statement of Changes in Shareholders' Equity

January to June 2024
(All amounts in RMB'000 unless otherwise stated)

Items	2023											
	Equity attributable to parent company										Non-controlling interests	Total equity
	Share capital	Other equity instruments: Preferred stock	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits		
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	2,445	-	-	-	-	-	(1,334)	1,111
4. Closing balance of current year	547,672	-	-	-	1,913,251	20,010	(43,606)	-	246,788	(5,884,949)	(84,154)	(3,325,008)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

	2024										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	547,672	-	-	-	1,897,270	20,010	-	-	246,788	(5,875,643)	(3,203,923)
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	547,672	-	-	-	1,897,270	20,010	-	-	246,788	(5,875,643)	(3,203,923)
3. Increase/decrease for current year	-	-	-	-	-	-	-	-	-	2,314	2,314
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	2,314	2,314
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

	2024										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(5,873,329)**	**(3,201,609)**

Legal representative of the enterprise: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January to June 2024
(All amounts in RMB'000 unless otherwise stated)

Items	2023										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(3,370,005)	(678,275)
Add: Increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in prior period	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
2. Opening balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(3,370,005)	(678,275)
3. Increase/decrease for current year	–	–	–	–	–	–	–	–	–	(2,505,638)	(2,505,638)
I. Total comprehensive income	–	–	–	–	–	–	–	–	–	(2,505,638)	(2,505,638)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	–
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	–
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–

(Attached notes to financial statements are part of the consolidated financial statements)

Interim Company Statement of Changes in Shareholders' Equity

January to June 2024

(All amounts in RMB'000 unless otherwise stated)

	2023										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	–	–	–	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	–
4. Closing balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(5,875,643)	(3,203,923)

Legal representative: **Zhao Jinwen**

Principal in charge of accounting: **Hu Zhiguo**

Head of accounting department: **Hu Zhiguo**

(Attached notes to financial statements are part of the consolidated financial statements)

I. GENERAL INFORMATION

(I) Registered Address, the Type of Organization and the Address of the Headquarter

Xinjiang La Chapelle Fashion Co., Ltd. (hereinafter referred to as the "Company") is a joint stock company incorporated in the People's Republic of China 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 liability according to the plan approved by the original board of directors and the terms in the agreement made by the Company's sponsors. The RMB-denominated A-shares and overseas-listed H-shares issued by the Company were listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), respectively. 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 terminating 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 have been listed on the National Equities Exchange and Quotations since 22 July 2022 (stock code: 400116).

As of 30 June 2024, the Company accumulatively issued 547,671,600 shares with a registered share capital of RMB547,671,600. The registered address of the Company is Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, the PRC. The office address is 12/F, Building 4, No. 50, Lane 2700, Lianhua South Road, Minhang District, Shanghai, the PRC.

(II) Business Nature and Major Activities of the Company

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 include apparel sales, brand-integrated services and property leasing.

(All amounts in RMB'000 unless otherwise stated)

I. GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements

The total number of subsidiaries in the scope of consolidated financial statements for the period is 23, including:

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Chongqing Lewei Fashion Co., Ltd. ("Chongqing Lewei")	Wholly-owned subsidiary	First	100	100
Beijing La Chapelle Lewei Fashion Co., Ltd. ("Beijing Laxia")	Wholly-owned subsidiary	First	100	100
Chengdu La Chapelle Fashion Co., Ltd. ("Chengdu Laxia")	Wholly-owned subsidiary	First	100	100
Shanghai Langhe Fashion Co., Ltd. ("Shanghai Langhe")	Wholly-owned subsidiary	First	100	100
Shanghai Xiawei Fashion Co., Ltd. ("Shanghai Xiawei")	Wholly-owned subsidiary	First	100	100
La Chapelle Fashion (Tianjin) Co., Ltd. ("Tianjin Laxia")	Wholly-owned subsidiary	First	100	100
Chengdu Lewei Fashion Co., Ltd. ("Chengdu Lewei")	Wholly-owned subsidiary	First	100	100
Shanghai Chongan Fashion Co., Ltd. ("Shanghai Chong'an")	Controlling subsidiary	First	85	85
Shanghai Youshi Fashion Co., Ltd. ("Shanghai Youshi")	Wholly-owned subsidiary	First	100	100
Fujian Lewei Fashion Co., Ltd. ("Fujian Lewei")	Wholly-owned subsidiary	First	100	100
Shanghai La Chapelle Enterprise Management Co., Ltd. ("Enterprise Management")	Wholly-owned subsidiary	First	100	100
Jiatuo (Shanghai) Information Technology Co., Ltd. ("Shanghai Jiatuo")	Wholly-owned subsidiary	First	100	100
Shanghai La Chapelle Naf Fashion Co., Ltd. ("Laxia Nafu")	Controlling subsidiary	First	65	65
Guangzhou Xichen Clothing Co., Ltd. ("Guangzhou Xichen")	Controlling subsidiary	First	60	60
Taicang Xiawei Fashion Co., Ltd. ("Taicang Xiawei")	Wholly-owned subsidiary	First	100	100
Xinjiang Tongrong Fashion Co., Ltd. ("Xinjiang Tongrong")	Wholly-owned subsidiary	First	100	100

(All amounts in RMB'000 unless otherwise stated)

I. GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements (continued)

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai Pinxi Technology Co., Ltd. ("Shanghai Pinxi")	Wholly-owned subsidiary	Second	100	100
Taicang Chongan Fashion Co., Ltd. ("Taicang Chongan")	Wholly-owned subsidiary	First	100	100
Shanghai Geraopu Fashion Co., Ltd. ("Shanghai Geraopu")	Wholly-owned subsidiary	Second	100	100
Shanghai Aixi Culture Broker Co., Ltd. ("Aixi Culture")	Wholly-owned subsidiary	Third	100	100
Shanghai Puaila Fashion Co., Ltd. ("Shanghai Puaila")	Controlling subsidiary	Second	80	80
Shanghai Aina Fashion Co., Ltd. ("Shanghai Aina")	Wholly-owned subsidiary	Third	100	100
Shanghai Zhihe Technology Co., Ltd. ("Shanghai Zhihe")	Wholly-owned subsidiary	Second	100	100

In the current period, 2 entities newly joined in, and 0 entity was subtracted from the scope of consolidation, the details of which are set out below:

1. Subsidiaries newly added to scope of consolidation in the current period are as follows:

Name	**Reasons of changes**
Shanghai Aina Fashion Co., Ltd. ("Shanghai Aina")	Investment in the establishment (No business activities have been carried out)
Shanghai Zhihe Technology Co., Ltd. ("Shanghai Zhihe")	Investment in the establishment (No business activities have been carried out)

2. There were no subsidiaries which no longer were in scope of consolidation in the current period

Details of the entities involved in changes in the scope of consolidation are presented in Note VI "Changes in Consolidation Scope".

(IV) Approval of Financial Statements for Reporting

These financial statements are approved by the board of directors of the Company (the "Board") on 29 August 2024.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

The Company prepares financial statements based on transactions and events that actually occurred and in accordance with the Accounting Standards for Business Enterprises – Basic Standards, Specific Accounting Standards for Business Enterprises, Application Guidelines for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") for recognition and measurement. On this basis, the financial statements are prepared in conjunction with the rules of the China Securities Regulatory Commission's "Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities No. 15 – General Rule on Financial Reporting" (revised in 2023).

(II) Going Concern

On 2 February 2023, the Shanghai Third Intermediate People's Court ruled that it accepted the application for bankruptcy and liquidation of the Company filed by the creditors as the Company was unable to repay its debts as they fell due, and appointed a bankruptcy and liquidation administrator, and thus the Company entered into the bankruptcy and liquidation proceedings. On 12 September 2023, the Shanghai Third Intermediate People's Court ruled that the Company entered into bankruptcy reorganisation proceedings. These events or conditions indicate that there is uncertainty in the continuing operation of the Company.

The Company's main business is currently operating normally and the operation and management work is in an orderly manner. The Board and the management of the Company are proactively taking measures to promote reorganisation work to completely resolve the Company's historical debt burden and at the same time continually striving to increase the Company's scale of operations and profitability. The main measures are as follows:

1. Actively promoting the reorganisation and striving to eliminate the historical debt burden.

   Currently, 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.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going Concern (continued)

2. Divesting inefficient assets and optimizing the Group's equity system.

   The Company plans to divest inefficient assets to further consolidate the asset quality after reorganization 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 utilization.

3. Strengthening core brand building and achieving 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 the brands that are clearly different from the main brand (such as USHGEE), they will maintain their own differentiated development direction. For the brands that are similar to the main brand, they will be gradually integrated and adjusted to reshape the brand matrix with a clearer, personalized and differentiated positioning.

4. Strengthening 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. Repairing the credit system and improving financing capacity.

   Upon success 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.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(III) Basis of Accounting and Valuation Principles

The Company's accounting is carried out on the accrual basis of accounting. The financial statements are measured at historical cost, except for other equity instruments and other non-current financial assets, which are measured at fair value. If an asset is impaired, a corresponding provision for impairment is made in accordance with the relevant regulations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete picture of the financial position, results of operations, cash flows and other relevant information of the Company for the reporting period.

(II) Accounting Period

The accounting period is from 1 January to 31 December of each calendar year.

(III) Operating Cycle

An operating cycle refers to the period commencing from the purchase of assets for processing by an enterprise to the realisation of cash or cash equivalents. The Company adopts 12 months as an operating cycle, which is the classification standard of the liquidity of its assets and liabilities.

(IV) Currency of Accounts

The Company adopts Chinese Yuan as its currency of accounts.

(V) Determination method and selection basis of materiality criteria

Item	Criterion of materiality
Recovery or reversal of bad debt provisions for significant receivables	The amount of recovery or reversal of single receivables is greater than RMB100,000
Actual write-off of significant receivables	The write-off amount of single receivables is greater than RMB100,000
Significant joint ventures or associated enterprises	The book value of long-term equity investment of single investees accounts for more than 10% of the consolidated net assets

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Accounting for business combinations under the common control and non-common control

1. *When the terms, conditions and economic effects of each transaction in a step-by-step business combination meet one or more of the following circumstances, multiple transactions are accounted for as a package*

   (1) These transactions occur simultaneously or the mutual influence has been considered;

   (2) These transactions lead to achieve a complete business result;

   (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

   (4) A transaction is not economical on its own, but it is economical when considered together with other transactions.

2. *Business combination under common control*

   A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

   Assets and liabilities acquired by the Company in a business combination are measured at their book value in the consolidated financial statements of the ultimate controlling party at the date of combination (including goodwill resulting from the acquisition of the consolidated party by the ultimate controlling party). The difference between the book value of the net assets acquired in the merger and the book value of the merger consideration paid (or the aggregate nominal value of shares issued) is adjusted against the equity premium in capital surplus, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted against retained earnings.

   If a contingent consideration exists and requires recognition of a estimated liability or asset, the difference between the amount of such estimated liability or asset and the settlement amount of the subsequent contingent consideration is adjusted to capital surplus (capital premium or equity premium), and if capital surplus is insufficient, retained earnings are adjusted.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Accounting for business combinations under the common control and non-common control (continued)

2. Business combination under common control (continued)

For a business combination that is ultimately achieved through multiple transactions, if it is a package transaction, each transaction is accounted for as one transaction to obtain control; if it is not a package transaction, the difference between the initial investment cost of the long-term equity investment, and the sum of the book value of the long-term equity investment before reaching the combination plus the book value of the new consideration paid for further acquisition of shares at the date of the combination is adjusted to capital surplus on the day of obtaining control; if capital surplus is not sufficient to offset the difference, adjustment is made to retained earnings. For equity investments held before the date of combination, other comprehensive income recognized as a result of the adoption of the equity method of accounting or accounting under the standard on recognition and measurement of financial instruments is not accounted for until the disposal of the investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee. The changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution recognized by the equity method are not accounted for until the investment is disposed of and transferred to current profit or loss.

3. Business combination not under common control

A business combination involving entities not under common control is a business combination in which of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The Company measures assets paid for, liabilities incurred or assumed as consideration for a business combination at fair value at the date of purchase, and the difference between the fair value and book value is recognized in profit or loss for the current period.

If the cost of combination is larger than the fair value of the identifiable net assets of the acquiree obtained from the combination, the difference shall be recognized as goodwill; if the cost of combination is less than the fair value of the identifiable net assets of the acquiree obtained from the combination, the fair value of various identifiable assets, liabilities and contingent liabilities of the acquiree obtained and the cost of combination shall be reviewed first. If, after review, the cost of combination is still less than the fair value of identifiable net assets of the acquiree obtained from the combination, the difference shall be recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Accounting for business combinations under the common control and non-common control (continued)

3. Business combination not under common control (continued)

If a business combination under non-common control is achieved in stages through multiple exchange transactions, each transaction is accounted for as a transaction to obtain control if it is a package transaction; if it is not a package transaction and the equity investment held before the date of combination is accounted for under the equity method, the sum of the book value of the equity investment in the acquiree held before the date of purchase and the cost of the new investment at the date of purchase is used as the initial investment cost of that investment. If the equity investment held prior to the date of purchase is accounted for under the equity method, other comprehensive income recognized on the disposal of the investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee. If an equity investment held prior to the date of combination is accounted for using the standard on recognition and measurement of financial instruments, the sum of the fair value of the equity investment at the date of combination plus the cost of the additional investment is used as the initial investment cost at the date of combination. The difference between the fair value and the carrying amount of the equity interest originally held and the accumulated changes in fair value previously recognized in other comprehensive income should be transferred in full to investment income for the period at the date of consolidation.

4. Costs incurred in connection with the combination

Intermediary fees such as auditing, legal services, appraisal and consulting, and other directly related costs incurred for the business combination are charged to current profit or loss as incurred; transaction costs for equity securities issued for the business combination are deducted from equity if they are directly attributable to the equity transaction.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Criteria for determining the control and preparation of consolidated financial statements

1. Criteria for determining the control

Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of returns.

The Company makes a judgment based on comprehensive consideration of all relevant facts and circumstances on whether it has control over the investee. Once the changes in relevant facts and circumstances lead to changes in the relevant elements involved in the definition of control, the Company will make reassessment. Main relevant facts and circumstances include:

(1) the purpose of the establishment of the investee.

(2) related activities of the investee and decision making on related activities.

(3) whether rights enjoyed by the investor enable it to lead relevant activities of the investee.

(4) whether the investor enjoys variable returns by participating in relevant activities of the investee.

(5) whether the investor is able to affect its amount of returns with its power over the investee.

(6) Investors' relationships with other parties.

2. Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

3. Consolidated procedure

The Company prepares consolidated financial statements on the basis of its own financial statements and those of its subsidiaries, and other relevant information. The Company prepares consolidated financial statements by considering the entire enterprise group as one accounting entity, reflecting the financial position, results of operations and cash flows of the enterprise group as a whole in accordance with the recognition, measurement and presentation requirements of relevant Accounting Standards for Business Enterprises and in accordance with uniform accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidation of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are not consistent with those of the Company, the necessary adjustments will be made in accordance with the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Criteria for determining the control and preparation of consolidated financial statements (continued)

3. *Consolidated procedure (continued)*

The effect on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity of internal transactions that occur between the Company and each subsidiary and between subsidiaries is offset in the consolidated financial statements. If the transaction from the perspective of the consolidated financial statements of the enterprise group is recognized differently if the same transaction is recognized with the Company or a subsidiary as the accounting entity, the transaction is adjusted from the perspective of the enterprise group.

The share of the subsidiary's ownership interest, net profit or loss for the period and comprehensive income attributable to minority shareholders are presented separately in the consolidated balance sheet under the item of ownership interest, in the consolidated income statement under the item of net profit and in the consolidated statement of total comprehensive income, respectively. The balance resulting from the excess of the minority shareholders' share of the subsidiary's loss for the period over the minority shareholders' share of the subsidiary's ownership interest at the beginning of the period is eliminated to reduce the minority shareholders' equity.

For a subsidiary acquired through a business combination under common control, its financial statements are adjusted on the basis of the carrying value of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired through business combinations under non-common control, their financial statements are adjusted based on the fair value of identifiable net assets at the date of purchase.

(1) Addition of subsidiary or business

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the opening balance of the consolidated balance sheet is adjusted; the revenues, expenses and profits of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the consolidated income statement; and the cash flows of the subsidiary or business combination from the beginning of the period to the end of the reporting period are included in the consolidated cash flow statement, while the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had been in existence since the point when the ultimate controlling party began to gain control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Criteria for determining the control and preparation of consolidated financial statements (continued)

3. Consolidated procedure (continued)

(1) Addition of subsidiary or business (continued)

If it is possible to exercise control over an investee under common control due to additional investment, etc., the parties involved in the combination are treated as if they existed in their current state at the time when the ultimate controlling party began to gain control for adjustment purposes. For equity investments held prior to the acquisition of control of the consolidated party, the related gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date when the consolidating party and the consolidated party are under common control and opening retained earnings or current profit or loss are eliminated in the period of the comparative statements, respectively.

During the reporting period, if a subsidiary or business is added as a result of a business combination under non-common control, the opening balance of the consolidated balance sheet is not adjusted; the revenue, expenses and profit of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated cash flow statement.

If the Company can exercise control over an investee under non-common control due to additional investment, etc., the Company remeasures the equity interest in the investee held prior to the date of purchase at the fair value of the equity interest at the date of purchase, and the difference between the fair value and carrying amount is recognized as investment income for the current period. If the equity interest in the investee held before the date of purchase involves other comprehensive income under the equity method of accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owners' equity are transferred to investment income for the current period to which they belong at the date of purchase, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Criteria for determining the control and preparation of consolidated financial statements (continued)

3. Consolidated procedure (continued)

(2) Disposal of a subsidiary or business

1) General treatment

During the reporting period, if the Company disposes of a subsidiary or business, the revenue, expenses and profit of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

When control over an investee is lost due to the disposal of a portion of the equity investment or for other reasons, the Company remeasures the remaining equity investment after disposal at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated on a continuing basis from the date of purchase or the date of consolidation in proportion to the original shareholding and goodwill, is recognized as investment income in the period in which control is lost. Other comprehensive income or changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution related to the equity investment in the original subsidiary is transferred to investment income in the period when control is lost, except for other comprehensive income arising from the remeasurement of the investee's changes in net liabilities or net assets of the defined benefit plan.

2) Disposal of a subsidiary achieved step by step

Where an equity investment in a subsidiary is disposed of step by step through multiple transactions until control is lost, and the terms, conditions and economic effects of each transaction to dispose of the equity investment in the subsidiary meet one or more of the following circumstances, this normally indicates that the multiple transactions and events should be accounted for as a package:

A. These transactions occur simultaneously or the mutual influence has been considered;

B. These transactions lead to achieve a complete business result;

C. The occurrence of a transaction depends on the occurrence of at least one other transaction;

D. A transaction is not economical on its own, but it is economical when considered together with other transactions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Criteria for determining the control and preparation of consolidated financial statements (continued)

3. Consolidated procedure (continued)

(2) Disposal of a subsidiary or business (continued)

2) Disposal of a subsidiary achieved step by step (continued)

If each transaction for the disposal of an equity investment in a subsidiary until the loss of control is a package transaction, the Company accounts for each transaction as a disposal of a subsidiary and loss of control; however, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment for each disposal prior to the loss of control is recognized in the consolidated financial statements as other comprehensive income and is transferred to profit or loss in the period in which control is lost.

If the various transactions for the disposal of equity investments in subsidiaries until the loss of control are not a package transaction, prior to the loss of control, the accounting treatment is based on the policies related to partial disposal of equity investments in subsidiaries without loss of control; upon the loss of control, the accounting treatment is based on the general treatment of disposal of subsidiaries.

(3) Acquisition of minority interest of subsidiary

The difference between the Company's newly acquired long-term equity investment due to the purchase of minority interest and its share of the net assets of the subsidiary calculated on a continuing basis from the date of purchase (or the date of consolidation) based on the newly acquired shareholding is adjusted to the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient for elimination, it is adjusted to retained earnings.

(4) Partial disposal of equity investment in subsidiary without losing control

The difference between the disposal price obtained from partial disposal of long-term equity investments in subsidiaries without loss of control and the share in the net assets of the subsidiaries calculated on an ongoing basis from the date of purchase or the date of consolidation corresponding to the disposal of long-term equity investments is adjusted against the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient to cover the reduction, retained earnings is adjusted.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) Classification of joint venture arrangements and accounting treatment for joint operations

1. Classification of joint venture arrangements

The Company classifies joint venture arrangements into joint operations and joint ventures based on the structure of the joint venture arrangement, its legal form and the terms agreed upon in the joint venture arrangement, and other relevant facts and circumstances. A joint operation refers to a joint arrangement where the joint operators have rights to the assets and assume the liabilities associated with the arrangement. A joint venture refers to a joint arrangement in which the joint venturers have rights only to the net assets of the arrangement.

2. Accounting treatment for joint operations

The Company recognizes the following items in its share of interest in joint operations that relate to the Company and accounts for them in accordance with the relevant Accounting Standards for Business Enterprises:

(1) Recognition of assets held separately and of assets held jointly in proportion to their shares;

(2) Recognition of liabilities held separately, and of liabilities held jointly in proportion to their shares;

(3) Recognition of income from the sale of its share of the output of a joint operation;

(4) Recognition of income from the sale of output from joint operations in proportion to its share;

(5) Recognition of expenses incurred separately and expenses incurred from joint operations in proportion to their shares.

When the Company contributes or sells assets, etc. to a joint operation (except when such assets constitute a business), only the portion of the gain or loss attributable to the other participants in the joint operation arising from the transaction is recognized until such assets, etc. are sold by the joint operation to a third party. If an impairment loss is incurred on assets contributed or sold, the Company recognizes such loss in full.

When the Company purchases assets, etc. from a joint operation (except when such assets constitute a business), it recognizes only the portion of the gain or loss attributable to the other participants in the joint operation arising from the transaction until the assets, etc. are sold to a third party. If an impairment loss is incurred on an asset acquired, the Company recognizes the portion of the loss that is attributable to the Company's share.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IX) Criteria for determining cash and cash equivalents

In preparing the cash flow statement, the Company recognizes cash on hand and deposits that are readily available for payment as cash. Investments that have all four conditions: short maturity (generally maturing within three months from the date of purchase), high liquidity, easy conversion to known amounts of cash, and minimal risk of changes in value are identified as cash equivalents.

(X) Foreign currency operations

On initial recognition, foreign currency transactions are recorded in Chinese Yuan using the spot exchange rate on the date of the transaction as the translation rate.

At the balance sheet date, monetary items denominated in foreign currencies are translated at the spot exchange rate at the balance sheet date, and the resulting exchange differences are recognized in current profit or loss, except for those arising from special borrowings in foreign currencies related to the acquisition of assets eligible for capitalization, which are treated in accordance with the principle of capitalizing borrowing costs. Non-monetary items measured in terms of historical cost in foreign currencies are still translated using the spot exchange rate at the date of the transaction, without changing the amount of the local currency of account.

Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date the fair value is determined. The difference between the translated amount of the local currency of account and the amount of the original local currency of account is treated as a change in fair value (including exchange rate changes) and recognized in current profit or loss or as other comprehensive income.

(XI) Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to a financial instrument contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense to each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability through its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (such as early repayment, rollover, call option or other similar options, etc.), but not the expected credit losses.

The amortized cost of a financial asset or financial liability is the accumulated amortization resulting from the initial recognition amount of the financial asset or financial liability, less the principal repaid, plus or minus the difference between that initial recognition amount and the maturity amount using the effective interest method, less accumulated accrual for impairment losses (applicable only to financial assets).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

1. Classification, Recognition and Measurement of Financial Instruments

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

(1) Financial assets measured at amortized cost.

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

(3) Financial assets at fair value through current profit and loss.

Financial assets are measured at fair value on initial recognition, except for accounts receivable or notes receivable arising from the sale of goods or provision of services that do not contain a significant financing component or do not consider a financing component of less than one year, which are initially measured at transaction price.

For financial assets at fair value through current profit and loss, the related transaction costs are recognized directly in current profit and loss, while for other categories of financial assets, the related transaction costs are recognized at their initial recognition amounts.

The subsequent measurement of a financial asset depends on its classification, and all relevant financial assets affected are reclassified when, and only when, the Company changes its business model for managing financial assets.

(1) Financial assets classified as measured at amortized cost

If the contractual terms of a financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect the contractual cash flows, the Company classifies the financial asset as a financial asset measured at amortized cost. The Company's financial assets classified as financial assets carried at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, and debt investments.

The Company uses the effective interest rate method to recognize interest income on such financial assets and subsequently measures them at amortized cost. Gains or losses arising from their impairment or derecognition or modification are recognized in profit or loss for the current period. The Company determines interest income based on the carrying balance of the financial assets multiplied by the effective interest rate, except for the following cases:

1) For financial assets acquired or originated with credit impairment, the Company determines the interest income from the initial recognition on the basis of the amortized cost of the financial assets and the effective interest rate adjusted for credit.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

1. Classification, Recognition and Measurement of Financial Instruments (continued)

(1) Financial assets classified as measured at amortized cost (continued)

2) For financial assets acquired or originated that are not credit impaired but become credit impaired in a subsequent period, the Company determines interest income in the subsequent period based on the amortized cost of the financial asset and the effective interest rate. If the financial instrument is no longer credit impaired in a subsequent period because its credit risk has improved, the Company determines interest income by multiplying the effective interest rate by the carrying amount of the financial asset.

(2) Financial assets classified as at fair value through other comprehensive income

If the contractual terms of a financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect both the contractual cash flows and sell the financial asset, the Company classifies the financial asset as a financial asset measured at fair value through other comprehensive income.

The Company uses the effective interest rate method to recognize interest income on such financial assets. Except for interest income, impairment loss and exchange differences recognized in profit or loss for the current period, the remaining changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss for the current period.

Notes receivable and accounts receivable measured at fair value through other comprehensive income are reported as financing receivables, and other such financial assets are reported as other debt investments, of which: other debt investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other debt investments with original maturities of less than one year are reported as other current assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

1. *Classification, Recognition and Measurement of Financial Instruments (continued)*

(3) *Financial assets designated as at fair value through other comprehensive income*

On initial recognition, the Company may irrevocably designate investments in non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis.

Changes in the fair value of such financial assets are recognized in other comprehensive income and no impairment allowance is required. Upon derecognition of such financial assets, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and included in retained earnings. Dividend income is recognized and accounted for in profit or loss over the period in which the Company holds the investment in this equity instrument, when the Company's right to receive dividends has been established, it is probable that the economic benefits associated with the dividends will flow to the Company, and the amount of the dividends can be measured reliably. The Company reports such financial assets under the item of investment in other equity instruments.

An investment in equity instruments is a financial asset at fair value through current profit or loss if it meets one of the following conditions: it was acquired principally for the purpose of selling in the near term; it is part of a portfolio of centrally managed identifiable financial asset instruments at initial recognition and there is objective evidence of a recent actual pattern of short-term profit-taking; it is a derivative (other than those that meet the definition of a financial guarantee contract and those that are designated as effective hedging instruments).

(4) *Financial assets classified as at fair value through current profit or loss*

Financial assets that do not qualify for classification as financial assets at amortized cost or at fair value through other comprehensive income and are not designated as at fair value through other comprehensive income are classified as financial assets at fair value through current profit or loss.

The Company uses fair value for the subsequent measurement of such financial assets and recognizes gains or losses arising from changes in fair value and dividend and interest income related to such financial assets in profit or loss for the current period.

The Company presents such financial assets under the items of financial assets held for trading and other non-current financial assets according to their liquidity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

1. *Classification, Recognition and Measurement of Financial Instruments (continued)*

(5) *Financial assets designated as at fair value through current profit or loss*

At initial recognition, the Company may irrevocably designate a financial asset as a financial asset measured at fair value through current profit or loss on an individual basis in order to eliminate or significantly reduce accounting mismatches.

If a hybrid contract contains one or more embedded derivatives and its main contract is not one of the above financial assets, the Company may designate the whole of it as a financial instrument at fair value through current profit or loss. However, except for the following cases:

1) Embedded derivatives do not materially change the cash flows of hybrid contracts.

2) When first determining whether a similar hybrid contract requires a spin-off, little analysis is required to clarify that the embedded derivatives it contains should not be spun off. If an early repayment right embedded in a loan allows the holder to repay the loan early at an amount close to amortized cost, the early repayment right does not require a spin-off.

The Company uses fair value for the subsequent measurement of such financial assets and recognizes gains or losses arising from changes in fair value and dividend and interest income related to such financial assets in profit or loss for the current period.

The Company presents such financial assets under the items of financial assets held for trading and other non-current financial assets according to their liquidity.

2. *Classification, recognition and measurement of financial liabilities*

The Company classifies a financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in conjunction with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as follows: financial liabilities at fair value through current profit or loss, other financial liabilities, derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities at fair value through current profit or loss, the related transaction costs are recognized directly in current profit or loss; for other categories of financial liabilities, the related transaction costs are recognized in the initial recognition amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

2. Classification, recognition and measurement of financial liabilities (continued)

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities at fair value through current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through current profit or loss on initial recognition.

A financial liability is classified as a financial liability held for trading if one of the following conditions is met: the financial liability is assumed primarily for the purpose of selling or repurchasing in the near future; it is part of a portfolio of centrally managed identifiable financial instruments and there is objective evidence that the enterprise has recently adopted a pattern of short-term profit-taking; it is a derivative instrument, except for derivatives that are designated as and are effective hedging instruments, and derivatives that are qualified as financial guarantee contracts. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are recognized in current profit or loss, except in relation to hedge accounting.

On initial recognition, for the purpose of providing more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities at fair value through current profit or loss:

1) Ability to eliminate or significantly reduce accounting mismatches.

2) Management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis is carried out in accordance with the enterprise's risk management or investment strategy as set out in formal written documentation, and reported to key management personnel on this basis within the enterprise.

The Company uses fair value for the subsequent measurement of such financial liabilities and recognizes changes in fair value in current profit or loss, except for changes in fair value arising from changes in the Company's own credit risk, which are recognized in other comprehensive income. The Company recognizes all changes in fair value, including the amount of the effect of changes in its own credit risk, in current profit or loss unless the inclusion of changes in fair value in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

2. Classification, recognition and measurement of financial liabilities (continued)

(2) Other financial liabilities

The Company classifies financial liabilities as financial liabilities measured at amortized cost, except for the followings, for which the Company applies the effective interest method and subsequently measures them at amortized cost, with gains or losses arising from derecognition or amortization recognized in profit or loss for the current period:

1) Financial liabilities at fair value through profit or loss for the current period.

2) Financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continue to be involved in the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this article, as well as loan commitments that do not fall under category 1) of this article to lend at below-market interest rates.

A financial guarantee contract is a contract that requires the issuer to pay a specified amount to the contract holder who has suffered a loss when a specified debtor is unable to pay its debt when due in accordance with the terms of the original or modified debt instrument. Financial guarantee contracts that are not financial liabilities designated as at fair value through current profit or loss are measured, after initial recognition, at the higher of the amount of the allowance for loss and the amount initially recognized less accumulated amortization over the guarantee period.

3. Derecognition of financial assets and liabilities

(1) A financial asset is derecognized, i.e., reversed from its accounts and balance sheet, if one of the following conditions is met:

1) Termination of contractual rights to receive cash flows from the financial asset.

2) The financial asset has been transferred and the transfer satisfies the requirements for derecognition of the financial asset.

(2) Conditions for derecognition of financial liabilities

A financial liability (or part of a financial liability) is derecognized when the present obligation is discharged from the financial liability (or part of the financial liability).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

3. Derecognition of financial assets and liabilities (continued)

(2) Conditions for derecognition of financial liabilities (continued)

If an agreement is entered into between the Company and the lender to replace an original financial liability by the assumption of a new financial liability, and the contractual terms of the new financial liability are materially different from those of the original financial liability, or the contractual terms of the original financial liability (or part thereof) are materially modified, the original financial liability is derecognized and a new financial liability is recognized, and the difference between the carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss for the current period.

If the Company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated to the respective fair values of the continuing recognized portion and the derecognized portion as a percentage of the overall fair value at the date of repurchase. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred or liabilities assumed) should be recognized in profit or loss for the current period.

4. Recognition basis and measurement method of financial asset transfer

The Company assesses the extent to which it retains the risks and rewards of ownership of a financial asset when a transfer of the financial asset occurs, and treats each case separately as follows:

(1) If substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognized, and the rights and obligations arising or retained from the transfer are recognized separately as assets or liabilities.

(2) If substantially all the risks and rewards of ownership of a financial asset are retained, the financial asset continues to be recognized.

(3) If it neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset (i.e., in cases other than (1) and (2) of this Article), it is treated as follows, depending on whether it retains control over the financial assets:

1) If control over the financial asset is not retained, the financial asset is derecognized and the rights and obligations arising from or retained in the transfer are recognized separately as assets or liabilities.

2) If control over the financial asset is retained, the Company continues to recognize the relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognize the related liability accordingly. The extent of continuing involvement in the transferred financial assets is the extent to which the Company bears the risk or reward of changes in value of the transferred financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

4. Recognition basis and measurement method of financial asset transfer (continued)

In determining whether a transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is applied. The Company distinguishes between transfers of financial assets as a whole and partial transfers of financial assets.

(4) When a transfer of a financial asset as a whole satisfies the derecognition condition, the difference between the following two amounts is recognized in current profit or loss:

1) The carrying value of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value previously recognized directly in other comprehensive income (financial assets involved in the transfer are those measured at fair value through other comprehensive income).

(5) If a portion of a financial asset is transferred and the transferred portion as a whole meets the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognized portion and the continuing recognized portion (in which case the retained service asset shall be treated as part of the continuing recognized financial asset) according to their respective relative fair values at the date of transfer, and the difference between the following two amounts is recognized in current profit or loss:

1) The carrying value of derecognized portion at the date of derecognition.

2) The sum of the consideration received for the derecognized portion and the amount corresponding to the derecognized portion of the accumulated changes in fair value originally recognized in other comprehensive income (financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset continues to be recognized and the consideration received is recognized as a financial liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

5. *Determination of the fair value of financial assets and financial liabilities*

The fair value of a financial asset or financial liability for which there is an active market is determined using quoted prices in an active market unless there is a restricted period for the financial asset specific to the asset itself. The fair value of financial assets with an inherently restricted period is determined based on quoted prices in active markets, less any compensation required by market participants for assuming the risk that the financial assets cannot be sold in the open market within a specified period. Quoted prices in active markets include quotations for the relevant assets or liabilities that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc. and are representative of actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed is determined on the basis of market transaction prices.

Financial assets or financial liabilities for which no active market exists are valued using valuation techniques to determine their fair value. In valuation, the Company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the asset or liability considered by market participants in transactions for the relevant asset or liability, and gives priority to the use of relevant observable inputs whenever possible. Unobservable inputs are used when relevant observable inputs are not available or not practicable to obtain.

6. *Impairment of financial instruments*

The Company accounts for impairment of financial assets measured at amortized cost, financial assets classified as at fair value through other comprehensive income and financial guarantee contracts that do not meet the derecognition criteria for transfer of financial assets or continue to be involved in the financial liabilities arising from the transferred financial assets on the basis of expected credit losses and recognizes a provision for losses.

Expected credit losses, which are the weighted average of credit losses on financial instruments weighted by the risk of default. Credit loss is the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, which is the present value of all cash shortages. In particular, for financial assets purchased or originated by the Company that are credit impaired, they shall be discounted at their credit-adjusted effective interest rate.

For receivables resulting from transactions governed by the revenue standard, the Company applies a simplified measurement approach and measures the allowance for losses at an amount equal to the expected credit loss over the entire life of the receivable.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

For financial assets that are purchased or originated with credit impairment, only the cumulative changes in expected credit losses throughout their lives since initial recognition are recognized as a provision for losses at the balance sheet date. At each balance sheet date, the amount of the change in expected credit losses over the entire life of the asset is recognized as an impairment loss or gain in current profit or loss. A favorable change in expected credit losses is recognized as an impairment gain even if the expected credit losses determined at that balance sheet date for the entire life of the asset are less than the amount of expected credit losses reflected in the estimated cash flows at initial recognition.

For financial assets other than those for which simplified measurement methods and purchased or originated credit impairment have been applied as described above, the Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition, and measures the allowance for losses, recognizes expected credit losses and changes therein, respectively, in accordance with the following circumstances:

(1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in the first stage, the allowance for losses is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying balance and effective interest rate.

(2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred and is in the second stage, the allowance for losses is measured at an amount equal to the expected credit loss over the entire life of the financial instrument, and interest income is calculated based on the carrying balance and effective interest rate.

(3) If the financial instrument has been credit impaired since initial recognition and is in the third stage, the Company measures its loss allowance at an amount equal to the expected credit loss over the entire life of the financial instrument and calculates interest income at amortized cost and effective interest rate.

The amount of increase or reversal of the allowance for credit losses on financial instruments is recognized as impairment loss or gain in current profit or loss. Except for financial assets classified as financial assets at fair value through other comprehensive income, the allowance for credit losses is offset against the carrying amount of the financial assets. For financial assets classified as financial assets at fair value through other comprehensive income, the Company recognizes a provision for credit losses in other comprehensive income without reducing the carrying amount of the financial assets presented in the balance sheet.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

If the Company has measured the provision for losses in the previous accounting period at an amount equal to the expected credit losses over the entire life of the financial instrument, but at the balance sheet date of the current period, the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the Company measures the provision for losses on the financial instrument at the balance sheet date of the current period at an amount equal to the expected credit losses over the next 12 months, and the resulting reversal of the provision for losses is recognized as an impairment gain in profit or loss for the current period.

(1) Credit risk increased significantly

The Company determines whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition using reasonable and substantiated forward-looking information that is available. For financial guaranteed contracts, the Company deems the date the Company becomes a party to the irrevocable commitment as the initial recognition date when applying the requirements for impairment of financial instruments.

The Company considers the following factors when assessing whether there is a significant increase in credit risk:

1) Whether there is a significant change in the actual or expected results of operations of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

3) Whether there have been significant changes in the value of collateral pledged as security for the debt or in the quality of guarantees or credit enhancements provided by third parties that are expected to reduce the debtor's economic incentive to repay the debt by the contractual deadline or to affect the probability of default;

4) Whether there are significant changes in the debtor's expected performance and repayment behavior;

5) Whether there are changes in the Company's approach to credit management of financial instruments, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(1) Credit risk increased significantly (continued)

At the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and the borrower's ability to meet its contractual cash flow obligations may not necessarily be reduced even if there are adverse changes in economic conditions and business environment in the longer term.

(2) Financial assets that are credit impaired

A financial asset becomes credit impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit impaired includes the following observable information:

1) Significant financial difficulty of the issuer or debtor;

2) Breach of contract by the debtor, such as default or delinquency in interest or principal payments;

3) Creditors granting concessions to the debtor that the debtor would not otherwise make because of economic or contractual considerations related to the debtor's financial difficulties;

4) A high probability of bankruptcy or other financial reorganization of the debtor;

5) The disappearance of an active market for the financial asset as a result of the financial difficulties of the issuer or the debtor;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

A credit impairment of a financial asset may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

(3) Determination of expected credit losses

The Company evaluates expected credit losses on financial instruments on an individual and portfolio basis, taking into account reasonable and substantiated information about past events, current conditions and projections of future economic conditions when assessing expected credit losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(3) Determination of expected credit losses (continued)

The Company classifies financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics used by the Company include type of financial instrument, credit risk rating, ageing portfolio, past due ageing portfolio, contractual settlement cycle, and industry in which the debtor is located. The individual evaluation criteria and portfolio credit risk characteristics of the related financial instruments are detailed in the accounting policies of the related financial instruments.

The Company determines the expected credit losses on the related financial instruments in accordance with the following methods:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

2) For lease receivables, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

3) For financial guaranteed contracts, credit losses are the present value of the difference between the expected payment to be made by the Company to the holder of such contract for credit losses incurred, less the amount expected to be collected by the Company from the holder of such contract, the debtor or any other party.

4) For financial assets that are credit impaired at the balance sheet date but not purchased or originated with credit impairment, the credit loss is the difference between the carrying balance of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company's approach to measuring expected credit losses on financial instruments reflects factors such as: the weighted average amount of unbiased probabilities determined by evaluating a range of possible outcomes; the time value of money; and reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

(4) Write-down of financial assets

When the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying balance of the financial asset is written down directly. Such write-down constitutes derecognition of the related financial asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, they are presented in the balance sheet as net amounts after offsetting each other if both of the following conditions are met:

(1) The Company has a legal right to offset the recognized amounts and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realize the financial asset and settle the financial liability at the same time.

(XII) Notes receivable

The Company's method of determining and its accounting treatment for expected credit losses on notes receivable is described in Note (XI) 6. "Impairment of financial instruments".

The Company separately determines expected credit losses on notes receivable with credit risk significantly different from that of the portfolio. When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies notes receivable into certain portfolios based on credit risk characteristics, with reference to historical credit loss experience, taking into account current conditions and judgment of future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolios is as follows:

Name of portfolio	Basis for determining the portfolio	Accrual method
Banker's acceptance note portfolio	Accepting institution	Expected credit losses are calculated with reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the life of the notes
Commercial promissory note portfolio	Acceptor	A table comparing the aging of notes receivable with expected credit losses throughout the life of the notes with reference to historical credit loss experience is prepared, taking into account current conditions and forecasts of future economic conditions, and expected credit losses are calculated

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Accounts receivable

The Company's method of determining and its accounting treatment for expected credit losses on accounts receivable is detailed in Note (XI) 6. "Impairment of financial instruments".

The Company separately determines expected credit losses on accounts receivable with credit risk significantly different from that of the portfolio. When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies accounts receivable into certain portfolios based on credit risk characteristics with reference to historical credit loss experience, taking into account current conditions and judgment of future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolios is as follows:

Name of portfolio	Basis for determining the portfolio	Accrual method
Expected credit loss portfolio for individual accruals	Account receivables for which bad debt provision is individually made	Accounts receivable with expected credit losses are individually assessed with reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and are classified into the corresponding portfolio for bad debt provisioning
Ageing risk portfolio	All accounts receivable except those for which bad debt provision is individually made	Expected credit losses are calculated with reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the entire duration

(XIV) Account receivable financing

The Company's method of determining and its accounting treatment for expected credit losses on account receivable financing is detailed in Note (XI) 6. "Impairment of financial instruments".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Other receivables

The Company's method of determining and its accounting treatment for expected credit losses on other receivables is detailed in Note (XI) 6. "Impairment of financial instruments".

The Company separately determines expected credit losses on other accounts receivable with credit risk significantly different from that of the portfolio. When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies other accounts receivable into certain portfolios based on credit risk characteristics with reference to historical credit loss experience, taking into account current conditions and judgment of future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolios is as follows:

Name of portfolio	Basis for determining the portfolio	Accrual method
Full amount of expected credit loss portfolio	Other account receivables for which bad debt provision is individually made	Other accounts receivable with expected credit losses are individually assessed with reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and are classified into the corresponding portfolio for bad debt provisioning
Ageing risk portfolio	All other account receivables except those for which bad debt provision is individually made	Expected credit losses are calculated with reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, by preparing a comparison table of the aging of other receivables over the next 12 months or the entire duration

(XVI) Inventories

1. *Classification of inventories, valuation method when they are issued, inventory system, amortization method of low-value consumables and packaging*

(1) *Classification of inventories*

Inventories are finished goods or merchandise held for sale in the ordinary course of the Company's activities, work-in-progress in the production process, materials and supplies consumed in the production process or in the provision of labor services, etc. They mainly include raw materials, goods in stock and low-value consumables.

(2) *Inventory valuation method when they are issued*

Inventories are initially measured at cost when acquired, including purchase cost, processing cost and other costs. Inventories are valued by the weighted-average method when they are issued.

(3) *Inventory system for inventories*

The perpetual inventory system is adopted.

(4) *Amortization method of low-value consumables and packaging*

Low-value consumables and packaging are amortized using the one-off full charge.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Inventories (continued)

2. *The standard method of recognizing provision for the impairment for inventories*

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.

(XVII) Other debt investments

The Company's method of determining and its accounting treatment for expected credit losses on other debt investments is detailed in Note (XI) 6. "Impairment of financial instruments".

(XVIII) Long-term receivables

The Company's method of determining and its accounting treatment for expected credit losses on long-term receivables is detailed in Note (XI) 6. "Impairment of financial instruments".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments

1. Initial recognition of investment costs

(1) Long-term equity investments resulting from business combinations are accounted for as described in Note (VI) "Accounting for business combinations under the common control and non-common control".

(2) Long-term equity investments acquired by other methods

Long-term equity investments acquired by cash payment are recorded at initial investment cost based on the actual purchase price paid. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other necessary expenses.

Long-term equity investments acquired by issuing equity securities are recorded at the fair value of the equity securities issued as the initial investment cost. Transaction costs incurred in issuing or acquiring its own equity instruments that are directly attributable to equity transactions are deducted from equity. On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged in or exchanged out can be measured reliably, the initial investment cost of long-term equity investments acquired in exchange for non-monetary assets is determined on the basis of the fair value of the assets exchanged out, unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable; for non-monetary asset exchanges that do not satisfy the above premise, the initial investment cost is determined on the basis of the book value of the assets exchanged out and the related tax payable. For non-monetary asset exchanges that do not meet the above prerequisites, the book value of the assets exchanged, and the related taxes and fees payable are used as the initial investment cost of the long-term equity investment exchanged.

The initial investment cost of long-term equity investments acquired through debt restructuring is determined on the basis of fair value.

2. Subsequent measurement and profit or loss recognition

(1) Cost method

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method and are carried at initial investment cost, with additional or recovered investments adjusting the cost of long-term equity investments.

Except for the declared but unpaid cash dividends or profits included in the actual price or consideration paid when acquiring the investment, the Company recognizes income the cash dividends or profits declared and distributed by the investee as current investment according to its entitlement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

2. Subsequent measurement and profit or loss recognition (continued)

(2) Equity method

The Company accounts for its long-term equity investments in associates and joint ventures using the equity method; for a portion of these equity investments in associates held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value and the changes are recognized in profit or loss.

When the initial investment cost of a long-term equity investment is higher than its share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is not adjusted; when the initial investment cost is lower than its share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period.

Upon acquisition of a long-term equity investment, the Company recognizes investment income and other comprehensive income, respectively, based on the share of net profit or loss and other comprehensive income realized by the investee, and adjusts the carrying value of the long-term equity investment; and reduces the carrying value of the long-term equity investment accordingly, based on the portion of profit or cash dividends declared by the investee to which the Company is entitled; for the investee, the carrying value of long-term equity investments is adjusted and recognized in owners' equity for changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution.

The Company recognizes its share of the net profit or loss of the investee on the basis of the fair value of each identifiable asset, etc. of the investee at the time of acquisition of the investment, after adjusting the net profit of the investee. Unrealized gains or losses on internal transactions between the Company and its associates or joint ventures are offset on the basis of the proportionate share of the gains or losses attributable to the Company, and the investment gains or losses are recognized on this basis.

When the Company recognizes its share of losses incurred by an investee, it is treated in the following order: First, the carrying amount of the long-term equity investment is reduced. Second, if the carrying value of long-term equity investments is not sufficient for elimination, investment losses continue to be recognized to the extent of the carrying value of other long-term equity interests that substantially constitute the net investment in the investee, and the carrying value of long-term receivables, etc. is eliminated. Finally, after the above treatment, if, according to the investment contract or agreement, the enterprise still assumes additional obligations, an estimated liability is recognized for the expected obligations assumed and included in the current investment loss.

If the investee achieves profitability in subsequent periods, the Company, after deducting the unrecognized share of loss, treats the investment in the reverse order of the above, and resumes recognition of investment income after writing down the carrying amount of recognized estimated liabilities and restoring the carrying amount of other long-term equity interests and long-term equity investments that substantially constitute the net investment in the investee.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

3. *Conversion of accounting method for long-term equity investments*

(1) *Conversion from fair value measurement to equity method accounting*

If the equity investment originally held by the Company that does not have control, joint control or significant influence over the investee and is accounted for under the standard of recognition and measurement of financial instruments enables the exercise of significant influence or joint control over the investee but does not constitute control due to additional investment, etc., the sum of the fair value of the originally held equity investment plus the cost of the additional investment determined in accordance with the Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments" shall be used as the initial investment cost to be accounted for under the equity method instead.

When the initial investment cost accounted for under the equity method is lower than the share of the fair value of the identifiable net assets of the investee at the date of additional investment determined in accordance with the new percentage of shareholding after the additional investment, the carrying amount of the long-term equity investment is adjusted and the difference is recognized as non-operating income for the period.

(2) *Conversion from fair value measurement or equity method accounting to cost method accounting*

If the Company originally holds equity investments that are not controlled, jointly controlled or significantly influenced by the investee and are accounted for in accordance with the standard of "Recognition and Measurement of Financial Instruments", or if the Company originally holds long-term equity investments in associates or joint ventures and is able to exercise control over investees not under common control due to additional investments, etc., the sum of the carrying value of the original equity investment plus the cost of the additional investment shall be used as the initial cost of investment to be accounted for under the cost method.

Other comprehensive income recognized as a result of the equity method of accounting for equity investments held prior to the date of purchase is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the disposal of the investment.

If an equity investment held before the date of purchase is accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments", the accumulated changes in fair value previously recognized in other comprehensive income are transferred to current profit or loss when the investment is accounted for under the cost method instead.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

3. Conversion of accounting method for long-term equity investments (continued)

(3) Conversion of equity method accounting to fair value measurement

If the Company loses joint control or significant influence over an investee for reasons such as disposal of a portion of its equity investment, the remaining equity interest after disposal is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments", and the difference between its fair value and book value at the date of loss of joint control or significant influence is recognized in the profit or loss for the current period.

Other comprehensive income recognized as a result of the equity method accounting for the original equity investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee when the equity method accounting is discontinued.

(4) Conversion from cost method to equity method

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, the Company will change to the equity method of accounting if the remaining equity interest after disposal enables the exercise of joint control or significant influence over the investee in the preparation of individual financial statements and adjust the remaining equity interest as if it had been accounted for under the equity method from the time of acquisition.

(5) Conversion from cost method to fair value measurement

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, in preparing the individual financial statements, if the remaining equity interest after disposal does not enable the exercise of joint control or significant influence over the investee, it is instead accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments". The difference between its fair value and carrying value at the date of loss of control is recognized in profit or loss for the current period.

4. Disposal of long-term equity investment

The difference between the carrying amount and the actual acquisition price of a long-term equity investment disposed of shall be recognized in profit or loss for the current period. When a long-term equity investment accounted for using the equity method is disposed of, the same basis as that used for the direct disposal of the related assets or liabilities by the investee is used to account for the portion of the investment that was previously recognized in other comprehensive income at a corresponding rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

4. *Disposal of long-term equity investment (continued)*

The terms, conditions, and economic effects of each transaction to dispose of an equity investment in a subsidiary are accounted for as a package transaction for multiple transactions if one or more of the following conditions apply:

(1) The transactions are entered into simultaneously or after consideration of their effects on each other;

(2) The transactions as a whole are necessary to achieve a complete business result;

(3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

(4) One transaction is uneconomic when viewed in isolation but is economic when considered together with other transactions.

If control over the original subsidiary is lost due to the disposal of part of the equity investment or for other reasons, it is not a package transaction, and the relevant accounting treatment is distinguished between individual financial statements and consolidated financial statements:

(1) In the individual financial statements, the difference between the carrying amount of the equity interest disposed of and the actual acquisition price is recognized in profit or loss for the current period. If the remaining equity interest after disposal can exercise joint control or significant influence over the investee, it is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method since its acquisition; if the remaining equity interest after disposal cannot exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No 22 – "Recognition and Measurement of Financial Instruments". The difference between the fair value and the carrying amount at the date of loss of control is recognized in profit or loss for the current period.

(2) In the consolidated financial statements, for each transaction prior to the loss of control over a subsidiary, the difference between the disposal price and the corresponding share of the long-term equity investment in the net assets of the subsidiary calculated on an ongoing basis from the date of purchase or the date of consolidation is adjusted to capital surplus (equity premium), and if capital surplus is not sufficient to offset the difference, retained earnings are adjusted; upon loss of control over a subsidiary, the remaining equity interest is remeasured at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on a continuing basis from the date of purchase in proportion to the original shareholding, is recognized as investment income in the period in which control is lost and goodwill is eliminated. Other comprehensive income related to the equity investment in the original subsidiary, etc., is transferred to investment income in the current period when control is lost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

4. Disposal of long-term equity investment (continued)

If each transaction of the disposal of equity investment in a subsidiary until the loss of control is a package transaction, each transaction is accounted for as a disposal of equity investment in a subsidiary and loss of control, and the relevant accounting treatment is distinguished between individual financial statements and consolidated financial statements:

(1) In the individual financial statements, the difference between the disposal price and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of before the loss of control is recognized as other comprehensive income and transferred to profit or loss in the period in which control is lost.

(2) In the consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposed investment for each disposal prior to the loss of control is recognized as other comprehensive income and is transferred to profit or loss in the period in which control is lost when control is lost.

5. Judgment criteria for joint control and significant influence

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and a decision on activities that significantly affect the return of the arrangement exists only when the unanimous consent of the participant's sharing control is required, the arrangement is considered to be a joint venture arrangement when the Company and the other participants jointly control the arrangement.

If a joint venture arrangement is entered into through a separate entity, if the Company is judged to have rights to the net assets of the separate entity based on the relevant agreement, the separate entity is accounted for as a joint venture using the equity method. If it is judged that the Company does not have rights to the net assets of the separate entity based on the relevant agreement, the separate entity is accounted for as a joint operation, and the Company recognizes items related to the share of interest in the joint operation and accounts for them in accordance with the provisions of the relevant Accounting Standards for Business Enterprises.

Significant influence means that the investor has the power to participate in decision-making over the financial and operating policies of the investee, but does not control, or jointly control with other parties, the formulation of those policies. The Company determines that it has significant influence over the investee through one or more of the following circumstances, taking into account all facts and circumstances: (1) having representatives on the board of directors or similar authority of the investee; (2) participating in the process of setting financial and operating policies of the investee; (3) having significant transactions with the investee; (4) sending management personnel to the investee; (5) providing the investee unit with key technical information.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Fixed asset

1. Recognition of fixed assets

Fixed assets are tangible assets that are held for the production of goods and services, rental or operation management and have a useful life of more than one fiscal year. A fixed asset is recognized when both of the following conditions are met:

(1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost.

(1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes, and other expenses directly attributable to the fixed assets until they reach their intended useable state.

(2) The cost of self-constructed fixed assets consists of the necessary expenditures incurred before the construction of the asset reaches its intended useable state.

(3) Fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, except that the value agreed in the contract or agreement is not fair, which is recorded at fair value.

(4) Where the purchase price of a fixed asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price is recognized in profit or loss over the credit period, except for those that should be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation on fixed assets is provided over their estimated useful lives based on their recorded value less estimated net residual value. For fixed assets for which accrual for impairment has been made, depreciation is determined in future periods on the basis of the carrying amount net of impairment and based on the remaining useful life; fixed assets that are fully depreciated and continue to be used are not depreciated.

The Company determines the useful lives and estimates net residual values of fixed assets based on the nature and use of fixed assets. At the end of the year, the useful life, estimated net residual value and depreciation method of fixed assets are reviewed and adjusted accordingly if there is any difference from the original estimate.

(All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Fixed asset (continued)

3. Subsequent measurement and disposal of fixed assets (continued)

(1) Depreciation of fixed assets (continued)

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

Classification	Depreciation method	Year of depreciation (year)	Residual value rate (%)	Annual depreciation rate (%)
House and Building	Straight-line method	10 to 20 years	0	5% to 10%
Machinery equipment	Straight-line method	5 to 10 years	5	9. 5% to 19%
Transportation equipment	Straight-line method	4 to 5 years	5	19% to 23. 75%
Office and electric equipment	Straight-line method	3 to 5 years	5	19% to 31. 67%

(2) Subsequent measurements of fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets; those that do not meet the conditions for recognition of fixed assets are included in the current profit and loss when incurred.

(3) Disposal of fixed assets

A fixed asset is derecognized when it is disposed of or when no economic benefits are expected to arise from its use or disposal. The disposal proceeds from the sale, transfer, scrapping or destruction of fixed assets, net of their book value and related taxes and fees, are recognized in profit or loss for the current period.

(XXI) Construction in progress

The Company's self-constructed construction in progress is valued at actual cost, which consists of necessary expenditures incurred before the construction of the asset reaches its intended useable state, including the cost of construction materials, labor costs, related taxes and fees paid, borrowing costs to be capitalized and overhead costs to be apportioned, etc.

Construction-in-progress projects are recorded as fixed assets at the value of all expenditures incurred before the construction of the asset reaches its intended useable state. If the construction in progress has reached its intended useable state but the final account has not yet been completed, the estimated value is transferred to fixed assets based on the budget, cost or actual cost of the project from the date it reaches its intended useable state, and the depreciation of fixed assets is provided in accordance with the Company's depreciation policy for fixed assets, and after the final account is completed, the original accrued estimated value is adjusted according to the actual cost, but not the original depreciated value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Construction in progress (continued)

For the impairment test method and impairment provision method of construction in progress, please refer to Note (XXV) Impairment of long-term assets.

(XXII) Borrowing costs

1. Principles of recognizing capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the related assets; other borrowing costs are recognized as expenses when incurred and charged to profit or loss for the current period in accordance with the amounts incurred.

Assets eligible for capitalization are fixed assets, investment properties and inventories that require a substantial period of time to reach their intended use or saleable condition.

Borrowing costs begin to be capitalized when both of the following conditions are met:

(1) Expenditure on assets has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization;

(2) Borrowing costs have been incurred;

(3) The acquisition or production activities necessary to bring the asset to its intended use or saleable condition have begun.

2. Capitalization period of borrowing costs

The capitalization period refers to the period from the point when capitalization of borrowing costs commences to the point when capitalization ceases, excluding the period when capitalization of borrowing costs is suspended.

Borrowing costs cease to be capitalized when the acquisition or production of assets eligible for capitalization reaches its intended use or saleable condition.

Borrowing costs cease to be capitalized when a portion of the assets eligible for capitalization is separately completed and available for separate use.

If each part of an asset purchased or produced is completed separately but must wait until the whole is completed before it can be used or sold to the public, the capitalization of borrowing costs ceases when the asset is completed as a whole.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Borrowing costs (continued)

3. Suspension of capitalization period

Capitalization of borrowing costs is suspended if there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization and the interruption lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended useable or marketable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interrupted period are recognized as profit or loss for the current period until the acquisition or production of the asset is restarted and the borrowing costs continue to be capitalized.

4. Calculation of capitalization of borrowing cost

Interest expenses on special borrowings (net of interest income earned on unused borrowed funds deposited in banks or investment income earned on temporary investments) and their ancillary expenses are capitalized until the assets purchased or produced that qualify for capitalization reach their intended use or saleable condition.

The amount of interest to be capitalized on general borrowings is determined by multiplying the weighted average amount of accumulated asset expenditures in excess of the portion of special borrowings by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the weighted-average interest rate on general borrowings.

If there is a discount or premium on borrowings, the amount of discount or premium to be amortized for each accounting period is determined by the effective interest rate method, and the amount of interest is adjusted for each period.

(XXIII) 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, where a lease incentive exists, net of amounts related to lease incentives taken;

3. the initial direct costs incurred by the Company;

4. costs expected to be incurred by the Company to disassemble 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 for inventory production).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Right-of-use assets (continued)

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

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

The Company determines whether the right-of-use assets have been impaired in accordance with the provisions of Accounting Standards for Business Enterprises No. 8 "Asset Impairment" and conducts accounting treatment for the identified impairment losses. For details, please refer to to Note (XXV) Impairment of long-term assets.

(XXIV) Intangible assets and development expenses

Intangible assets are identifiable non-monetary assets without physical form owned or controlled by the Company, including land use rights, trademark use rights, purchased software.

1. *Initial measurement of intangible assets*

The cost of an externally acquired intangible asset includes the purchase price, related taxes and other expenses directly attributable to bringing the asset to its intended use. Where the purchase price of an intangible asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.

When a debt restructuring acquires an intangible asset used to offset a debt, the fair value of the intangible asset is used to determine its recorded value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used to offset the debt is recognized in profit or loss for the current period.

Provided that the exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged or the asset being exchanged can be measured reliably, the recorded value of the intangible asset acquired in exchange for non-monetary assets is determined on the basis of the fair value of the asset being exchanged, unless there is conclusive evidence that the fair value of the asset being exchanged is more reliable; for non-monetary asset exchanges that do not meet the above prerequisites, the carrying amount of the asset being exchanged and the related tax payable are recognized as the cost of the intangible asset, and no gain or loss is recognized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Intangible assets and development expenses (continued)

1. Initial measurement of intangible assets (continued)

Intangible assets acquired by way of absorption and consolidation of enterprises under common control are recorded at the carrying value of the party being consolidated; intangible assets acquired by way of absorption and consolidation of enterprises not under common control are recorded at fair value.

The cost of an intangible asset developed internally includes materials used in developing the intangible asset, labor costs, registration fees, amortization of other patents and licenses used in the development process and interest costs that satisfy the conditions for capitalization, and other direct costs incurred to bring the intangible asset to its intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and determines the useful life of intangible assets at the time of acquisition and classifies them into those with finite useful lives and those with indefinite useful lives.

(1) Intangible assets with finite useful life

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 use rights	8 to 10 years	Benefit period
Purchased software	2 to 10 years	Benefit period

At the end of each period, the useful lives and amortization methods of intangible assets with finite useful lives are reviewed and adjusted accordingly if they differ from the original estimates.

After the review, the useful lives and amortization methods of intangible assets at the end of the current period did not differ from the previous estimates.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Intangible assets and development expenses (continued)

2. Subsequent measurement of intangible assets (continued)

(2) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are considered to be those with indefinite useful lives if it is not foreseeable that the intangible assets will provide economic benefits to the enterprise.

Intangible assets with indefinite useful lives are not amortized during the holding period, and the lives of intangible assets are reviewed at the end of each period. If they are still indefinite after the review at the end of the period, they continue to be tested for impairment in each accounting period.

After the review, the useful life of such intangible assets is still indefinite.

(XXV) Impairment of long-term assets

The Company determines at the balance sheet date whether there is an indication that a long-lived asset may be impaired. If there is an indication that a long-lived 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 on the basis of 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-lived asset is less than book value, the carrying amount of the long-lived 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 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 residual 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) Impairment of long-term assets (continued)

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.

(XXVI) Long-term prepaid expenses

1. *Amortization method*

Long-term prepaid expenses 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 prepaid expenses is amortized on a straight-line basis over the benefit period.

2. *Amortization period*

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

(XXVII) Contract liabilities

The Company recognizes the portion of the obligation to transfer goods to customers for which consideration has been received or receivable from customers as a contract liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Employee benefits

Employee compensation refers to various forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee compensation includes short-term compensation, post-employment benefits, severance benefits and other long-term employee benefits.

1. Short-term compensation

Short-term compensation is defined as employee compensation, excluding post-employment benefits and termination benefits, that is payable in full within twelve months after the end of the annual reporting period in which the employees render the related services. The Company recognizes short-term compensation payable as a liability in the accounting period in which the employee provides services and includes it in the cost of related assets and expenses according to the beneficiary of the services provided by the employee.

2. Post-employment benefits

Post-employment benefits are all forms of compensation and benefits, except short-term compensation and severance benefits, provided by the Company to obtain services rendered by employees after their retirement or termination of employment with the Company.

The Company's post-employment benefit plan is defined contribution plan.

The defined contribution plans for post-employment benefits are mainly for participation in basic social pension insurance and unemployment insurance organized and implemented by local labor and social security agencies. During the accounting period in which the employees provide services to the Company, the amount of contributions payable under the defined contribution plan is recognized as a liability and recorded in profit or loss for the current period or the cost of related assets.

After the Company makes regular contributions to these amounts in accordance with national standards, it has no further payment obligations.

3. Severance benefits

Severance benefits are compensation given by the Company to employees for the termination of their employment relationship prior to the expiration of their employment contracts or to encourage employees to voluntarily accept redundancy. A liability arising from the compensation given for the termination of the employment relationship with employees is recognized at the earlier of the date when the Company is unable to unilaterally withdraw the termination plan or the proposed redundancy and when the Company recognized the costs associated with the restructuring involving the payment of severance benefits,the Company recognizes the liability arising from the termination of the employment relationship with the employee and includes it in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Estimated liabilities

1. *Criteria for recognition of an estimated liability*

The Company recognizes an estimated liability when the obligation associated with a contingency is a present obligation to be assumed by the Company, when it is probable that the performance of the obligation will result in an outflow of economic benefits to the Company, and the amount of the obligation can be measured reliably.

2. *Measurement of estimated liabilities*

The Company's estimated liabilities are initially measured at the best estimate of the expenditure required to satisfy the related present obligation.

In determining the best estimate, the Company considers the risks associated with the contingencies, uncertainties, and the time value of money. For those with a significant impact on the time value of money, the best estimate is determined by discounting the related future cash outflows.

The best estimates are treated separately as follows:

Where a continuous range (or interval) of required expenditures exists and it is equally probable that various outcomes will occur within that range, the best estimate is determined as the average of the middle of the range, i. e., the upper and lower amounts.

If there is no continuous range (or interval) of expenditures, or if there is a continuous range but the probabilities of various outcomes within the range are different, the best estimate is determined as the most probable amount if the contingency relates to a single item; if the contingency relates to multiple items, the best estimate is determined based on various probable outcomes and related probabilities.

If all or part of the expenditures required to settle the estimated liability are expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) 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 and substantial fixed payments after deducting amounts related to lease incentives;

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 profit or loss for the current period or cost of the related assets.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue

The Company's revenues are derived from the following business types:

(1) Retail

(2) Wholesale sales

(3) Brand-integrated services

(4) Property leasing

1. General principles of revenue recognition

The Company recognizes revenue based on the transaction price apportioned to that performance obligation when the Company has satisfied the performance obligation in the contract, i. e., when the customer obtains control of the relevant goods or services.

A performance obligation is a contractual commitment by the Company to transfer clearly distinguishable goods or services to a customer.

The acquisition of control of the relevant goods is the ability to dominate the use of the goods and derive substantially all of the economic benefits therefrom.

The Company evaluates the contract as of the contract commencement date, identifies each individual performance obligation contained in that contract, and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point in time. If one of the following conditions is met, the performance obligation is performed within a certain period of time, and the Company recognizes revenue over a period of time in accordance with the progress of performance: (1) the customer obtains and consumes the economic benefits resulting from the Company's performance at the same time as the Company's performance; (2) the customer is able to control the goods under construction during the Company's performance; (3) the goods produced during the Company's performance have irreplaceable uses and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period. Otherwise, the Company recognizes revenue at the point at which the customer obtains control of the relevant goods or services.

The Company uses the output method/input method to determine the appropriate schedule of performance for performance obligations to be performed within a given time period, depending on the nature of the goods and services. The output method determines the progress of performance based on the value to the customer of the goods that have been transferred to the customer (the input method determines the progress of performance based on the Company's inputs to satisfy the performance obligation). When the progress of performance cannot be reasonably determined, the Company recognizes revenue in the amount of costs already incurred until the progress of performance can be reasonably determined, if the costs already incurred are expected to be reimbursed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

2. *Specific methods of revenue recognition*

Retail: The Company sells directly to customers at retail, which is a performance obligation to be fulfilled at a point in time and recognizes revenue when the customer has purchased the product, has received the price or acquired the right to receive payment, and it is probable that the related economic benefits will flow.

Wholesale sales: The Company sells goods to franchisees in various locations. The Company recognizes revenue when the merchandise is shipped or accepted by the franchisee. The Company provides sales discounts to franchisees based on sales volume. The Company determines the amount of discounts in accordance with the expected value method based on historical experience, and recognizes revenue based on the net amount of the contract consideration less the expected discount amount.

Brand-integrated services: The brand-integrated service business is a business in which the Company provides customers with the right to use each brand and receives brand-integrated services royalties. Revenue from brand-integrated services is recognized over the agreed usage period of each brand, apportioned over the period.

Property leasing: The Company recognizes revenue on a straight-line basis over the lease term as agreed in the lease contract.

3. *Accounting treatment principle on the revenue of specific transactions*

(1) *Contracts with sales return clause*

Revenue is recognized at the amount of consideration expected to be received for the transfer of goods to the customer (i. e., excluding the amount expected to be returned as a result of sales return) when the customer obtains control of the goods, and a liability is recognized at the amount expected to be returned as a result of sales return.

The balance of the book value of merchandise expected to be returned upon sale, net of the costs expected to be incurred to recover the merchandise (including impairment of the value of the returned merchandise), is accounted for under "cost of returned merchandise".

(2) *Reward points program*

The Company will grant customers reward points with the sale of merchandise, which they can redeem for free or discounted merchandise provided by the Company. This reward point program provides a significant right to the customer, which the Company treats as a single performance obligation, apportions a portion of the transaction price to the reward points in the relative proportion of the individual selling price of the merchandise offered and the reward points, and recognizes revenue when the customer obtains control of the merchandise for which the points are redeemed or when the points lapse.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

3. Accounting treatment principle on the revenue of specific transactions (continued)

(3) Primary responsible/agent

The Company assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Company is a principal or an agent. If the Company is able to control the specified good or service prior to the transfer of such good or service to a customer, the Company is a primary responsible party and recognises revenue on the basis of the gross amount of consideration received or receivable. Otherwise, the Company is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled to receive, which is determined on the basis of the total amount of consideration received or receivable minus the amount payable to other related parties.

(XXXII) Contract costs

1. Contract performance costs

The Company recognizes an asset as contract performance costs if the costs incurred to perform a contract do not fall within the scope of other Accounting Standards for Business Enterprises other than the revenue standard and that also meets the following conditions:

(1) The cost is directly related to a current or expected contract to be obtained, including direct labor, direct materials, manufacturing costs (or similar costs), costs explicitly borne by the customer, and other costs incurred solely in connection with that contract;

(2) The cost increases the resources available to the business to meet future performance obligations.

(3) The cost is expected to be recovered.

The asset is reported in inventories or other non-current assets based on whether its amortization period at initial recognition exceeds one normal operating cycle.

2. Contract acquisition costs

Incremental costs incurred by the Company to acquire a contract that are expected to be recovered are recognized as an asset as contract acquisition costs. Incremental costs are costs that would not have been incurred had the Company not acquired the contract, such as sales commissions. For amortization periods not exceeding one year, they are recognized in profit or loss as incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Contract costs (continued)

3. Amortization of contract costs

The above assets related to contract costs are amortized to profit or loss for the current period using the same basis as revenue recognition for goods or services related to the asset, either at the point of performance of the performance obligation or in accordance with the progress of performance of the performance obligation.

4. Impairment of contract costs

If the carrying value of the above assets related to contract costs is higher than the difference between the remaining consideration expected to be received by the Company for the transfer of the commodity related to the asset and the estimated costs to be incurred for the transfer of the related commodity, the excess should be provided for impairment and recognized as an asset impairment loss.

After the accrual for impairment is made, if there is a change in the factors for impairment in previous periods, such that the above two differences are higher than the carrying amount of the asset, the original impairment is reversed and recognized in profit or loss, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no impairment is made.

(XXXIII) Government grants

1. Classification

Government grants, which are monetary and non-monetary assets acquired by the Company from the government without consideration. Government grants are classified as asset-related government grants and revenue-related government grants according to the grant objects specified in the relevant government documents.

For government grants for which the government documents do not specify the grant objects, the Company classifies them as asset-related government grants or revenue-related government grants according to the actual grant objects, and the related judgment bases are described in Note V/(XXIX) "Other non-current liabilities"/(XLVII) "Non-operating income" of these financial statements.

Government grants related to assets are government grants acquired by the Company for the acquisition and construction or other formation of long-term assets. Government grants related to revenue are government grants other than those related to assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

2. Recognition of government grants

Government grants are recognized at the amount receivable if there is evidence that the company can meet the relevant conditions set forth in the financial support policy and the Company expects to receive the financial support funds. Other than that, government grants are recognized when they are actually received.

Government grants are measured at the amount received or receivable if they are monetary assets. Government grants that are non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, they are measured at a nominal amount (RMB1). Government grants measured at nominal amount are directly recognized in profit or loss for the current period.

3. Accounting treatment method

The Company determines whether a particular type of government grant operation should be accounted for using the gross method or the net method based on the substance of the economic operation. Normally, the Company selects only one method for the same type or similar government grant operations and applies the method consistently to such operations.

Government grants related to assets should be written down to the carrying amount of the related assets or recognized as deferred income. Government grants related to assets that are recognized as deferred income are recognized in profit or loss over the useful life of the assets constructed or purchased in accordance with a reasonable and systematic method.

Government grants related to income, which are used to compensate the enterprise for relevant expenses or losses in subsequent periods, are recognized as deferred income and charged to profit or loss for the current period or offset against the relevant costs in the period in which the relevant expenses or losses are recognized; if they are used to compensate the enterprise for relevant expenses or losses already incurred, they are directly charged to profit or loss for the current period or offset against the relevant costs upon receipt.

Government subsidies related to the daily activities of the enterprise are included in other income or reduced by related costs and expenses; government subsidies not related to the daily activities of the enterprise are included in non-operating income and expenses.

Government subsidies received in connection with policy-based preferential interest rate loans are offset by the related borrowing costs; if a policy-based preferential interest rate loan is obtained from a lending bank, the actual amount of the loan received is used as the recorded value of the loan, and the related borrowing costs are calculated based on the principal amount of the loan and the policy-based preferential interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

3. Accounting treatment method (continued)

When recognized government subsidies need to be returned, the carrying value of the assets is adjusted if the carrying value of the relevant assets is reduced upon initial recognition; if there is a balance of relevant deferred income, the carrying value of the relevant deferred income is being offset and the excess is recognized in profit or loss for the current period; if there is no relevant deferred income, it is directly recognized in profit or loss for the current period.

(XXXIV) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference between the tax bases of assets and liabilities and their carrying amounts (temporary differences). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is recovered, or the liability is settled.

1. Criteria for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized and taxable losses and tax credits can be carried forward to future years. However, deferred income tax assets arising from the initial recognition of assets or liabilities are not recognized if the transaction has the following characteristics: (1) the transaction is not a business combination; (2) the transaction neither affects accounting profit nor taxable income or deductible losses when it occurs.

For deductible temporary differences associated with investments in associates, deferred income tax assets are recognized if the following conditions are met, it is probable that the temporary differences will reverse in the foreseeable future, and it is probable that taxable income will be available against which the deductible temporary differences can be utilized in the future.

2. Criteria for recognition of deferred income tax liabilities

The company recognizes the taxable temporary differences for the current and prior periods that are due but not yet paid as deferred income tax liabilities. However, they do not include:

(1) Temporary differences arising from the initial recognition of goodwill;

(2) Temporary differences arising from transactions or events not resulting from business combinations and which, when they occur, affect neither accounting profit nor taxable income (or deductible losses);

(3) For taxable temporary differences associated with investments in subsidiaries or associates, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIV) Deferred income tax assets and deferred income tax liabilities (continued)

3. *Deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when the following conditions are met*

(1) The enterprise has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

(2) Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or to different taxable entities, but in each future period in which the deferred income tax assets and deferred income tax liabilities are materially reversed, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire the assets and settle liabilities simultaneously.

(XXXV) 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 entered into 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 entered into 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 separate lease.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

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 of not more 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 Notes (XXIII) and (XXX).

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 other 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 entered into 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 the majority of the useful life of the leased asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

4. *Accounting treatment of the Company as a lessor (continued)*

(1) *Classification of leases (continued)*

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 finance lease assets.

When the finance lease receivable is initially measured, the sum of the unguaranteed residual value and the present value of the amount of lease receipts not yet received at the commencement date of the lease term discounted at the interest rate embedded in the lease is used as the recorded value of the finance lease receivable. The amount of lease receipts includes:

1) fixed payments net of amounts related to lease incentives and substantial 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;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

4. Accounting treatment of the Company as a lessor (continued)

(2) Accounting for finance leases (continued)

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 guarantee 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 acquired that are not included in the net lease investment measurement 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, and are recognized in profit or loss for the current period in phases; variable lease payments acquired 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.

(XXXVI) Discontinues operation

The Company recognizes a discontinued operation component as a separately distinguishable component if one of the following conditions is met and the component has been disposed of or classified as held for sale:

(1) The component represents a separate major business or a separate major operating area.

(2) The component is part of an associated plan to dispose of a separate major business or a separate major area of operation.

(3) The component is a subsidiary acquired exclusively for resale.

Gains or losses from operations such as impairment losses and reversals of amounts from discontinued operations and gains or losses on disposals are presented in the income statement as gains or losses from discontinued operations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXVI) Discontinues operation (continued)

The Company presents non-current assets held for sale or assets in disposal groups held for sale separately from other assets and liabilities in disposal groups held for sale separately from other liabilities in the balance sheet. Assets in non-current assets held for sale or disposal groups held for sale and liabilities in disposal groups held for sale are not offset against each other and are presented as current assets and current liabilities, respectively. The Company presents gains and losses from continuing operations and gains and losses from discontinued operations separately in the income statement. For discontinued operations presented in the current period, the Company restates the information originally presented as profit or loss from continuing operations as profit or loss from discontinued operations for the comparable accounting period in the current period's financial statements. If a discontinued operation no longer meets the conditions for classification as held for sale, the Company restates the information previously reported as profit or loss from discontinued operations in the current financial statements as profit or loss from continuing operations for the comparable accounting period.

(XXXVII) Repurchase of the shares

Consideration and transaction costs paid in connection with the repurchase of the Company's shares reduce shareholders' equity, and no gain or loss is recognized on the repurchase, transfer or cancellation of the Company's shares.

When the Company transfers treasury stock, the difference between the actual amount received and the carrying amount of treasury stock is credited to capital surplus. If capital surplus is not sufficient to cover the difference, the difference is charged to surplus and unappropriated earnings. Upon cancellation of treasury stock, the Company reduces its capital stock by the nominal value of the stock and the number of shares canceled, and the difference between the book value and the nominal value of the treasury stock canceled is credited to capital surplus; if capital surplus is not sufficient to cover the difference, it is credited to surplus and undistributed profit.

(XXXVIII) Distribution of profits

The Company's cash dividends are recognized as a liability upon approval by the shareholders' meeting.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIX) Debt restructuring

1. *Recording debt restructuring obligations as debtor*

If a debt restructuring is carried out by means of settlement of a debt with an asset, the Company derecognizes the asset and the debt settled when the conditions for derecognition are met, and the difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is recognized in profit or loss for the current period.

For debt restructuring by converting debt to equity instruments, the Company derecognizes the debt when the debt settled meets the conditions for derecognition. The Company initially recognizes an equity instrument at the fair value of the equity instrument. If the fair value of the equity instrument cannot be reliably measured, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognized for the equity instrument is recognized in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debt in accordance with Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments" and Accounting Standards for Business Enterprises No. 37 "Presentation of Financial Instruments".

When debt restructuring is carried out by using multiple assets to settle debts or by combining them, the Company recognizes and measures equity instruments and restructured debts in accordance with the foregoing method, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the transferred assets and the recognized amounts of equity instruments and restructured debts is recognized in profit or loss for the current period.

2. *Recording debt restructuring obligations as a creditor*

For debt restructuring in the form of settlement of debts by assets, the Company initially recognizes assets other than transferred financial assets at cost, of which the cost of inventories, including the fair value of the renounced claims and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, and insurance, etc., incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claim and other costs such as taxes directly attributable to the asset. The cost of investment property, including the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of property, plant and equipment includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, installation, and professional services, incurred before the asset is brought to its intended useable condition. The cost of an intangible asset consists of the fair value of the relinquished claim and other costs directly attributable to taxes incurred to bring the asset to its intended use. The difference between the fair value of the relinquished claim and the carrying amount is recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIX) Debt restructuring (continued)

2. Recording debt restructuring obligations as a creditor (continued)

If a debt restructuring by way of conversion of debt to equity instruments results in the Company converting a claim to an equity investment in an associate or joint venture, the Company measures the initial investment cost of the claim at the fair value of the relinquished claim and at other costs directly attributable to the asset, such as taxes. The difference between the fair value of the relinquished claim and its carrying amount is recognized in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructuring claim in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments".

If debt restructuring is carried out using multiple assets to settle debts or a combination thereof, the transferred financial assets and restructuring claims are first recognized and measured in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 "Recognition and Measurement of Financial Instruments", and then the fair value of each asset other than the transferred financial assets is allocated in proportion to the fair value of the relinquished claims, and the net amount after deducting the recognized amount of the transferred financial assets and restructuring claims is determined on this basis in accordance with the method described above. The fair value of each asset other than the transferred financial assets is then allocated to the net amount after deducting the recognized amounts of the transferred financial assets and restructuring claims, and the cost of each asset is determined separately on this basis in accordance with the aforementioned method. The difference between the fair value and the carrying amount of the abandoned claims is recognized in profit or loss for the current period.

(XL) Fair value measurement

The Company measures other investments in equity instruments, other non-current financial assets, and trading financial assets at fair value at each balance sheet date. Fair value, which is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction that occurs on the measurement date. The Company measures the relevant asset or liability at fair value assuming that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability; if no principal market exists, the Company assumes that the transaction takes place in the most advantageous market for the relevant asset or liability. The principal market (or most advantageous market) is the market for the transaction to which the Company has access at the measurement date. The Company uses the assumptions used by market participants in pricing the asset or liability to maximize their economic benefits.

Where a non-financial asset is measured at fair value, consideration is given to the ability of the market participant to generate economic benefits from the use of the asset for its best use or to generate economic benefits from the sale of the asset to other market participants who are able to use it for its best use.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Fair value measurement (continued)

The Company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, giving preference to relevant observable inputs and using unobservable inputs only when observable inputs are unavailable or impracticable to obtain.

(XLI) 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 manner in which the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the manner in which 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Significant accounting judgments and estimates

1. *Judgments (continued)*

(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 during which 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' 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 Company's exercise of 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Significant accounting judgments and estimates (continued)

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, taking into account 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 impairment, and the 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 is 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

(5) Impairment of inventories

In accordance with the Company's inventory accounting policy, inventories are measured at the lower of cost or net realizable value, and a inventory write-downs is made for inventories whose 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 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 prepaid expenses (improvement of fixed assets under operating lease)

The estimated useful lives and estimated net residual values of the Company's fixed assets, intangible assets and long-term prepaid expenses (improvement of fixed assets under operating lease) are based on the actual useful lives of fixes assets, intangible assets and long-term prepaid expenses (improvement of fixed assets under operating lease) 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 residual 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

(8) Long-term impairment losses

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 estimated future cash flows, an impairment loss on assets may be required.

(XLII) Changes in significant accounting policies and accounting estimates

1. Change in accounting policy

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

2. Change in accounting estimates

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

IV. TAXATION

(I) Main categories and rates of taxes applicable to the Company

Category	Tax base/Type of income	Tax rate	Note
Value added tax ("VAT")	Products (commodity) sales income	13%	
	Real estate lease income	9%	
	Other taxable service income	6%	
	Simplified tax calculation method	5%, 3%, 1%	
City maintenance and construction tax	Paid Transfer Tax	7%, 5%, 1%	
Enterprise income tax	Taxable income	25%	
Property tax	Calculate and pay at 70% of the original value of the real estate (or rental income)	1. 2%, 12%	

IV. TAXATION (CONTINUED)

(II) Tax incentives and basis

In accordance with the provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying the Policies on Reduction or Exemption of Value-added Tax for Small-scale VAT Taxpayers (Announcement No. 1, 2023 of the Ministry of Finance and the State Administration of Taxation) and the Announcement on the Policies on Reduction or Exemption of Value-added Tax for Small-scale VAT Taxpayers (Announcement No. 19, 2023 of the Ministry of Finance and the State Administration of Taxation): from 1 January 2023 to 31 December 2027, small-scale VAT taxpayers with monthly sales of less than 100,000 yuan (including this amount) will be exempted from VAT; from 1 January 2023 to 31 December 2023, small-scale VAT taxpayers with monthly sales of less than 100,000 yuan (including this amount) will be exempted from VAT; from 1 January 2023 to 31 December 2023, small-scale VAT taxpayers shall be subject to VAT at a reduced rate of 1% on taxable sales income with a 3% rate; for VAT items subject to 3% advance levy rate, VAT shall be paid in advance at 1% advance levy rate.

Pursuant to the Announcement on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises (Announcement No. 13, 2022 of the Ministry of Finance), Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 6, 2023 of the Ministry of Finance), Announcement on the Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Owners (Announcement No. 12, 2023 of the Ministry of Finance and the State Administration of Taxation), the document stipulates that from 1 January 2023 to 31 December 2027, 25% of the annual taxable income of small and low-profit enterprises not exceeding 1 million yuan will be included in the taxable income, and the enterprise income tax will be paid at the tax rate of 20%; from 1 January 2022 to 31 December 2024, for the part of the annual taxable income of small and low-profit enterprises that exceeds 1 million yuan but does not exceed 3 million yuan, 25% will be reduced and included in the taxable income, and the enterprise income tax will be paid at the rate of 20%. For the part of small profit-making enterprises, 25% shall be included in the taxable income, and the enterprise income tax shall be paid at the tax rate of 20%. The policy will continue to be implemented until 31 December 2027.

According to the Announcement on the Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Business Owners (Notice No. 12, 2023 of the Ministry of Finance and the State Administration of Taxation), from 1 January 2023 to 31 December 2027, Resource tax (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), cultivated land occupation tax, education surcharge and local education surcharge will be levied by half on small-scale VAT taxpayers, small low-profit enterprises and individual industrial and commercial households.

Pursuant to the provisions of the Announcement of Sichuan Taxation Bureau of the State Administration of Taxation and Sichuan Finance Department on Implementing the Exemption of Property Tax and Urban Land Use Tax for the First Half of 2023 for Taxpayers in Five Industries including Transportation (Announcement No. 1 of 2023 of Sichuan Taxation Bureau of the State Administration of Taxation and Sichuan Finance Department), taxpayers in the transportation, storage and postal services, wholesale and retail, accommodation and catering, tourism, sports and entertainment industries will be exempted from property tax and urban land use tax for the first half of 2023.

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts are in RMB thousands if not otherwise stated; the closing balances are as of 30 June 2024, and the opening balances are as of 1 January 2024 and closing balances of the previous period are as of 31 December 2023)

(I) Monetary funds

Items	Closing balance	Opening balance
Cash on hand	**22**	15
Bank deposits	**31,345**	41,627
Other monetary funds	**5,472**	8,288
Total	**36,839**	49,930
Including: Total amount of funds abroad	**2**	2

Of which, details of restricted monetary funds are listed as below:

Items	Closing balance	Opening balance
Bank deposits restricted due to reasons such as judicial freezing	**5,472**	8,288
Total	**5,472**	8,288

(II) Accounts receivable

1. *Classified disclosure on aging*

Accounts receivable with aging since invoice date are analyzed as follows:

Aging	Closing balance	Opening balance
Within 90 days	**7,183**	8,083
90 days to 1 year	**30,765**	30,841
1 to 2 years	**15,347**	18,099
2 to 3 years	**23,729**	35,187
3 years above	**1,501,578**	1,488,169
Sub-total	**1,578,602**	1,580,379
Less: Provision for bad debt	**1,568,708**	1,571,126
Total	**9,894**	9,253

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

2. Disclosures by bad debt allowance accrual method

	Closing balance				
	Book balance		Bad debt allowance		
Items	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Book value**
Accounts receivable subjected to accrual for expected credit losses on individual basis	**1,567,511**	**99**	**1,567,511**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**11,091**	**1**	**1,197**	**11**	**9,894**
Including: Accural for bad debt based on aging risk portfolio	**11,091**	**1**	**1,197**	**11**	**9,894**
Total	**1,578,602**	**100**	**1,568,708**	**99**	**9,894**

Continued:

	Opening balance				
	Book balance		Bad debt allowance		
Categories	Book balance	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,570,175	99	1,570,175	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	10,204	1	951	9	9,253
Including: Accural for bad debt based on aging risk portfolio	10,204	1	951	9	9,253
Total	1,580,379	100	1,571,126	99	9,253

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

3. Accounts receivable subjected to accrual for expected credit losses on individual basis

	Closing balance			
Name of company	**Book balance**	**Bad debt allowance**	**Proportion (%)**	**Reason**
Hongche Industrial (Shanghai)Co., Ltd.* (泓澈實業(上海)有限公司)	**4,284**	**4,284**	**100**	**Note 1**
Shanghai Weile Fashion Co.,Ltd.* (上海微樂服飾有限公司)	**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)	**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)	**372,285**	**372,285**	**100**	**Note 4**
Receivables from shopping malls	**139,853**	**139,853**	**100**	**Note 5**
Total	**1,567,511**	**1,567,511**	**100**	

Note 1: The amount of Hongche Industrial, a related party outside the scope of receivables merger, is RMB4,284 thousand. Due to the poor operating conditions of Hongche Industrial and capital turnover problems, the company believes that it is difficult to recover the receivables, so it makes provision for bad debts in full.

Note 2: On 9 August 2022, Shanghai Weile, a wholly-owned subsidiary, was taken over by the bankruptcy liquidation administrator appointed by the court. Due to the insolvency of Shanghai Weile and the existence of senior creditor's rights, the Company expects it to be difficult to recover its receivables, so it makes provision for bad debts in full.

Note 3: On 10 February 2023, Taicang Laxia, a wholly-owned subsidiary, was taken over by the bankruptcy organization administrator appointed by the court. Due to the insolvency of Taicang Laxia and the existing senior creditor's rights, the Company expects it to be difficult to recover its receivables, so it makes provision for bad debts in full.

Note 4: On 23 August 2023, Laxia Xiuxian, a wholly-owned subsidiary, was taken over by the court-appointed bankruptcy liquidation administrator. Due to the insolvency of Laxia Xiuxian and the existing senior claims, the Company expects it to be difficult to recover its receivables, so it makes provision for bad debts in full.

Note 5: Due to the poor operating conditions of the shopping malls and capital turnover problems, some shopping malls have been closed down. The company believes that it is difficult to recover the receivables, so the bad debt provision is made in full.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

4. Accounts receivable subjected to accrual for expected credit losses on portfolio basis

(1) Bad debt accrual on portfolio basis

	Closing balance		
Aging	**Carrying amount**	**Bad debt allowance**	**Proportion (%)**
Within 90 days	**7,085**	**142**	**2**
90 days to 1 year	**2,779**	**139**	**5**
1 to 2 years	**375**	**113**	**30**
2 to 3 years	**122**	**73**	**60**
3 years above	**730**	**730**	**100**
Total	**11,091**	**1,197**	**11**

5. Accrual, recovery, or reversal of bad debts allowance during the period

		Changes				
Items	**Opening balance**	**Accrual**	**Recovered or reversed**	**Written off**	**Other changes due to changes in scope of consolidation**	**Closing balance**
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: Accural for bad debt based on aging risk portfolio	**951**	**246**	**–**	**–**	**–**	**1,197**
Total	**1,571,126**	**246**	**2,664**	**–**	**–**	**1,568,708**

6. No actual write-off of accounts receivable during the reporting period

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

7. *The top five of accounts receivable according to the ending balance collected by the defaulting party*

Name of item	Closing balance	Percentage of total accounts receivable balance (%)	Accrual for bad debts allowance
Summary of top five accounts receivable according to the ending balance collected by the defaulting party	1,456,817	93	1,456,817

8. *There were no receivables derecognized due to the transfer of financial assets in the reporting period.*

9. *There were no assets and liabilities resulting from the transfer of accounts receivable and continued involvement in the reporting period.*

(III) Prepayment

1. *Prepayment classified by aging*

	Closing balance		Opening balance	
Aging	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	**3,990**	**98**	1,472	100
1 to 2 years	**88**	**2**	–	–
Total	**4,078**	**100**	1,472	100

2. *The top five prepayments by prepaid objects at the end of the period*

Name of company	Closing balance	Percentage of total prepayments (%)
Total amount of the top five prepayments	1,784	44

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables

1. Disclosure based on aging

Aging	Closing balance	Opening balance
Within 1 year	6,849	15,134
1 to 2 years	38,599	33,174
2 to 3 years	40,356	37,257
3 years above	763,103	762,204
Sub-total	848,907	847,769
Less: Provision for bad debt	843,076	842,300
Total	5,831	5,469

2. Classified by characteristic

Nature	Closing balance	Opening balance
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	3,108	3,108
Total	848,907	847,769

3. Disclosure based on the three stages of financial asset impairment

	Closing balance			Opening balance		
Items	Bad debt allowance	Carrying amount	Book value	Bad debt allowance	Carrying amount	Book value
Stage I	3,548	138	3,410	7,360	3,121	4,239
Stage II	3,148	1,397	1,751	489	195	294
Stage III	842,211	841,541	670	839,920	838,984	936
Total	848,907	843,076	5,831	847,769	842,300	5,469

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables (continued)

4. Details of allowance for bad debts of other receivables

Bad debts allowance	Stage I Expected credit loss in the next 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Opening balance	3,121	195	838,984	842,300
Opening balance during the period that:	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Accrual in the current period	–	1,202	2,804	4,006
Reversal in the current period	2,983	–	247	3,230
Charge-off in the current period	–	–	–	–
Closing balance	138	1,397	841,541	843,076

5. No actual write-off of accounts receivable during the reporting period.

6. Details of the top five of other receivables at the end of the period

Name of item	Nature	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of accrual for bad debts
Summary of top five other receivable with closing balances	Externally related party transactions	761,805	Above 1 year	90	761,135

7. There were no other receivables involving government grants in this reporting period.

8. There were no other receivables derecognized due to the transfer of financial assets in the reporting period.

9. There were no assets and liabilities arising from the transfer of other receivables and their continued involvement in the reporting period.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Inventories

1. *Classification of inventories*

Items	Closing balance			Opening balance		
	Book balance	**Impairment allowance**	**Book value**	Book balance	Impairment allowance	Book value
Raw materials	**980**	**980**	**–**	980	–	980
Inventory 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
Total	**97,147**	**65,579**	**31,568**	101,585	62,728	38,857

2. *Allowance for impairment of inventories*

Items	Opening balance	Increase in the current period		Decrease in the current period			**Closing balance**
		Accrual	Others	Reversal	Write off	Other decrease	
Raw materials	–	980	–	–	–	–	**980**
Inventory goods	62,728	5,111	–	–	5,666	–	**62,173**
Low value consumables	–	2,426	–	–	–	–	**2,426**
Total	62,728	8,517	–	–	5,666	–	**65,579**

Notes for allowance for impairment of inventory: The Company accrues for impairment at the lower of age, net realizable value or cost. The reversal during the period was due to the sale of inventories for which inventory impairment had been made.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) Non-current asset due within a year

Items	Closing balance	Opening balance
Debt investment (Note)	7,547	7,547
Less: Impairment for non-current assets due within one year	7,547	7,547
Total	–	–

Note of non-current assets due within one year: In 2017, the Company provided a loan to Shanghai Jiuwo Garment Co., Ltd. for a total amount of RMB6,500 thousand with an interest rate of 5.22%, which was extended for 2 years after maturity on 30 November 2018, with an interest rate of 5.77% during the extension period and will mature on 30 November 2020. As of 30 June 2024, the principal and interest of the borrowing were not recovered, therefore, the Group made full impairment of the principal and interest of the above borrowing.

(VII) Other current assets

1. *Details of other current assets*

Items	Closing balance	Opening balance
Input tax to be certified/withholding credits	13,003	13,446
Prepaid tax presented at the net amount	7,455	7,456
Borrowing to related parties (Note 1)	47,869	47,869
Entrusted loan (Note 2)	42,400	42,400
Long-term investments expected to be disposed (Note 3)	413,057	413,057
Cost of returns receivable	–	589
Administrator's bank account	72,453	68,508
Others	150	592
Subtotal	596,387	593,917
Less: Impairment loss	510,691	510,691
Total	85,696	83,226

Notes of other current assets:

1. As of 30 June 2024, the Company had provided loans totaling RMB40,000 thousand (2018: RMB32,500 thousand; 2019: RMB7,000 thousand; 2020: RMB500 thousand) to Hongche Industrial at a borrowing rate of 6%. Due to the poor operating conditions of the enterprise and liquidity problems, the Company considers that the current assets are difficult to recover and therefore fully made provision for impairment.

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) Other current assets (continued)

1. *Details of other current assets (continued)*

2. As of 30 June 2024, the Company had provided loans totaling RMB37,400 thousand (2017: RMB5,000 thousand; 2018: RMB27,000 thousand; 2019: RMB5,400 thousand) to Xingji Industrial (Shanghai) Company Limited ("Xingji Industrial") with interest rates ranging from 5.22% to 5.66%. Since Xingji Industrial is no longer apart of the consolidation, and the Company could hardly recover the amount, the Company accrued a full impairment of this loan.

   The Company provided loans totaling RMB5,000 thousand (2017: RMB5,000 thousand) to Chengdu Biku Technology Co., Ltd. at an interest rate of 6%, for which the Company accrued full amount of impairment as the amount was irrecoverable.

3. The Company's wholly-owned subsidiaries, La Chapelle Taicang, Shanghai Nuoxing and Laxia Xiuxian, were filed for bankruptcy and liquidation by their creditors due to insolvency, and have been taken over by the court-appointed administrators. According to the Company's understanding, the possibility of the parent company being compensated as a shareholder in the bankruptcy liquidation of the above companies is basically zero. Therefore, full provision for impairment was made for long-term equity investments transferred to other current assets for disposal.

   The former wholly-owned subsidiary of the Company, LaCha Fashion I Limited, was taken over by Gemstone Advantage Limited (current name, former name: HTI Advisory Company Limited) on 25 February 2020 due to the overdue repayment of the loan. According to the Company's understanding, its subsidiary, Naf Naf SAS, entered into bankruptcy proceedings and basically had no possibility of repaying its debts, therefore, a full provision for impairment was made for the long-term equity investments transferred to other current assets pending disposal.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) Long-term equity investment

			Increase/decrease during the year									
Investee company	Opening balance	Opening balance of provision for impairment	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	Adjustment of other comprehensive income	Changes in other equities	Cash dividend or profits declared	Accrual for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Associated Enterprises												
Tibet Baoxin Equity Investment Partnership (Limited Partnership) ("Tibet Baoxin")	97,930	10,617	-	-	(13,500)	-	-	-	-	-	84,430	10,617
Hongche Industrial (Shanghai) Co., Ltd. ("Hongche Industrial")	39,251	39,251	-	-	-	-	-	-	-	-	39,251	39,251
Beijing Ao'ni Trade Co. ("Beijing Aoni")	14,721	14,721	-	-	-	-	-	-	-	-	14,721	14,721
Shanghai Yishan Clothing Co. ("Shanghai Yishan")	-	-	-	-	-	-	-	-	-	-	-	-
Total	151,902	64,589	-	-	(13,500)	-	-	-	-	-	138,402	64,589

Note on long-term equity investments:

As of 30 June 2024, Shanghai Yishan has not yet commenced business activities.

(IX) Other equity instrument investment

1. *Other equity instrument investment*

Items	Closing balance	Opening balance
Beijing Mingtongsiji Technology Co., Ltd. ("Beijing Mingtong")	–	–
Shanghai Bolatu Co., Ltd. ("Shanghai Bolatu")	–	–
Total	–	–

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IX) Other equity instrument investment (continued)

2. Details of equity instrument investment not for trading

Items	Reasons for designated as measured at fair value through other comprehensive income	Dividend income recognized in the current period	Accumulated gains	Accumulated losses	Amount of other comprehensive income recognized in retained earnings	Reasons for other comprehensive income recognized in retained earnings
Beijing Mingtong	holding the financial assets is not for short-term trading, which does not belong to an equity instrument held for trading	–	–	(30,002)	–	–
Shanghai Bolatu	holding the financial assets is not for short-term trading, which does not belong to an equity instrument held for trading	–	–	(13,605)	–	–
Total	–	–	–	(43,607)	–	–

3. Other particulars of equity instrument investments

(1) In 2017, the Company subscribed 1,075 thousand shares of Beijing Mingtong to the Company's directed issue through the National Equities Exchange and Quotations, and the Company contributed RMB15,000 thousand, representing a shareholding ratio of 3.75%. In 2019, the Company completed the change of equity interest in the additional 1,075 thousand shares of equity investment in Beijing Mingtong, and therefore added RMB15,002 thousand of investment in other equity instruments in the year, changing the shareholding ratio to 7.07%. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a trading equity instrument, i.e., at initial recognition, the Company chose to designate the equity investment as a financial asset measured at fair value through other comprehensive income and presented as an investment in other equity instruments. The fair value of this equity instrument as of 30 June 2024, was zero.

(2) In July 2017, the Company entered into an equity transfer agreement with Shanghai Oxygen Culture Communication Company Limited ("Oxygen Culture") to acquire 9.07% equity interest in Shanghai Bolatu Information Technology Company Limited held by Oxygen Culture for RMB13,605 thousand. In March 2018, Shanghai Bolatu Information Technology Co., Ltd. completed the change of business registration information of the above-mentioned equity interest, and the Company designate the equity investment as a financial asset measured at fair value through other comprehensive income, which is presented as investment in other equity instruments. The fair value of this equity instrument as of 30 June 2024, was zero.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(X) Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**95,475**	96,727
Including: Ningbo Langshengqianhui Investment Partnership (limited Partnership)	**30,543**	30,612
Nantong Xunming Fund Partnership (limited Partnership)	**56,514**	56,521
Hangzhou Smart Investment Equity Investment Partnership (limited Partnership)	**8,418**	9,594
Total	**95,475**	96,727

Notes of other non-current financial assets:

(1) The Company entered into a written agreement on "Limited Partnership Agreement of Ningbo Langshengqianhui Investment Partnership (Limited Partnership)" with relevant parties in November 2017, which provides for the Company's contribution of RMB26,000 thousand, representing 5.2% of the total contribution, and the Company contributed a total of RMB18,200 thousand in 2017 in paid-up installments; the Company transferred the unpaid portion of RMB7,200 thousand to Tibet Baoxin at the end of 2020 and re-entered into a written agreement on "Limited Partnership Agreement of Ningbo Langshengqianhui Investment Partnership (Limited Partnership)" with relevant parties in May 2021, which provides for the Company's contribution of RMB18,200 thousand, representing 3.85% of the total contribution, which the Company considered that the financial asset was not held for the purpose of selling in the short term and was not a liquid financial asset, and presented it as other non-current financial assets.

(2) The Company entered into a written agreement of "Nantong Xunming Fund Partnership (Limited Partnership) Limited Partnership Agreement" with relevant parties in August 2018, which agreed that the Company contributed RMB100,000 thousand, representing 33% of the total contribution, and the Company contributed a total of RMB65,000 thousand in 2019 in tranches, which the Company presented as other non-current financial assets considering that the financial asset was not held for the purpose of selling in the short term and was not a liquid financial assets.

(3) The Company entered into a written agreement of "Hangzhou Smart Investment Equity Partnership (Limited Partnership) Partnership Agreement" with relevant parties in May 2017, and further entered into an updated version of the agreement in November 2017, in accordance with the agreement to subscribe for a capital contribution of RMB10,000 thousand, representing 19.57% of the total capital contribution, and the Group paid in a capital contribution of RMB10,000 thousand in June 2017. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a liquid financial asset and presented it as other non-current financial assets.

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset

1. Fixed asset details

Items	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
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
II. Accumulated depreciation					
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
Changes of scope of consolidation	–	–	–	–	–
4. Closing balance	39,472	5,576	1,351	25,952	72,351
III. Impairment allowance					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying amount					
1. Closing balance	104,878	607	71	1,624	107,180
2. Opening balance	108,487	693	71	1,721	110,972

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset (continued)

2. Fixed assets leased out through operating leases

Items	Closing carrying amount
Tianjing logistics center	42,278
Total	42,278

3. Other particulars of fixed asset

As of 30 June 2024, the Company obtained a short-term loan of RMB198,000 thousand from Everbright Bank by pledging the real estate located at No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, China, under the Jin (2018) Xiqing District Real Estate Right No. 1016982, as detailed in Note V/(XVIII) "Short-term borrowings". The above assets was seized by the People's Court of Xuhui District, Shanghai on 23 December 2020 due to the impact of litigation.

The Company's "Assets with restricted ownership or use right" are shown in Note V/(LII).

(XII) Construction in progress

1. Details of construction in progress

	Closing balance			Opening balance		
Project	**Carrying amount**	**Impairment allowance**	**Book value**	Carrying amount	Impairment allowance	Book value
Tianjin logistics center	**89,804**	**21,936**	**67,868**	89,804	21,936	67,868
Total	**89,804**	**21,936**	**67,868**	89,804	21,936	67,868

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XII) Construction in progress (continued)

2. Movement in significant construction in progress

Project	Opening balance	Increase in the current year	Transferred into fixed assets	Other decreases in the current period	Closing balance
Tianjin logistics center	89,804	–	–	–	**89,804**
Total	89,804	–	–	–	**89,804**

Continued:

Project	Budget (ten thousand yuan)	Completion percentage (%)	Project progress (%)	Accumulated interest capitalized	Including: Amount of interest capitalized	Interest capitalization rate (%)	Sources of funds
Tianjin logistics center	142,000	63	69	–	–	–	Loans from financial institutions and own funds
Total	142,000	63	69	–	–	–	

3. Provision for impairment of construction in progress during the reporting period

Project	Opening balance	Accrual	Closing balance	Reason
Tianjin logistics center	**21,936**	**–**	21,936	Influenced by the operating conditions
Total	**21,936**	**–**	21,936	–

4. Other notes on construction in progress

As of 30 June 2024, the Company's construction in progress with restricted ownership or use rights is described in Note V/(LII).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Right-of-use assets

Items	Houses and buildings	Total
I. Original cost		
1. Opening balance	15,673	15,673
2. Increases	450	450
Leased	450	450
3. Decreases	9,732	9,732
Disposal of stores	9,732	9,732
4. Closing balance	6,391	6,391
II. Accumulated depreciation		
1. Opening balance	6,685	6,685
2. Increases	1,930	1,930
Accrual	1,930	1,930
3. Decreases	4,376	4,376
Disposal of stores	4,376	4,376
4. Closing balance	4,239	4,239
III. Accrual for impairment		
1. Opening balance	–	–
2. Increases	–	–
3. Decreases	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance	2,152	2,152
2. Opening balance	8,988	8,988

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIV) Intangible assets

1. Details of intangible assets

Items	Trademarks	Purchased software	Land use right	Total
I. Original cost				
1. Opening balance	2,310	92,139	42,114	136,563
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	2,310	92,139	42,114	136,563
II. Accumulated amortization				
1. Opening balance	1,144	88,483	7,714	97,341
2. Increases	2	680	425	1,107
Accrual for the period	2	680	425	1,107
3. Decreases	–	–	–	–
4. Closing balance	1,146	89,163	8,139	98,448
III. Accrual for impairment				
1. Opening balance	1,155	2,712	–	3,867
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	1,155	2,712	–	3,867
IV. Book value				
1. Closing balance	9	264	33,975	34,248
2. Opening balance	11	944	34,400	35,355

2. Description of intangible assets

(1) As of 30 June 2024, the Company has no land use rights with outstanding title certificates.

(2) As of 30 June 2024, intangible assets to which the Company's ownership or use is restricted are described in Note V/(LII).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Long-term prepaid expenses

Items	Opening balance	Additions	Amortization	Other decreases	Closing balance
Improvement of fixed assets under operating lease	2,419	530	1,711	–	**1,238**
Total	2,419	530	1,711	–	**1,238**

(XVI) Deferred tax assets and deferred tax liabilities

1. *Deferred tax liabilities before offsetting*

Items	**Closing balance**		Opening balance	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Provision for impairment of assets	**12,116**	**3,143**	13,332	3,333
Lease liabilities	**2,378**	**595**	8,457	2,114
Total	**14,494**	**3,738**	21,789	5,447

2. *Deferred tax liabilities before offsetting*

Items	**Closing balance**		Opening balance	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of financial instruments	**12,342**	**3,200**	12,801	3,200
Right of use assets	**2,152**	**538**	8,988	2,247
Total	**14,494**	**3,738**	21,789	5,447

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Deferred tax assets and deferred tax liabilities (continued)

3. *Offsets deferred income tax assets and liabilities*

Items	Offsetting deferred tax liabilities and assets	Closing balance of deferred tax assets or liabilities after offsetting	Deferred tax assets and liabilities offset at beginning of period	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	**3,738**	**–**	5,447	–
Deferred tax liabilities	**3,738**	**–**	5,447	–

4. *Details of deductible temporary differences of unrecognized deferred tax assets*

Items	Closing balance	Opening balance
Deductible temporary differences	**3,225,649**	3,072,789
Deductible losses	**2,217,800**	2,355,513
Total	**5,443,449**	5,428,302

5. *Unrecognized tax losses carried forward as deferred tax assets will expire in the following year*

Year	Closing balance	Opening balance	Note
2024	**666,703**	670,587	
2025	**543,219**	543,287	
2026	**192,756**	192,756	
2027	**522,742**	525,906	
2028	**246,017**	422,977	
2029	**46,363**	–	
Total	**2,217,800**	2,355,513	

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVII) Allowance for impairment of assets

Items	Opening balance	Accrual	Decreases: Reversal	Decreases: Cancellation/ Write-offs	Decreases: Re-classification	Closing balance
Bad debt allowance for accounts receivable	1,571,126	246	2,664	–	–	**1,568,708**
Bad debt allowance for other receivables	842,300	4,006	3,230	–	–	**843,076**
Allowance for impairment of inventories	62,728	8,517	–	5,666	–	**65,579**
Allowance for impairment of non-current assets due within one year	7,547	–	–	–	–	**7,547**
Bad debt Allowance for other current assets	510,691	–	–	–	–	**510,691**
Allowance for impairment of long-term equity investments	64,589	–	–	–	–	**64,589**
Allowance for impairment of construction in progress	21,936	–	–	–	–	**21,936**
Allowance for impairment of intangible assets	3,867	–	–	–	–	**3,867**
Total	3,084,784	12,769	5,894	5,666	–	**3,085,993**

(XVIII) Short-term borrowings

1. Classification of short-term borrowings

Items	Closing balance	Opening balance
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**473,598**	473,598
Mortgage, pledge, and guaranteed loan	**550,000**	550,000
Total	**1,077,598**	1,077,598

Notes to the classification of short-term borrowings:

Guaranteed loans of RMB54,000 thousand were short-term loans of the Company from Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch, with guarantors Mr. Xing Jiaxing, Shanghai Weil, Chengdu Lewei, Tianjin Laxia and Taicang Laxia, respectively.

Mortgage and guarantee loans of RMB11,198 thousand represented short-term loans between the Company and CITIC Bank Corporation Taifu Plaza Sub-branch, which amounted to RMB81,348 thousand at the beginning of the period, and were reimbursed RMB70,150 thousand by auction of the land (land use certificate Wen Guo Yong (2015) No. 66859) and the collateral of the buildings on the ground under the name of the subsidiary, Chengdu Lewei, which were located in Groups 2 and 3, Guangming Community, Jinma Town, Wenjiang District, Chengdu City, and the corresponding guarantors for the remaining loan were Shanghai Weile, Chengdu Lewei, Tianjin Laxia, Taicang Laxia and Mr. Xing Jiaxing;

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Short-term borrowings (continued)

1. *Classification of short-term borrowings (continued)*

The mortgage and guarantee loan of RMB184,000 thousand represents a short-term loan between the Company and China Everbright Bank Corporation Shanghai Caohejing Development Area Sub-branch, with Mr. Xing Jiaxing, Shanghai Weile and Chengdu Lewei as guarantors, and the collateral is the ownership of the land use right and building structures of No. 24 Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin City, under the name of the subsidiary, Tianjin Laxia (Jin (2018) Xiqing District Real Estate Right Certificate No. 1016982).

Mortgage and guarantee loans amounting to RMB278,400 thousand represent short-term loans between the Company and Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch, with Mr. Xing Jiaxing, Shanghai Weile, Chengdu Lewei, Tianjin Laxia and Taicang Laxia as guarantors, and with the collateral being the property at No. 58, Tanzhu Road, Minhang District, Shanghai, under the name of Shanghai Weile, a former subsidiary (Hu (2020) Min Zi Real Estate Property Right Certificate No. 023353).

The mortgage, pledge, and guarantee loans of RMB550,000 thousand are entrusted loans between Xinjiang Tongrong and Bank of Urumqi Siping Road Technology Sub-branch, with Urumqi High-Tech Investment Development Group as principal and Mr. Xing Jiaxing as guarantor. The collaterals are buildings and land use rights at No. 116, Guangzhou East Road, Taicang, recorded in Taicang Laxia (Su (2019) Taicang Real Estate Right Certificate No. 0006322 and Su (2018) Taicang Real Estate Right Certificate No. 0029259) and the pledge is the Company's 100% equity in Taicang Jiashang Storage Co, Ltd.

The short-term loans totaling RMB332,400 thousand (RMB278,400 thousand in mortgage and guarantee loans and RMB54,000 thousand in guaranteed loans) with Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch were transferred by Bank of Communications, Ltd. Shanghai Branch to China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch (former name: China Huarong Asset Management Co, Ltd. Shanghai Pilot Free Trade Zone Branch in December 2020).

As of 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%).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Short-term borrowings (continued)

2. *Overdue short-term borrowings outstanding at the end of the period*

The total amount of overdue short-term borrowings at the end of the period was RMB1,077,598 thousand, of which the significant overdue short-term borrowings were as follows:

Lending company	Closing balance	Borrowing interest rate (%)	Due time	Overdue interest rate (%)
China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	54,000	7	21 November 2020	10.5
China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	75,000	7	28 November 2020	10.5
China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	203,400	7	9 September 2021/ 3 November 2021	10.5
Shanghai Caohejing Development Zone Sub-branch of China Everbright Bank Co., Ltd.	184,000	5.22	1 May 2021/ 25 June 2021	6.786
Taifu Plaza Sub-branch of CITIC Bank Co., Ltd.	11,198	4.55	16 to 29 April 2021	6.825
Urumqi Siping Road Technology Sub-branch of Urumqi Bank Co., Ltd.	550,000	6.8	27 November 2020	6.3
Total	1,077,598			

(XIX) Accounts payable

Items	Closing balance	Opening balance
Payable for procurement	1,127,881	1,121,143
Total	1,127,881	1,121,143

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

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

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XX) Advance from customers

1. *Details of advance from customers*

Items	Closing balance	Opening balance
Rent in advance	**417**	782
Total	**417**	782

(XXI) Contract liabilities

1. *Details of contract liabilities*

Items	Closing balance	Opening balance
Receipt of goods in advance	**3,069**	5,170
Total	**3,069**	5,170

(XXII) Payroll payable

1. *Details of payroll payables*

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term payroll	7,209	23,461	27,806	**2,864**
Retirement benefits – defined contribution plans	–	2,434	2,110	**324**
Termination benefits	4,007	484	1,345	**3,146**
Total	11,216	26,379	31,261	**6,334**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXII) Payroll payable

2. *Details of short-term payroll*

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Wages or salaries, bonuses, allowances, and subsidies	6,036	21,087	24,443	**2,680**
Social insurance	14	1,419	1,251	**182**
Including: Medical insurance	–	1,233	1,076	**157**
Others	14	186	175	**25**
Housing provident fund	60	955	1,013	**2**
Other social insurance	1,099	–	1,099	**–**
Total	7,209	23,461	27,806	**2,864**

3. *Details of defined contribution plan*

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic pension insurance premium	–	2,360	2,046	**314**
Unemployment Insurance premium	–	74	64	**10**
Total	–	2,434	2,110	**324**

(XXIII) Taxes payable

Item of taxes	Closing balance	Opening balance
Value Added Tax	**88,818**	88,292
Corporate Income Tax	**6,664**	34,497
Personal Income Tax	**80**	139
City maintenance and construction tax	**5,711**	5,707
Education fee surcharge	**4,124**	4,382
Others	**1,439**	1,158
Total	**106,836**	134,175

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Other payables

Items	Closing balance	Opening balance
Interests payable	**410,321**	372,204
Other payables	**696,185**	710,249
Total	**1,106,506**	1,082,453

Note: Other payables in the above table refer to other payables after deducting interest payable.

1. Interest payable

Items	Closing balance	Opening balance
Interest payable of short-term borrowings	**410,321**	372,204
Total	**410,321**	372,204

Details of significant interest expired but unpaid:

Names of borrowing company	Overdue amount	Reason for overdue
China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch	86,436	Difficulties in capital turnover
CITIC Bank Limited Shanghai Taifu Plaza Sub-branch	10,897	Difficulties in capital turnover
Shanghai Branch of China Everbright Bank Co., Ltd.	23,382	Difficulties in capital turnover
Urumqi Siping Road Technology Sub-branch of Bank of Urumqi Co., Ltd.	289,606	Difficulties in capital turnover
Total	410,321	

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Other payables (continued)

II. Other payables

1. Other receivables presented by characteristic

Nature	Closing balance	Opening balance
Payables for construction and decoration of department stores	**93,713**	96,611
Suppliers' deposits	**34,447**	35,392
Vendors' deposit	**11,884**	12,383
Payables for logistic expense	**4,801**	3,059
Payable for posts props and store promotion	**2,983**	3,031
Payables for rental fees	**58,238**	61,236
Litigation defaults, fees, and interests	**222,685**	227,783
Loans from the third parties	**2,700**	2,700
Payable for e-commerce	**6,122**	6,122
Consulting fees	**509**	609
Payables for software purchase	**893**	818
Estimated expenditures	**4,329**	9,005
Tax overdue payments	**33,933**	33,011
Others	**10,157**	11,048
External related parties	**188,791**	187,441
Deposit of reorganization investment	**20,000**	20,000
Total	**696,185**	710,249

(XXV) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	**1,370**	3,219
Total	**1,370**	3,219

Note: Lease liabilities due within one year are detailed in Note V/(XXVII).

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVI) Other current liabilities

Items	Closing balance	Opening balance
VAT amounts reclassified pending	**375**	488
Total	**375**	488

(XXVII) Lease liabilities

Items	Closing balance	Opening balance
Within 1 year	**1,081**	3,563
1 to 2 years	**887**	2,722
2 to 3 years	**385**	2,418
3 to 4 years	**197**	394
4 to 5 years	**–**	–
Subtotal of total lease payments	**2,550**	9,097
Less: Unrecognized financing costs	**172**	640
Sub-total of present value of lease payments	**2,378**	8,457
Less: Lease liabilities due within one year	**1,370**	3,219
Total	**1,008**	5,238

Interest expense on lease liabilities of RMB192 thousand was occurred during the period.

(XXVIII) Estimated liability

Items	Closing balance	Opening balance	Reason
Estimated returns of goods	**–**	877	Returned goods
Pending litigation	**838**	838	Litigation matters
Borrowings from Gemstone Advantage (current name: Gemstone Advantage Limited)	**484,708**	475,160	Accrual of guarantee obligations
Total	**485,546**	476,875	

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIX) Other non-current liabilities

Items	Closing balance	Opening balance
Asset-related government grants	**4,350**	4,500
Total	**4,350**	4,500

1. Asset-related government grants

Items	Opening balance	Amount of subsidy increased	Recognized in other profit or loss in the current period	Other changes	Closing balance	Asset/ revenue related
Subsidy of Tianjin logistic project	4,500	–	150	–	**4,350**	Asset-related
Total	4,500	–	150	–	**4,350**	

(XXX) Share capital

Item	Opening balance	Change for the period Increase (+) Decrease (-)					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Others	Sub-total	
Total share capital	547,672	–	–	–	–	–	**547,672**

Changes in share capital:

Items	Closing balance	Opening balance
RMB-denominated ordinary shares	**332,882**	332,882
Overseas-listed shares (H share)	**214,790**	214,790
Total	**547,672**	547,672

(XXXI) Capital surplus

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium (equity premium)	1,864,243	–	–	**1,864,243**
Other capital surplus	49,008	–	–	**49,008**
Total	1,913,251	–	–	**1,913,251**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXII) Treasury share

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Treasury share	20,010	–	–	**20,010**
Total	20,010	–	–	**20,010**

Notes of treasury shares: As of 30 June 2024, the Company has repurchased a total of 3,573,200 A shares by way of centralized competitive bidding transactions, which have accounted for 0.65% of the total share capital of the Company and 1.07% of the A share capital of the Company, with the highest transaction price of RMB6.15 per share and the lowest transaction price of RMB4.14 per share, and the amount used for the repurchase was RMB20,010 thousand (excluding transaction costs).

(XXXIII) Other comprehensive income

Items	Opening balance	Changes in the current period: Incurred before income tax for the period	Less: Transfer from prior period to profit or loss included in other comprehensive income	Less: Transfer from prior period to financial assets at amortized cost charged to other comprehensive income in the current period	Less: Transfer of hedging reserve to related assets or liabilities	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: Carry forward Remeasurement of changes in defined benefit plans	Less: Transfer from prior period to retained earnings charged to other comprehensive income in the current period	Closing balance
I. Other comprehensive income that cannot be reclassified into profit and loss	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**
1. Changes in fair value of investments in other equity instruments	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**
Total other comprehensive income	(43,606)	-	-	-	-	-	-	-	-	-	**(43,606)**

(XXXIV) Surplus reserve

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	246,788	–	–	**246,788**
Total	246,788	–	–	**246,788**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXV) Undistributed profit

Items	Current period	Previous period
Undistributed profits at the beginning of period (before adjustments)	**(5,884,949)**	(5,147,499)
Adjustments of the beginning balance(increase "+", decrease "-")	**–**	–
Undistributed profits at the beginning of period (after adjustments)	**(5,884,949)**	(5,147,499)
Add: Net profit attributable to owners of the parent company	**(13,341)**	(737,450)
Less: Appropriation to statutory surplus reserve	**–**	–
Add: Losses recovery from surplus reserve	**–**	–
Undistributed profits at the end of the period	**(5,898,290)**	(5,884,949)

(XXXVI) Revenue and cost of sales

1. *Revenue and cost of sale*

	Current period's amount		Previous period's amount	
Items	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	**69,354**	**15,856**	83,988	20,925

2. *Income derived from contracts*

Contract classifications	Current period's amount	Previous period's amount
I. 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
II. Classified by business areas		
Domestic	**69,354**	83,988
Overseas	**–**	–
III. 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
Total	**69,354**	83,988

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXVII) Taxes and surcharge

Items	Current period's amount	Previous period's amount
City maintenance and construction tax	**62**	19
Educational surcharge	**45**	8
Property tax	**461**	1,137
Others	**6**	234
Total	**574**	1,398

(XXXVIII) Selling and distribution expenses

Items	Current period's amount	Previous period's amount
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
E-commerce expenses	**202**	1,426
Utilities expenses	**520**	622
Logistic expenses	**175**	692
Depreciation of fixed assets	**2,397**	6,295
Marketing expenses	**3,707**	2,095
Low value consumables	**128**	215
Refurbishment and maintenance expenses	**48**	–
Traveling and communication expenses	**292**	484
Amortization of intangible assets	**–**	11
Office expenses	**38**	961
Design and consulting expenses	**101**	215
Others	**22**	106
Total	**34,370**	50,613

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXIX) Administrative expense

Items	Current period's amount	Previous period's amount
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 expenses	**651**	2,858
Office expenses	**1,489**	1,578
Traveling and communication expenses	**557**	975
Depreciation of right of use assets	**970**	–
Logistic expenses	**119**	326
Refurbishment and maintenance expenses	**32**	75
Low value consumables	**32**	82
Amortization of long-term prepaid expenses	**–**	62
Others	**57**	490
Total	**20,945**	43,945

(XL) Financial expenses

Items	Current period's amount	Previous period's amount
Interest expenses	**38,117**	47,338
Less: Interest income	**554**	511
Bank charges	**55**	112
Financing fees and others	**192**	118
Total	**37,810**	47,057

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLI) Other income

1. Details of other income

Source of other income	Current period's amount	Previous period's amount
Governmental grants relating to daily operational activities	**237**	14,143
Gains from debt restructuring	**–**	(63)
Total	**237**	14,080

2. Governmental grants recognized in other income

Items	Current period's amount	Previous period's amount	Asset/revenue related
Transferred from amortization of deferred income in asset class	**150**	154	Asset-related
Taxes and surcharges reduction	**87**	13,989	Revenue-related
Total	**237**	14,143	

(XLII) Investment income

1. Details of investment income

Items	Current period's amount	Previous period's amount
Income from long-term equity investments accounted for by the equity method	**(13,500)**	1,773
Gain or loss on debt restructuring	**(402)**	5,372
Gain or loss on change in scope of consolidation	**–**	(464,456)
Total	**(13,902)**	(457,311)

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIII) Gain on fair value changes

Source of gain on fair value changes	Current period's amount	Previous period's amount
Other non-current financial assets	**(1,252)**	(330)
Total	**(1,252)**	(330)

(XLIV) Credit impairment losses

Items	Current period's amount	Previous period's amount
Bad debt losses of accounts receivables	**2,418**	9,149
Bad debt losses of other receivables	**(776)**	8,027
Total	**1,642**	17,176

(XLV) Asset impairment loss

Items	Current period's amount	Previous period's amount
Loss on impairment of inventories	**(8,517)**	(4,976)
Total	**(8,517)**	(4,976)

(XLVI) Gain on disposals of assets

Items	Current period's amount	Previous period's amount
Losses on disposal of fixed assets	**(10)**	(50)
Gains on disposal of right of use assets	**(552)**	463
Total	**(562)**	413

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVII) Non-operating income

Items	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation income	**65**	104	65
Others	**8**	38	8
Total	**73**	142	73

(XLVIII) Non-operating expenses

Items	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation for closing stores	**45**	4,251	45
Compensation for litigation	**4,978**	61,132	4,978
Loss on disposal of current assets	**–**	68	–
Penalties	**1**	4	1
Tax late payment	**922**	2,262	922
Others	**–**	66	–
Total	**5,946**	67,783	5,946

(XLIX) Income tax expenses

1. *Table of income tax expenses*

Items	Current period's amount	Previous period's amount
Current income tax expense	**–**	–
Deferred income tax expense	**(28,026)**	293
Total	**(28,026)**	293

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIX) Income tax expenses (continued)

2. *Reconciliation between total profit and income tax expenses*

Items	Current period's amount
Total profit	**(68,428)**
Income tax expense at statutory tax rate	**(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	**(28,026)**

(L) Notes to the consolidated cash flow statement

1. *Cash received relating to other operating activities*

Items	Current period's amount	Previous period's amount
Deposits from shopping mall and associate	**1,161**	1,045
Interest income	**554**	308
Government grants	**–**	6
Others	**1,473**	10,535
Receipt of employee reserve funds	**–**	348
Total	**3,188**	12,242

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) Notes to the consolidated cash flow statement (continued)

2. *Cash paid relating to other operating activities*

Items	Current period's amount	Previous period's amount
Utilities and department store expenses	**4,897**	7,782
Consulting fees	**5,595**	4,504
E-commerce fees	**–**	881
Net increase in deposits and guarantees	**1,751**	713
Marketing and promotion costs	**3,409**	2,435
Bank charges	**31**	42
Frozen bank account	**70**	4,504
Others	**9,369**	14,676
Total	**25,122**	35,537

3. *Payment of other cash related to financing activities*

Items	Current period's amount	Previous period's amount
Leasing payments	**1,873**	517
Total	**1,873**	517

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) Supplementary information of cash flow statement

1. *Supplementary information of cash flow statement*

Items	Current period's amount	Previous period's amount
1. Reconciliation net loss to cash flows from operating activities		
Net Profit	**(40,402)**	(578,832)
Add: Credit impairment losses	**(1,642)**	(17,176)
Asset impairment allowance	**8,517**	4,976
Depreciation of fixed assets, oil and gas assets, biological assets	**3,736**	8,905
Depreciation of right of use assets	**1,930**	1,808
Amortization of intangible assets	**1,106**	2,384
Amortization of long-term prepaid expenses	**1,711**	1,849
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is stated with "–")	**562**	(413)
Loss on scrapping of fixed assets (gain is stated with "–")	**–**	–
Losses on changes in fair value (gains are stated with "–")	**1,252**	330
Financial expenses (gains are stated with "–")	**37,810**	47,057
Loss on investments (gain is stated with a "–")	**13,902**	457,311
Decrease in deferred income tax assets (increase is stated with "-")	**–**	–
Increase in deferred income tax liabilities (decrease is stated with "–")	**–**	–
Decrease in deferred income	**(150)**	(156)
Decrease in inventories (increase is stated with "-")	**4,437**	(195)
Decrease in operating receivables (increase is stated with "-")	**(4,437)**	22,084
Increase in operating payables (decrease is stated with "–")	**(36,644)**	48,496
Others	**–**	–
Net cash flows from operating activities	**(8,312)**	(1,572)
2. Significant investing and financing activities not involving cash received and paid		
Debt transfers to capital	**–**	–
Corporate convertible bond due within one year	**–**	–
Financing leased in fixed assets	**–**	–
3. Net change in cash and cash equivalents		
Closing balance of cash	**31,367**	29,389
Less: Opening balance of cash	**41,642**	36,052
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase amount of cash and cash equivalents	**(10,275)**	(6,663)

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) Supplementary information of cash flow statement (continued)

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	**31,367**	41,642
Including: Cash on hand	**22**	15
Cash at bank that can be readily drawn on demand	**31,345**	41,627
Other cash at bank that can be readily used	**–**	–
II. Cash equivalents		
Including: Bond investment due within three months	**–**	–
III. Closing balance of cash and cash equivalents	**31,367**	41,642
Including: Restricted cash and cash equivalents used by the company or the subsidiaries of the Group	**–**	–

(LII) Assets with restricted ownership or use right

Items	Balance	Reason for restriction
Monetary Funds	**5,472**	Reasons such as judicial freeze
Fixed assets	**104,878**	Seizure and loan mortgage
Construction in progress	**67,868**	Loan mortgage
Intangible assets	**33,975**	Seizure and loan mortgage
Total	**212,193**	

(LIII) Foreign currency monetary items

1. Foreign currency monetary items

Items	Foreign currency balance at the end of the period	Translation rate	Closing balance in RMB
Currency funds			
Of which: Hong Kong Dollars	–	0.91268	**1**
Of which: US Dollars	–	7.1268	**1**
Estimated liabilities			
Of which: Euros	63,133	7.6617	**483,708**

(All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIV) Government grants

1. *Government grants for liabilities subjects*

Account	Opening balance	New grants for the period	Included in non-operating income for the period	Included in other gains for the period	Charged to costs during the period	Add: Other changes	Closing balance	Asset related/ Revenue-related
Other non-current liabilities	4,500	–	–	150	–	–	4,350	Asset-related
Total	4,500	–	–	150	–	–	4,350	

2. *Government grants recognized in profit or loss*

Items	Account	Current Period's amount	Previous Period's amount	Asset-related/ revenue related
Transfer in from amortization of asset-based deferred revenue	Other gains	150	154	Asset-related
Taxes and surcharges refunded	Other gains	87	13,989	Revenue-related
Total		237	14,143	

VI. CHANGES IN CONSOLIDATION SCOPE

(I) There was no business combination under non-identical control during the reporting period

(II) There was no business combination under the same control during the reporting period

(III) There was no disposal of subsidiaries during the reporting period

(IV) Change in scope of consolidation for other reasons

Name	Reason
Shanghai Aina	Established by investment
Shanghai Zhihe	Established by investment

(All amounts in RMB'000 unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES

(I) Equity in other subsidiaries

1. Structure of the Group

Name of subsidiaries	Main business site	Place of registration	Nature of business	Percentage of shareholding (%)		Means of acquirement
				Direct	Indirect	
Chongqing Lewei	Chongqing	Chongqing	Production and sales of apparel products	100	–	Established by investment
Beijing Laxia	Beijing	Beijing	Production and sales of apparel products	100	–	Established by investment
Chengdu Laxia	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Langhe	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Shanghai Xiawei	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Tianjin Laxia	Tianjin	Tianjin	Sales of apparel products	100	–	Established by investment
Chengdu Lewei	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Chongan	Shanghai	Shanghai	Sales of apparel products	85	–	Established by investment
Shanghai Youshi	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Fujian Lewei	Pucheng	Pucheng	Sales of apparel products	100	–	Established by investment
Enterprise Management	Shanghai	Shanghai	Investment	100	–	Established by investment
Shanghai Jiatuo	Shanghai	Shanghai	IT technology	100	–	Established by investment
Laxia Nafu	Shanghai	Shanghai	Sales of apparel products	65	–	Established by investment
Guangzhou Xichen	Guangzhou	Guangzhou	Sales of apparel products	60	–	Acquired by combination
Taicang Xiawei	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Xinjiang Tongrong	Urumqi	Urumqi	Apparel technology	95	–	Established by investment
Shanghai Pinxi	Shanghai	Shanghai	Apparel technology	–	100	Established by investment
Taicang Chongan	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Shanghai Geraopu	Shanghai	Shanghai	Sales of apparel products	–	100	Established by investment
Aixi Culture	Shanghai	Shanghai	Entertainment broker	–	100	Established by investment
Shanghai Puaila	Shanghai	Shanghai	Sales of apparel products	–	80	Established by investment
Shanghai Aina	Shanghai	Shanghai	Sales of apparel products	–	100	Established by investment
Shanghai Zhihe	Shanghai	Shanghai	Apparel technology	–	100	Established by investment

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in Joint Ventures and Associates

1. Significant joint ventures and associates

Name of associates	Main business region	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Indirect	Accounting treatment
Tibet Baoxin	Tibet	Tibet	Asset management	60	–	Equity method
Hongche Industrial	Shanghai	Shanghai	Design and sales of apparel products	36	–	Equity method
Beijing Aoni	Beijing	Beijing	Wholesale and retail	9.07	–	Equity method
Shanghai Yishan	Shanghai	Shanghai	Wholesale and retail	30	–	Equity method

(1) Explanation of the ratio of shareholding in joint ventures or associates different from the ratio of voting rights

The Company holds only one seat in the investment committee of Tibetan Baoxin and can participate directly in the discussion and formulation of decisions. However, as there are a total of four seats in the investment committee and decisions require a vote of at least two-thirds of the members of the investment committee, the Company is unable to control the decisions of the investment committee and only has significant influence on Tibetan Baoxin, which is therefore considered as an associate.

(2) Basis for holding less than 20% of the voting rights but having significant influence

The Company holds one seat on the board of directors of Beijing Aoni and has a total of three board members, so it can directly participate in the discussion and formulation of decisions and has significant influence on Beijing Aoni, and therefore it is considered an associate.

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's major financial instruments include monetary funds, equity investments, borrowings, receivables, and payables. It is exposed to risks associated with various financial instruments in its day-to-day activities, which mainly include credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policies that have been adopted by the Company to mitigate these risks are described below:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines, and overseeing the implementation of risk management measures. The Company has established risk management policies to identify and analyses the risks faced by the Company. These risk management policies specify risks and cover many aspects of market risk, credit risk and liquidity risk management. The Company regularly assesses changes in the market environment and the Company's operations to determine whether to update its risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board. The Risk Management Committee identifies, evaluates and mitigates relevant risks by working closely with other business units of the Company. The Company's internal audit department conducts regular reviews of risk management controls and procedures and reports the results of these reviews to the Company's Audit Committee. The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by establishing appropriate risk management policies.

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk

Credit risk is the risk of financial loss to the Company arising from the failure of counterparties to meet their contractual obligations and management has established an appropriate credit policy and continually monitors exposure to credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties.

In addition, the Company assesses the creditworthiness of its customers and sets credit periods accordingly based on an assessment of the customer's financial condition, the likelihood of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company continuously monitors the balance and collection of notes and accounts receivable and uses written reminders, shortened credit periods or cancellation of credit periods for customers with poor credit histories to ensure that the Company is not exposed to significant credit losses. In addition, the Company reviews the recoveries of financial assets at each balance sheet date to ensure that adequate accrual for expected credit losses has been made for the relevant financial assets.

The Company's other financial assets include monetary funds, other receivables, and equity investments. The credit risk of these financial assets arises from counterparty defaults and the maximum exposure to credit risk is the carrying amount of each financial asset on the balance sheet. The Company does not provide any other guarantees that may expose the Company to credit risk.

The Company holds its monetary fund mainly with financial institutions such as nation-controlled banks and other large and medium-sized commercial banks, which management believes have high creditworthiness and asset positions and are not exposed to significant credit risk and will not incur any significant losses due to defaults by the counterparties. It is the Company's policy to control the amount of deposits placed with each reputable financial institution based on its market reputation, scale of operations and financial background to limit the amount of credit risk exposure to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables relate to a large number of customers and the aging information provides an indication of the solvency and bad debt risk of these customers with respect to their accounts receivable and other receivables. The Company calculates historical actual bad debt ratios for different aging periods based on historical data, and considers forecasts of current and future economic conditions, such as national GDP growth rates, total infrastructure investment, national monetary policies, and other forward-looking information for adjustment to arrive at expected loss rates. For long-term receivables, the Company makes a reasonable assessment of expected credit losses after considering the settlement period, contractual payment terms, the debtor's financial position and the economic situation of the industry in which the debtor operates and adjusting for the above forward-looking information.

(All amounts in RMB'000 unless otherwise stated)

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (continued)

As of 30 June 2024, the carrying amounts of the relevant assets and the expected credit impairment losses were as follows:

Items	Carrying amount	Impairment accrued
Accounts receivable	1,578,602	1,568,708
Prepayment	4,078	–
Other receivables	848,907	843,076
Total	2,431,587	2,411,784

(II) Liquidity risk

Liquidity risk is the risk that the Company will run short of funds in meeting its obligations settled by delivery of cash or other financial assets. The Company's member companies are each responsible for their own cash flow forecasts. Based on the results of the cash flow forecasts of each member company, the funding department of the Company continuously monitors the Company's short and long-term funding requirements at the corporate level to ensure that adequate cash reserves are maintained; and also, continuously monitors compliance with the provisions of borrowing agreements to obtain commitments from major financial institutions to provide sufficient standby funding to meet short and long-term funding requirements. In addition, the Company has entered into line of credit agreements with its major business correspondent banks for financing lines to support the Company in meeting its obligations related to commercial paper.

As of 30 June 2024, the Company's financial liabilities and off-balance sheet guarantee items are presented as undiscounted contractual cash flows by remaining contractual maturity as follows:

	Closing balance					
Items	Immediate repayment	Within 1 year	1 to 2 years	2 to 5 years	5 years above	Total
Short-term borrowings	**1,077,598**	–	–	–	–	**1,077,598**
Accounts payable	**1,127,881**	–	–	–	–	**1,127,881**
Other payables	**1,106,506**	–	–	–	–	**1,106,506**
Total	**3,311,985**	–	–	–	–	**3,311,985**

VIII. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk

1. Exchange rate risk

The Company's principal operations are in the People's Republic of China and its principal business is denominated in RMB. The finance department of the Company's head office is responsible for monitoring the size of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize its exposure to foreign exchange risk; for this purpose, the Company may enter forward foreign exchange contracts or currency swap contracts for the purpose of hedging its foreign exchange risk. The Company has not entered any forward foreign exchange contracts or currency swap contracts in January to June in 2024 or in 2023.

(1) As of 30 June 2024, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company that have been translated into RMB are listed below:

Projects	**30 June 2024 RMB in thousand**	31 December 2023 RMB in thousand
Hong Kong Dollar Items		
Currency funds	**1**	1
US Dollar Items		
Currency funds	**1**	1
Euro items		
Estimated liabilities	**483,708**	474,160

As of 30 June 2024, the Company recognized foreign currency assets of RMB2,000 (all bank deposits in foreign currencies), representing approximately 0% of the asset items, and foreign currency liabilities of RMB483,708 thousand, representing approximately 12% of the liability items, which did not involve foreign currency owner's equity items. For each class of the Company's financial assets and liabilities in Hong Kong dollars, the US dollar and euros, if the RMB had appreciated or depreciated by 10% against the Hong Kong dollars, the US dollar and euros, with other factors remaining unchanged, the Company would have decreased or increased its net profit by approximately RMB48,371 thousand (approximately RMB47,416 thousand in 2023).

2. Interest rate risk

The Company's interest rate risk arises primarily from interest-bearing debt such as bank borrowings. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk and financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed rate and floating rate contracts based on market conditions.

From January to June in 2024, the Company has no floating rate interest bearing debt.

IX. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the carrying value of financial asset instruments measured at fair value on 30 June 2024, by the three levels of fair value. The classification of fair value in the three levels is based on the lowest of the three levels to which each significant input used in measuring fair value belongs. The three levels are defined as follows:

Level 1: is the unadjusted quoted price in an active market for identical assets or liabilities that is available at the measurement date.

Level 2: are inputs other than Level 1 inputs that are directly or indirectly observable for the relevant asset or liability.

Level 2 inputs include: 1) quoted prices in active markets for similar assets or liabilities; 2) quoted prices in inactive markets for identical or similar assets or liabilities; 3) observable inputs other than quoted prices, including interest rates and yield curves, implied volatilities and credit spreads that are observable during normal quotation intervals; and 4) inputs such as market validation.

Level 3: are unobservable inputs for the underlying asset or liability.

(II) Fair value measurement at the end of the period

1. Persistent fair value measurement

	Closing fair value			
Items	**Level 1**	**Level 2**	**Level 3**	**Total**
Other equity instrument investment	–	–	–	–
Other non-current financial assets	–	–	95,475	95,475
Total assets	–	–	95,475	95,475

(III) Items measured at fair value on a continuing and discontinuing level 3 basis, qualitative and quantitative information on the valuation techniques used and significant parameters

1. Description of fair value valuation

The difference between the carrying value and fair value of the Company's financial instruments, other than lease liabilities and long-term receivables disclosed at fair value, is minimal. Management has evaluated money funds, accounts receivable, notes payable and accounts payable, and the fair values approximate the carrying values due to the short remaining maturity.

The Company's finance department, headed by the Finance Manager, is responsible for establishing policies and procedures for the fair value measurement of financial instruments. The Finance Manager reports directly to the Chief Financial Officer and the Audit Committee. At each balance sheet date, the finance department analyses changes in the value of financial instruments and determines the key inputs to be applied to the valuation. The valuation is subject to review and approval by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial statement purposes.

IX. FAIR VALUE (CONTINUED)

(III) Items measured at fair value on a continuing and discontinuing level 3 basis, qualitative and quantitative information on the valuation techniques used and significant parameters (continued)

1. Description of fair value valuation (continued)

The fair value of financial assets and financial liabilities is determined as the amount that would result from a voluntary exchange of assets or settlement of liabilities between knowledgeable parties in an arm's length transaction, rather than a forced sale or liquidation situation. The following methods and assumptions are used to estimate fair value.

Long-term receivables are determined at fair value using the discounted future cash flow method, using as the discount rate the market rate of return for other financial instruments with similar contractual terms, credit risk and remaining maturity.

For the fair value of unlisted investments in equity instruments, the Company estimated and quantified the potential impact of using alternative reasonable and probable assumptions as inputs to the valuation model.

2. Unobservable input value information

Items	Fair value at end of period	Valuation techniques	Unobservable inputs	Range interval
Equity instrument investment: Beijing Mingtongsiji Technology Co., Ltd.	–	Comparative Approach for Listed Companies	–	–
Equity instrument investment: Shanghai Bolatu Information Technology Co., Ltd.	–	Net Asset Approach	–	–
Other non-current financial assets: Ningbo Langshengqianhui Investment Partnership (Limited Partnership)	30,543	Asset-based Approach	–	–
Other non-current financial assets: Hangzhou Smart Equity Investment Partnership (Limited Partnership)	8,418	Asset-based Approach	–	–
Other non-current financial assets: Nantong Xunming Fund Partnership (Limited Partnership)	56,514	Asset-based Approach	–	–
Total	95,475			

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Details of the Company's ultimate controlling party

As of 30 June 2024, the shareholding structure of the Company was relatively diversified, with the shareholding ratio of the highest shareholder not exceeding 30%. There was no controlling shareholder who could control the general meeting and the board of directors, nor was there any common control, and the Company had no de facto controller. Shareholders and directors are independent in exercising their voting rights.

As of 30 June 2024, the shareholdings of shareholders holding more than 10% of the shares were as follows:

Name of company or shareholder	Place of incorporation	Nature of business	Number of shares held	Shareholding in the Company (%)	Proportion of voting rights in the Company (%)
Shanghai Qijin Enterprise Management Partnership (Limited Partnership) ("Shanghai Qijin")	Shanghai	Business Management Consulting	85,200,000	15.56	15.66
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of Securities Industry Supporting Private Enterprises on behalf of the Securities Industry	–	–	80,000,000	14.61	14.70
Shanghai Wensheng Asset Management Company Limited ("Wensheng Asset")	Shanghai	Asset Management and Business Management Consulting	21,600,000	3.94	3.97

Hangzhou Wensheng Xiangwen Asset Management Co., Ltd.* (杭州文盛祥文資產管理有限公司), a subsidiary of Wensheng Asset, is the limited partner of Shanghai Qijin, and Hangzhou Wensheng Lijin Asset Management Co., Ltd.* (杭州文盛勵錦資產管理有限公司), its wholly-owned subsidiary, is the general partner of Shanghai Qijin. Wensheng Asset and Shanghai Qijin constitute parties acting in concert. As of 30 June 2024, Shanghai Qijin and Wensheng Assets held a total of 106,800,000 Domestic shares of the Company, representing 19.5% of the total share capital of the Company, and was the largest shareholder of the Company.

(II) The general information of the subsidiaries is set out in Note VII/(I) Interests in subsidiaries.

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Joint ventures and associates of the Company

Details of the Company's significant joint ventures or associates are set out in Note VII/(II) "Interests in joint venture arrangements or associates".

Other joint ventures or associates with which the Company had related party transactions during the period, or with which the Company had related party transactions in prior periods that resulted in balances, are as follows:

Name of joint venture or associate	Relationship with the Company
Hongche Industrial	Associates

(IV) Information on other related parties

Name of other related parties	Relationship of other related parties with the Company
LACHA FASHION I LIMITED	Subsidiary that lost control in 2020 and that is currently taken over by Gemstone Advantage Limited
Shanghai Weile	Wholly-owned subsidiary lost control in 2022
Shanghai Leou	Controlling subsidiary lost control in 2022
Qixin Property Management	Wholly-owned subsidiary of Shanghai Weile that lost control in 2022
Shanghai Nuoxing	Controlling subsidiary lost control in 2023
Laxia Xiuxian	Controlling subsidiary lost control in 2023
Taicang Laxia	Controlling subsidiary lost control in 2023
Taicang Jiashang Storage	Subsidiary of the controlling subsidiary lost control in 2023
Taicang Xiawei Storage	Subsidiary of the controlling subsidiary lost control in 2023

(V) Related party transactions

1. *For the subsidiaries which are controlled by the Company and counted into the consolidated financial statements, the internal and parent company transactions have been offset.*

2. *Asset leasing with related parties*

(1) *The Company as lessee*

		Lease payment		Interest expense on lease liabilities		Increased right-t o-use assets	
Name of Lessor	Leasing type	**Current period**	Last period	**Current period**	Last period	**Current period**	Last period
Shanghai Weile	Houses and buildings	**940**	2,219	**-**	–	**-**	–
Taicang Laxia	Houses and buildings	**836**	–	**116**	–	**(7,597)**	–
Total		**1,776**	2,219	**116**	–	**(7,597)**	–

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

2. Asset leasing with related parties (continued)

(1) The Company as lessee (continued)

Note of related party leasing:

In 2018, Shanghai Weile, the former wholly-owned subsidiary, entered into a lease agreement with the Company to lease Building No.4 of the headquarters to the Company for the period from 1 April 2018 to 31 March 2027. In 2022, Shanghai Weile entered into bankruptcy and liquidation procedures on 9 August due to its inability to repay the creditors' debts. On 28 July 2023, Shanghai Weile's administrators and the Company converted the original lease agreement into a temporary use of premises agreement.

In 2021, Taicang Laxia, the former wholly-owned subsidiary, entered into a lease agreement with the Company to lease the first and second floors of Phase I and the mezzanine floor of Phase I (archive room) of Taicang Logistics Center to the Company for the period from 1 January 2021 to 31 December 2026. In 2023, Taicang Laxia entered into bankruptcy and reorganization proceedings on 10 February due to its inability to repay the creditors' debts as they fall due and Taicang Laxia is no longer included in the scope of consolidation. The administrator of Taicang Laxia entered into a supplemental lease agreement with the Company to renegotiate the area and unit price of the lease. The supplemental lease agreement was terminated on 15 June 2024.

3. Related party guarantees

(1) The Company as the guarantee party

Secured party	Amount of guarantee	Start date of guarantee	Expiry date of guarantee	Whether the guarantee has been fulfilled
Shanghai Weile	347,777	15 August 2018	10 November 2025	No
Total	347,777			

In August 2018, Bank of Communications Co., Ltd., Shanghai Zhabei Branch ("Bank of Communications") entered into a Fixed Asset Loan Agreement with Shanghai Weile, with a loan amount of RMB347,777 thousand and the loan term from 15 August 2018 to 10 November 2023. On 15 August 2018, the Company entered into a Guarantee Contract with Bank of Communications to provide a guarantee for the loan, which covers the amount of the principal and interest, compound interest, penalty interest, default damages, liquidated damages, and expenses for the realization of the claim. The term of the guarantee starts from the date of expiration of the performance period of the debt and counts up to two years after the date of expiration of the main contracts.

The loan was assigned to China CITIC Financial Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch in December 2020 by Bank of Communications Company Limited Shanghai Branch.

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

(V) Related party transactions *(continued)*

3. Related party guarantees (continued)

(2) The Company act as guaranteed party

Guarantor	Guaranteed amount	Date of commencement	Date of maturity	Whether the guarantee has been fulfilled
Guarantor	**Guaranteed amount**	**Date of commencement**	**Date of maturity**	**Whether the guarantee has been fulfilled**
Xing Jiaxing	88,000	30 April 2020	30 April 2021	No
Xing Jiaxing	40,000	24 June 2020	24 June 2021	No
Xing Jiaxing	70,000	24 June 2020	24 June 2021	No
Xing Jiaxing	400,000	11 September 2019	10 September 2022	No
Xing Jiaxing	200,000	25 November 2019	25 November 2022	No
Xing Jiaxing	150,000	19 October 2018	2 January 2022	No
Xing Jiaxing	550,000	26 November 2019	26 November 2023	No
Shanghai Weile	88,000	30 April 2020	30 April 2021	No
Shanghai Weile	40,000	24 June 2020	24 June 2021	No
Shanghai Weile	70,000	24 June 2020	24 June 2021	No
Shanghai Weile	400,000	11 September 2019	10 September 2022	No
Shanghai Weile	200,000	25 November 2019	25 November 2022	No
Shanghai Weile	225,000	1 September 2019	31 August 2022	No
Shanghai Weile	150,000	19 October 2018	31 August 2022	No
Taicang Laxia	200,000	25 November 2019	25 November 2022	No
Taicang Laxia	225,000	1 September 2019	31 August 2022	No
Taicang Laxia	150,000	19 October 2018	2 January 2022	No
Total	3,246,000			

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

3. Related party guarantees (continued)

(2) The Company act as guaranteed party (continued)

Note of related guarantees:

Mr. Xing Jiaxing, the former controller, provided guarantees for the Company in the aggregate amount of RMB1,498,000 thousand, and as of 30 June 2024, none of these guarantees had been fulfilled and RMB1,498,000 thousand had been entered into litigation proceedings.

Shanghai Weile, a former subsidiary of the Company, provided guarantees to the Company in the aggregate amount of RMB1,173,000 thousand. As of 30 June 2024, none of these guarantees had been fulfilled and RMB1,173,000 thousand was in litigation.

Taicang Laxia, a former subsidiary of the Company, provided guarantees to the Company in the aggregate amount of RMB575,000 thousand. As of 30 June 2024, none of these guarantees had been fulfilled and RMB575,000 thousand was in litigation.

4. Funds lending with related party

(1) Lending funds to related parties

Related parties	Amount lending	Description
Hongche Industrial	40,000	Expired
Total	40,000	

(All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

5. Receivables and payables of related party

(1) Receivables from related parties of the Company

Items	Related party	Closing balance Carrying amount	Closing balance Bad debt allowance	Opening balance Carrying amount	Opening balance Bad debt allowance
Accounts receivable					
	Hongche Industrial	**4,284**	**4,284**	4,284	4,284
	Shanghai Weile	**263,527**	**263,527**	263,527	263,527
	Taicang Laxia	**787,562**	**787,562**	787,562	787,562
	Laxia Xiuxian	**372,285**	**372,285**	372,285	372,285
Other receivables					
	LACHA FASHION I LIMITED	**117,024**	**117,024**	117,024	117,024
	Hongche Industrial	**660**	**660**	660	660
	Shanghai Weile	**270,311**	**270,311**	270,303	270,303
	Shanghai Leou	**146,686**	**146,686**	146,686	146,017
	Qixin Property	**1,200**	**1,200**	1,200	1,200
	Taicang Laxia	**14,335**	**14,335**	14,335	14,335
	Taicang Xiawei Storage	**7**	**7**	7	7
	Shanghai Nuoxing	**213,456**	**213,456**	213,456	213,456
	Laxia Xiuxian	**298**	**298**	293	293
Other current assets					
	Hongche Industrial	**47,869**	**47,869**	47,869	47,869

(2) Payables to related parties of the Company

Items	Related party	Closing balance	Opening balance
Accounts payable			
	Shanghai Leou	**193,579**	193,579
	Shanghai Nuoxing	**362,831**	362,831
Other payables			
	LACHA FASHION I LIMITED	**14**	14
	Shanghai Weile	**135,104**	134,755
	Shanghai Leou	**23,333**	23,333
	Qixin Property	**846**	56
	Laxia Xiuxian	**230**	230
	Shanghai Nuoxing	**18,378**	18,378
	Taicang Laxia	**7,484**	7,299

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

There are no material commitments of the Company that require disclosure.

(II) Significant contingencies existing at the balance sheet date

1. Contingencies arising from pending litigation or arbitration and their financial impact

(1) The Company as a defendant

a. Litigation matters in which judgments are unexecuted

Serial number	Case type	Case number	Amount involved
1	Service contract disputes	4	4,659
2	Manufacturing contract disputes	96	605,691
3	Construction contract disputes	7	264,235
4	Financial loan contract disputes	4	1,591,180
5	Labor disputes	2	315
6	Sale and purchase contract disputes	75	436,730
7	Bills disputes	21	10,884
8	Transport contract disputes	6	6,546
9	Copyright infringement disputes	2	720
10	Decoration contract disputes	8	2,862
11	Lease contract disputes	25	31,838
12	Consulting contract	1	130
13	Disputes over the recognition of claims in insolvency	1	1,743
14	Trademark rights assignment contract disputes	1	40
15	Dispute over network infringement liability	1	250
	Total	254	2,957,823

As of 30 June 2024, the Company had a total of 254 litigation cases with judgments unexecuted, involving the amount of RMB2,957,823 thousand.

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. *Contingencies arising from pending litigation or arbitration and their financial impact (continued)*

(1) *The Company as a defendant (continued)*

b. *Unadjudicated litigation matters*

Deadline	30 June 2024		As of the report date (29 August 2024) Amount involved			
Judgment Status	Pending Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Manufacturing contract disputes	1	4,674	–	–	1	4,674
Leasing contract disputes	4	1,476	–	–	4	1,476
Trademark rights assignment contract disputes	1	119	1	119	–	–
Total	6	6,269	1	119	5	6,150

As of 30 June 2024, the total number of cases in which the Company was a defendant and had not been adjudicated was 6 cases involving litigation amounting to RMB6,269 thousand.

(2) *Company as plaintiff party*

a. *Litigation matters which judgments are unexecuted*

Serial number	Case type	Case number	Amount involved
1	Sale and purchase contract disputes	10	21,011
2	Other contract disputes	2	3,632
3	Trademark rights assignment contract disputes	4	12,840
4	Lease contract disputes	2	449
5	Dispute over debt collection from external parties	1	207
	Total	19	38,139

As of 30 June 2024, the total number of unexecuted cases in which the Company was the plaintiff and in which judgment had been rendered was 19, involving an amount of RMB38,139 thousand.

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES *(CONTINUED)*

(II) Significant contingencies existing at the balance sheet date *(continued)*

1. *Contingencies arising from pending litigation or arbitration and their financial impact (continued)*

(2) *Company as plaintiff party (continued)*

b. *Unjudged litigation matters*

Serial number	Case type	Case number	Amount involved
1	Sale and purchase contract disputes	1	417
2	Joint venture contract disputes	3	5,691
3	Trademark rights assignment contract disputes	1	1,530
4	Trademark infringement and unfair competition disputes	1	151
5	Intellectual property disputes	1	–
	Total	7	7,789

As of 30 June 2024, the total number of cases in which the Company was the plaintiff and in which judgment was not rendered was 7 cases involving RMB7,789 thousand.

2. On 19 July 2022, the Company received the pre-reorganization decision letter from the People's Court of Taicang in respect of its subsidiary Taicang Laxia, appointing Jiangsu Xintianlun Law Firm as the temporary administrator. On 10 February 2023, the Taicang Court decided to accept the bankruptcy reorganization case of the debtor Lacha Taicang and appointed Jiangsu Xintianlun Law Firm as the administrator. On 22 July 2024, the Taicang Court ruled to approve the draft reorganization scheme of Taicang Laxia and terminate the reorganization process of Taicang Laxia. As of the date of disclosure of this report, the reorganization scheme of Taicang Laxia has not been completed, so the impact on the Company cannot be determined and is subject to final implementation results.

(All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

3. On 25 February 2020, FASHION I, a subsidiary of the Company, was taken over by Gemstone Advantage Limited (current name: Gemstone Advantage Limited, former name: HTI ADVISORY COMPANY LIMITED) due to default in repayment of loans and the Company was unable to exercise any control or influence over it and has effectively lost control over it. As a result, the Company has lost control of FASHION I and its subsidiaries, APPAREL II and NAF NAF SAS.

   NAF NAF SAS, a former wholly owned subsidiary of the Company, was unable to repay the amounts owed to suppliers and the local government, and on 15 May 2020, judicial restructuring proceedings were formally initiated by a local French court decision and a judicial administrator was appointed to assist in all or part of the business operations of NAF NAF SAS. On 19 June 2020, the local French court ruled in favor of the disposal of certain assets and liabilities of NAF NAF SAS, including intangible assets, fixed assets, inventories, employee accrued rights, leases, franchise agreements, etc. (excluding monetary funds, accounts receivable, accounts payable, bank loans, etc.) for a price of approximately 8,232,700 Euro, and the judicial reorganization proceedings of NAF NAF SAS were transferred to judicial liquidation proceedings. The proceeds of the sale will be included in the judicial liquidation process to pay off its debts. As of 30 June 2024, the above-mentioned liquidation of NAF NAF SAS is not yet complete, but the impact on the Company is uncertain pending the final outcome of the liquidation as the Company is unable to obtain further information in relation to the liquidation of NAF NAF SAS.

4. *Contingencies arising from the provision of external debt guarantees and their financial impact*

Serial number	Secured party	Subject matter	Amount	Presented under
1	LACHA FASHION I LIMITED	Borrowing Guarantee	EUR37,400 thousand	Estimated liabilities
	Total		EUR37,400 thousand	

As of 30 June 2024, other than the above-mentioned guarantees, there were no guarantees provided by the Company for other related parties and non-related party units.

Except for the existence of the above contingencies, there has no other material contingencies of the Company as of 30 June 2024, that should be disclosed but were not disclosed.

(All amounts in RMB'000 unless otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE

(I) Effects of new litigation or arbitration

(1) The Company as Plaintiff

Deadline	29 August 2024		29 August 2024			
Judgment Status	Pending and Judged Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Trademark infringement and unfair competition disputes	1	30	–	–	1	30
Joint venture contract disputes	1	510	1	510	–	–
Total	2	540	1	510	1	30

The total number of cases in which the Company was added as a defendant from 1 July 2024 to the date of the audit report was 2, involving a total amount of RMB540 thousand.

(II) Description of other post-balance sheet events

Except for the above-mentioned post-balance sheet events, the Company has no other material post-balance sheet events that should have been disclosed had not been disclosed as of the date of approval of the financial report.

(All amounts in RMB'000 unless otherwise stated)

XIII. QUALITATIVE AND QUANTITATIVE DISCLOSURES RELATED TO LEASING

Disclosures as a lessee:

Many of the Company's real estate leases contain variable lease payment terms that are tied to the sales volume of the stores being leased. Where possible, the Company uses these terms to match lease payments to the stores that generate more cash flow. For individual stores, up to 100% of the lease payments can be based on variable payment terms and a wide range of sales ratios are used. In some cases, the variable payment terms also include annual payment floors and caps.

As of 30 June 2024, the lease payments and terms are summarized below:

Category	Number of stores	Fixed Payment Amount	Variable payment amount	Total payment amount
Fixed rent only	10	1,037	–	1,037
Variable rent with no minimum standard	–	–	–	–
Variable rent with minimum standard	–	–	–	–
Total	10	1,037	–	1,037

Disclosures as lessor: The Company uses some of its buildings and structures for leasing, and according to the lease contract, the rent is subject to annual adjustment based on market rental conditions. The Company generated revenues of RMB3,798 thousand from January to June in 2024. The leased-out buildings and structures are not accounted for as investment properties because they cannot be separated and measured separately.

XIV. OTHER SIGNIFICANT EVENTS

(I) The Company is under bankruptcy reorganisation procedures

The Company received the Civil Ruling (2023) Hu 03 Po No. 64 from Shanghai Third Intermediate Court on 6 February 2023, which ruled to accept the bankruptcy liquidation case of La Chapelle company on 2 February 2023 and appointed King & Wood Mallesons (Beijing), Shanghai Branch as the administrator on 3 February 2023. The first creditors' meeting was held on 24 May 2023.

The Company submitted application for reorganisation to the Court on 29 August 2023, requesting the court to rule that the Company enter into bankruptcy reorganization proceedings, and the Shanghai Third Intermediate Court decided to accept the application of the reorganization of the Company (No. of Decision Judgment: (2023) Hu 03 Po No. 54) on 12 September 2023. On 22 May 2024, the Company received the second issue of the Decision Letters (2023) Hu 03 Po No. 64 issued by the Court. As King & Wood Mallesons (Beijing), Shanghai Branch has a conflict of interests in the case, in order to ensure the reorganization procedures of the Company is carried out in an orderly manner, upon random selection by the Shanghai Higher People's Court, JunHe LLP, Shanghai Office* (君合律師事務所上海分所) was re-appointed as the administrator of the Company. On 24 July 2024, the Company and its administrator entered into the Reorganization Investment Agreement with the reorganization investors. On 8 August 2024, the administrator of the Company received the third issue of the Reply Letter (2023) Hu 03 Po No. 64 issued by the Court, and the administrator received the application of 40 creditors from the Court for the substantive consolidation in reorganisation of the Company with 32 related companies on 5 August 2024, and the Court will review their application and make a decision, which will have an impact on the draft reorganization scheme of the Company. The Court agreed to the administrator's application that the period for review of the substantive consolidation in reorganization 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》). As of the reporting date, the Company is in the period of substantive merger and reorganization review.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Equity freezes in subsidiaries

Up to now, the equity interests of 3 subsidiaries of the Company have been frozen as a result of the Company's involvement in litigation cases and other impacts, involving a total execution amount of approximately RMB425 million. The freezing of the equity interests of the Company's subsidiaries dose not have any substantial impact on the normal operation of the Company and its subsidiaries, but there is a risk that the equity interests of the subsidiaries may be judicially disposed of due to the above matters.

(III) Subsidiary filing for bankruptcy reorganization and liquidation

On 19 July 2022, Taicang Laxia received the Decision Letter (2022) Su 0585 Po Shen No. 29 and one of the Decision Letters (2022) Su 0585 Po Shen No. 29 from the Taicang Court, in which the Taicang Court decided to commence the pre-reorganization of Taicang Laxia and appointed a provisional administrator. On 10 February 2023, the Court decided to accept the application for reorganization of Taicang Laxia by its creditor and appointed Jiangsu New Talent Law Firm as the administrator. On 25 April 2023, the Taicang Court organized the first creditors' meeting. On 22 July 2024, the Taicang Court ruled to approve the Draft Reorganization Scheme of Taicang Laxia and terminate the reorganization process of Taicang Laxia. As of the date of disclosure of this report, the reorganization Scheme of Taicang Laxia has not been completed. Therefore, the impact on the Company is uncertain pending the final results of the pre-reorganization.

The Company received the Civil Ruling (2023) Hu 03 Po No. 534 from Shanghai Third Intermediate Court on 8 August 2023. Shanghai Third Intermediate Court ruled on 28 July 2023 that it accepted the case of bankruptcy liquidation of Laxia Xiuxian, a wholly-owned subsidiary, and appointed King & Wood Mallesons (Beijing), Shanghai Branch, as the administrator. Laxia Xiuxian was taken over by the administrator on 23 August 2023 and the first creditors' meeting was held on 4 December 2023. Laxia Xiuxian entered into bankruptcy and liquidation proceedings, and there may be a risk that the Company's equity investment in Laxia Xiuxian and other receivables may not be recovered.

On 8 February 2023, the Company received the Civil Ruling (2023) Hu 03 Po No. 70 from Shanghai Third Intermediate Court, which ruled on 7 February 2023 that it accepted the bankruptcy and liquidation of Shanghai Nuoxing, a wholly-owned subsidiary, and appointed King & Wood Mallesons (Beijing), Shanghai Branch, as the administrator. The first creditors' meeting was convened on 25 April 2023. Shanghai Nuoxing entered into bankruptcy and liquidation proceedings, and there may be a risk that the Company's equity investment in Shanghai Nuoxing and other receivables may not be recovered.

(IV) Cancellation of repurchased shares

The Company held the 2023 First Extraordinary General Meeting, the 2023 First Domestic Shareholders Class Meeting and the 2023 First H Shareholders Class Meeting on 13 January 2023 to consider and approve the resolution on the cancellation of the repurchased shares and reduction of the registered capital and the amendment of the Articles of Association. The Company intends to cancel all of the 3,573,200 domestic shares in the special securities account for repurchase (the Company repurchased an aggregate of 3,573,200 A-shares from 2019 to 2020 through centralized bidding transactions) and reduce the registered capital of the Company accordingly. As of 30 June 2024, no shares have yet been canceled.

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(V) Occupation of funds

In 2021, through internal investigation of the Company, it was discovered that Shanghai Hexia Investment Co., Ltd., a person acting in concert with the former actual controller of the Company, has accumulatively occupied RMB9.5 million from the Company. This fund occupation matter did not fulfill the decision-making process of shareholders' meeting of the Company and the board of directors. In 2022, the Company filed a lawsuit to the Shanghai Xuhui District People's Court in relation to this matter, and on 27 September, the Shanghai Xuhui District People's Court ruled that: "Shanghai Xiang'an Information Technology Company Limited, Shanghai Hexia Investment Company Limited, Mr. Xing Jiaxing returned the principal amount of the Company's loan amounting to RMB9,500,000 and reimbursement to La Chapelle Company for the loss of interest on fund occupation calculated on the basis of the one-year loan market quotation rate standard announced by the National Interbank Offered Rate Center from 18 September 2021 to the date of actual repayment based on the amount of RMB9,500,000". In 2023, the enforcement of the repayment of RMB144 thousand was enforced, and the remaining fund occupation was not fully repaid as of 30 June 2024.

(VI) Division Information

The Company determines operating segments based on its internal organizational structure, management requirements, and internal reporting system. An operating segment of the Company is a component that also meets the following conditions:

(1) The component is capable of generating revenues and incurring expenses in the ordinary course of its activities;

(2) Management is able to regularly evaluate the operating results of the component in order to decide to allocate resources to it and evaluate its performance;

(3) It is possible to obtain accounting information related to the financial position, results of operations and cash flows of the component.

The Company determines its reportable segments on the basis of operating segments. An operating segment is determined to be a reportable segment if one of the following conditions is met:

(1) The segment revenue of that operating segment represents 10% or more of the total revenue of all segments;

(2) The absolute amount of segment profit (loss) of that segment represents 10% or more of the greater of the aggregate profit of all profitable segments or the absolute amount of the aggregate loss of all loss-making segments.

The Company has a single business, mainly the sale of apparel, brand-integrated services and leasing of some buildings in the country. Management manages this business as a whole and evaluates operating results, therefore, no segment information is presented in these financial statements.

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

1. Accounts receivable disclosed based on aging

Accounts receivable with aging since invoice date are analyzed as follows:

Aging	**Closing balance**	Opening balance
Within 90 days	**1,079,376**	1,075,268
90 days to 1 year	**27,600**	29,017
1 to 2 years	**6,228**	9,081
2 to 3 years	**21,847**	30,970
3 years above	**1,435,301**	1,423,007
Sub-total	**2,570,352**	2,567,343
Less: Allowance for bad debt	**2,233,451**	2,234,466
Total	**336,901**	332,877

2. Disclosed based on classification of accrual method for bad debt

	Closing balance				
	Carrying amount		**Allowance for bad debt**		
Categories	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Carrying amount**
Accounts receivable with a single accrual for expected credit losses	**2,229,662**	**87**	**2,229,662**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**340,690**	**13**	**3,789**	**1**	**336,901**
Including: Accural based on risk portfolio	**340,690**	**13**	**3,789**	**1**	**336,901**
Total	**2,570,352**	**100**	**2,233,451**	**87**	**336,901**

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

2. Disclosed based on classification of accrual method for bad debt (continued)

Continued:

Categories	Closing balance: Carrying amount: Amount	Carrying amount: Proportion (%)	Allowance for bad debts: Amount	Allowance for bad debts: Proportion (%)	Carrying amount
Accounts receivable with a single accrual for expected credit losses	2,230,767	87	2,230,767	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	336,576	13	3,699	1	332,877
Including: Accrual based on risk portfolio	336,576	13	3,699	1	332,877
Total	2,567,343	100	2,234,466	87	332,877

3. Accounts receivable subjected to allowance for bad debt on individual basis

Name of company	Closing balance: Carrying amount	Allowance for bad debt	Proportion (%)	Reason
Hongche Industrial	**4,284**	**4,284**	**100**	**Note (1)**
Accounts receivables from shopping malls	**62,889**	**62,889**	**100**	**Note (2)**
Shanghai Weile Fashion Co., Ltd.	**263,527**	**263,527**	**100**	**Note (3)**
La Chapelle Fashion (Taicang) Co., Ltd.	**787,557**	**787,557**	**100**	**Note (4)**
Shanghai La Chapelle Casual Fashion Co., Ltd.	**372,285**	**372,285**	**100**	**Note (5)**
La Chapelle (Tianjin) Co., Ltd.	**292,318**	**292,318**	**100**	**Note (6)**
Chengdu Lewei Fashion Co., Ltd.	**150,645**	**150,645**	**100**	**Note (6)**
Shanghai Youshi Fashion Co., Ltd.	**289,330**	**289,330**	**100**	**Note (6)**
Chongqing Lewei Fashion Co., Ltd.	**6,827**	**6,827**	**100**	**Note (6)**
Total	**2,229,662**	**2,229,662**		

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

3. Accounts receivable subjected to allowance for bad debt on individual basis (continued)

(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 debt in full.

(2) The amounts due from shopping malls for which a separate provision for bad debt 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 Company considered that it was difficult to collect the receivables in full and therefore a full accrual for bad debt was made.

(3) On 9 August 2022, Shanghai Weile, a wholly-owned subsidiary of the Company, was taken over by a court-appointed bankruptcy liquidation administrator due to insolvency. The Company expected that it would be difficult to collect its receivables, and therefore a full provision for bad debt was made.

(4) On 10 February 2023, Taicang Laxia, a wholly-owned subsidiary of the Company, was ruled by the Taicang Court to undergo bankruptcy and reorganization due to insolvency and Jiangsu Xintianlun Law Firm was appointed as the administrator, the Company expected that it would be difficult to collect its receivables, and therefore a full provision for bad debt was made.

(5) On 28 July 2023, Laxia Xiuxian, a wholly-owned subsidiary of the Company, was ruled by the court to enter into bankruptcy and liquidation due to insolvency and appointed King & Wood Mallesons (Beijing), Shanghai Branch as the administrator. On 23 August 2023, Laxia Xiuxian was taken over by the administrator, and the Company expects that it will be difficult to recover its receivables, and therefore a full provision for bad debt was made.

(6) The corresponding subsidiaries of the Company currently have negative net assets, or their operations cease substantially. The Company expects that it will be difficult to collect its receivables, and therefore a full provision for bad debt was made.

4. Accounts receivable subjected to allowance for bad debt on portfolio basis

(1) Accrual for bad debt on risk portfolio basis

	Closing balance		
Aging	**Carrying amount**	**Allowance for bad debt**	**Proportion (%)**
Within 90 days	**340,256**	**3,432**	**1**
90 days to 1 year	**3**	**0**	**5**
1 to 2 years	**44**	**13**	**30**
2 to 3 years	**107**	**64**	**60**
3 years above	**280**	**280**	**100**
Total	**340,690**	**3,789**	**1**

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

5. *Details of accrual, recovery and reversal for bad debt in the current period*

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Recovery or reversal	Write-off	Other changes	
Accounts receivable subjected to accrual for expected credit losses on individual basis	2,230,767	–	1,105	–	–	2,229,662
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	3,699	90	–	–	–	3,789
Including: Accrual based on risk portfolio	3,699	90	–	–	–	3,789
Toral	2,234,466	90	1,105	–	–	2,233,451

6. *No actual write-off of account receivable in the current period*

7. *Details of the top five of accounts receivable at the closing balance*

Name of item	**Closing balance**	**As a percentage of the closing balance of accounts receivable (%)**	**Bad debt Allowance**
Summary of top five accounts receivable with closing balances	2,078,863	81	1,744,864

8. *There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period.*

9. *There were no assets and liabilities resulting from the transfer of accounts receivable and continued involvement in the reporting period.*

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables

1. *Disclosure of other receivables by aging*

Aging	Closing balance	Opening balance
Within 1 year	**1,987,988**	1,996,648
1 to 2 years	**16,061**	20,906
2 to 3 years	**10,571**	260
3 years above	**35,547**	35,364
Subtotal	**2,050,167**	2,053,178
Less: Provision for bad debt	**1,382,763**	1,382,659
Total	**667,404**	670,519

2. *Classified by characteristic*

Nature	Closing balance	Opening balance
Amounts due from subsidiaries	**1,174,867**	1,177,998
Deposits and security deposits	**33,925**	33,979
Employee reserve fund	**8**	1
Property rental fees	**1,956**	1,413
Receivables for off-balance-sheet subsidiaries	**434,481**	433,801
Others	**404,930**	405,986
Total	**2,050,167**	2,053,178

3. *Presented by three stages of impairment for financial assets*

	Closing balance			Opening balance		
Items	Carrying amount	Allowance for bad debt	Book value	Carrying amount	Allowance for bad debt	Book value
Stage 1	**254,197**	**2,936**	**251,261**	259,087	4,711	254,376
Stage 2	**–**	**–**	**–**	–	–	–
Stage 3	**1,795,970**	**1,379,827**	**416,143**	1,794,091	1,377,948	416,143
Total	**2,050,167**	**1,382,763**	**667,404**	2,053,178	1,382,659	670,519

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables (continued)

4. *Details of bad debt allowance for other receivables*

Bad debt allowance	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (no credit impairment occurred)	Stage 3 Lifetime expected credit losses (credit impairment occurred)	Total
Opening balance	4,711	–	1,377,948	1,382,659
The balance at the beginning of the current period	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	–	–	–	–
Accrual for the period	–	2,558	2,158	4,716
Reversal for the period	4,612	–	–	4,612
Write-off for the period	–	–	–	–
Other changes	–	–	–	–
Closing balance	99	2,558	1,380,106	1,382,763

5. *There were no other receivables actually written off during the reporting period.*

6. *The top five other receivables by party in arrears at the closing balance*

Name of item	Nature of payment	Closing balance	Ageing	As a percentage of the ending balance of other receivables (%)	Bad debt Allowance Closing balance
Summary of top five other receivables with closing balances	Related party receivables	1,778,636	Within 1 year, above 1 year	85	1,233,195

7. *There were no other receivables involving government grants in the reporting period.*

8. *There were no other receivables derecognized due to the transfer of financial assets in the reporting period.*

9. *There were no assets and liabilities resulting from the transfer of other receivables and continued involvement in the reporting period.*

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments

Nature	Closing balance			Opening balance		
	Carrying amount	Impairment allowance	Book value	Carrying amount	Impairment allowance	Book value
Investment in subsidiaries	**878,250**	**427,730**	**450,520**	878,250	427,730	450,520
Total	**878,250**	**427,730**	**450,520**	878,250	427,730	450,520

1. Investment in subsidiaries

Investee	Opening balance	Addition in the current period	Decrease in the current period	Closing balance	Impairment in the current period	Balance of impairment
Chongqing Lewei	500	–	–	500	–	500
Beijing Laxia	500	–	–	500	–	500
Chengdu Laxia	500	–	–	500	–	500
Shanghai Langhe	5,000	–	–	5,000	–	5,000
Shanghai Xiawei	5,000	–	–	5,000	–	–
Tianjin Laxia	10,000	–	–	10,000	–	–
Chengdu Lewei	10,000	–	–	10,000	–	10,000
Shanghai Chong'an	12,750	–	–	12,750	–	12,750
Shanghai Youshi	20,000	–	–	20,000	–	20,000
Fujian Lewei	10,000	–	–	10,000	–	–
Enterprise Management	800,000	–	–	800,000	–	375,480
Shanghai Jiatuo	1,000	–	–	1,000	–	–
Laxia Nafu	3,000	–	–	3,000	–	3,000
Total	878,250	–	–	878,250	–	427,730

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments (continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Changes in the current period Additional investment	Disinvestment	Return on investment under equity method	Adjustment in other comprehensive income
I. Associated companies					
Shanghai Yishan	–	–	–	–	–
Total	–	–	–	–	–

Continued:

Investee	Changes in the current period Changes in other equity	Declare payment of cash dividends or profits	Impairment allowance	Other	Closing balance	Balance of impairment
I. Associated companies						
Shanghai Yishan	–	–	–	–	–	–
Total	–	–	–	–	–	–

3. Notes to long-term equity investments

As of 30 June 2024, Shanghai Yishan has not yet commenced business activities.

(All amounts in RMB'000 unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(IV) Revenue and cost of sales

1. Revenue, cost of sales

	Current period's amount		Previous period's amount	
Items	**Revenue**	**Cost**	Revenue	Cost
Principal business	**8,561**	**275**	13,006	3,236
Other business	**2,282**	**1,087**	2,123	122
Total	**10,843**	**1,362**	15,129	3,358

2. Income derived from contracts

Contract classifications	**Current period's amount**	Previous period's amount
1. Category of products		
Apparel	**801**	5,632
Brand-integrated services	**7,760**	7,374
Lease	**2,276**	1,903
Other	**6**	220
2. Classified by business areas		
Domestic	**10,843**	15,129
Overseas	**–**	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	**10,036**	9,277
Transferred at a point over time	**807**	5,852
Total	**10,843**	15,129

(V) Investment income

Items	**Current period's amount**	Previous period's amount
Investment gains (losses) from debt restructuring	**(402)**	(134)
Total	**(402)**	(134)

(All amounts in RMB'000 unless otherwise stated)

XVI. SUPPLEMENTARY INFORMATION

(I) Summary of non-current profit or loss

Items	Current period's amount	Previous period's amount
Gains and Loss from disposal of non-current assets	**(562)**	413
Government grants included in current profit or loss (except those closely related to the business of the enterprise and enjoyed in a fixed or quantitative manner in accordance with national uniform standards)	**237**	14,143
Gains and losses on debt restructuring	**(402)**	5,309
Capital occupation fees	**–**	172
Investment gains	**–**	(464,456)
Gains or losses from changes in fair value	**(1,252)**	(330)
Non-operating income and expenses other than those mentioned above	**(5,873)**	(67,641)
Income tax effect	**–**	–
Effect of minority interests (after tax)	**1**	8
Total	**(7,853)**	(512,398)

(II) Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	–	(0.02)	(0.02)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	–	(0.01)	(0.01)