La Chapelle

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

(IN REORGANISATION)

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

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

(Stock code: 06116)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The audited annual results announcement of Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") was originally scheduled to be published by the end of March 2024. However, as the Company was in bankruptcy reorganisation procedures during the year ended 31 December 2023, various work streams such as periodic audit work, special audit, and due diligence by investors are being processed, the Company and Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"), the auditor of the Company for 2023, need extra time to complete the audit procedures for the year ended 31 December 2023. Currently, the Company and Da Hua are still stepping up the audit work for the 2023 annual financial report, and plan to publish the audited results for the year ended 31 December 2023 as agreed by the Company's auditor, the material differences (if any) as compared with the unaudited annual results contained herein, and the annual report for the year ended 31 December 2023 by 30 April 2024. Further announcement(s) will be made in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate.

In order to keep the shareholders (the "**Shareholders**") and prospective investors of the Company informed of the Group's business operations and financial positions, the board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2023 (the "**Reporting Period**") with comparative figures for the year ended 31 December 2022. For the reasons explained in the section headed "Review of Unaudited Annual Results", the audit process for the annual results of the Group for the year ended 31 December 2023 has not been completed.

	Year ended 31 December		Increase/
	2023	2022	(decrease)
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Audited)	
Financial highlights			
Revenue	**170,233**	197,841	(14.0)
Gross profit	**123,147**	136,080	(9.5)
Operating (loss)/profit	**(571,257)**	(942,023)	39.4
(Loss)/profit before income tax	**(746,656)**	(1,074,224)	30.5
Income tax expenses	**2,479**	(450)	650.9
Net (loss)/profit	**(749,135)**	(1,073,774)	30.2
Basic and diluted (losses)/earnings per share *(RMB)*	**(1.35)**	(1.97)	31.5

	31 December	31 December	Increase/
	2023	2022	(decrease)
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Audited)	
Total assets	**602,024**	1,156,191	(47.9)
Total equity attributable to shareholders of the Company	**(3,236,679)**	(2,505,849)	(29.2)

	Year ended 31 December		Increase/
	2023	2022	(decrease)
	RMB'000	*RMB'000*	*percentage point(s)*
	(Unaudited)	(Audited)	
Financial Ratios			
Gross profit margin	**72.34%**	68.78%	3.6
Operating (loss)/profit margin	**(335.57%)**	(476.15%)	140.6
Net (loss)/profit margin for the period	**(440.06%)**	(542.75%)	102.7

UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2023

	Notes	Year ended 31 December **2023** **RMB'000** **(Unaudited)**	2022 RMB'000 (Audited)
Revenue	*4*	**170,233**	197,841
Less: Cost of sales	*4*	**47,086**	61,761
Taxes and surcharges		**(5,251)**	12,201
Selling and distribution expenses		**102,808**	81,179
General and administrative expenses		**93,794**	129,047
Financial expenses		**88,641**	181,703
Including: interest expenses		**88,604**	182,103
Interest income		**486**	1,495
Add: Other income		**1,462**	17,690
Investment income		**(381,458)**	(629,545)
Including: investment income of joint ventures and associates		**(8,954)**	(38,342)
Changes in fair value		**(579)**	(9,433)
Credit impairment losses		**14,358**	(27,890)
Asset impairment losses		**(19,723)**	(22,577)
Gains/(loss) on disposals of assets		**(28,472)**	(2,218)
Operating (loss)/profit		**(571,257)**	(942,023)
Add: Non-operating income		**500**	1,822
Less: Non-operating expenses		**175,899**	134,023
(Loss)/profit before income taxes		**(746,656)**	(1,074,224)
Less: Income tax expenses	*5*	**2,479**	(450)
Net loss		**(749,135)**	(1,073,774)

	Notes	Year ended 31 December 2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Classified by continuity of operations			
– Net loss from continuing operations		**(749,135)**	(1,073,774)
– Net loss from discontinued operations		**–**	–
Classified by ownership of the equity			
– Attributable to shareholders of the Company		**(733,275)**	(1,071,973)
– Attributable to minority interests		**(15,860)**	(1,801)
Other comprehensive (loss)/income after tax		**–**	(2,580)
Attributable to shareholders of the Company, net of tax		**–**	(2,580)
– Other comprehensive losses that cannot be reclassified into profit or loss		**–**	(2,580)
– Changes in fair value of other equity instrument investments		**–**	(2,580)
– Other comprehensive income that can be reclassified into profit or loss		**–**	–
– Translation differences on translation of foreign currency financial statements		**–**	–
Total comprehensive (loss)/income		**(749,135)**	(1,076,354)
– Attributable to shareholders of the Company		**(733,275)**	(1,074,553)
– Attributable to minority interests		**(15,860)**	(1,801)
(Losses)/earnings per share			
– Basic losses per share *(RMB)*	*6*	**(1.35)**	(1.97)
– Diluted losses per share *(RMB)*	*6*	**(1.35)**	(1.97)

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Current assets			
Cash at bank and on hand	*7*	**49,930**	100,238
Financial assets held for trading		**–**	–
Notes receivable		**–**	–
Accounts receivable	*8*	**9,253**	42,580
Advances to suppliers		**1,472**	5,004
Other receivables		**5,469**	11,298
Inventories	*9*	**38,453**	38,699
Non-current assets due within one year		**–**	–
Other current assets		**83,226**	32,288
Total current assets		**187,803**	230,107
Non-current assets			
Long-term receivables		**–**	–
Long-term equity investments		**97,379**	106,264
Other equity instruments investment		**–**	–
Other non-current financial assets		**91,240**	92,208
Fixed assets		**110,972**	526,254
Construction in progress		**67,868**	69,778
Right-of-use assets		**8,988**	36,427
Intangible assets		**35,355**	91,125
Goodwill		**–**	–
Long-term prepaid expenses		**2,419**	4,028
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**414,221**	926,084
TOTAL ASSETS		**602,024**	1,156,191

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		**1,077,598**	1,147,748
Notes payable		**–**	–
Accounts payable	*11*	**1,121,143**	893,963
Advance from customers		**782**	267
Contract liabilities		**5,170**	4,408
Employee benefits payable		**11,216**	10,563
Taxes payable		**134,175**	201,028
Other payables		**1,082,453**	958,932
Non-current liabilities due within one year		**3,219**	10,348
Other current liabilities		**488**	578
Total current liabilities		**3,436,244**	3,227,835
Non-current liabilities			
Long-term borrowings		**–**	–
Lease obligations		**5,238**	26,673
Accrued liabilities		**476,875**	469,473
Deferred tax liabilities		**–**	–
Other non-current liabilities		**4,500**	5,419
Total non-current liabilities		**486,613**	501,565
Total liabilities		**3,922,857**	3,729,400
Equity			
Share capital	*10*	**547,672**	547,672
Capital surplus		**1,913,251**	1,910,806
Less: treasury share		**20,010**	20,010
Other comprehensive income		**(43,606)**	(43,606)
Surplus reserve		**246,788**	246,788
Undistributed profits		**(5,880,774)**	(5,147,499)
Total equity attributable to shareholders of the Company		**(3,236,679)**	(2,505,849)
Minority interests		**(84,154)**	(67,360)
Total equity		**(3,320,833)**	(2,573,209)
TOTAL LIABILITIES AND EQUITY		**602,024**	1,156,191

1. GENERAL INFORMATION

Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is a joint stock company, shareholding reformed by Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司) (hereinafter referred to as "**Shanghai Xuhui La Chapelle**"). Shanghai Xuhui La Chapelle is a limited liability company incorporated in Xuhui District, Shanghai on 14 March 2001. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (hereinafter referred to as "**Shanghai La Chapelle**"). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities according to the plan approved by the original board of directors and the terms in the agreement made by the Company's sponsors. The A-shares of CNY-denominated shares and H-shares of overseas-listed shares issued by the Company were listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"). On 8 July 2020, the Company changed its name to "Xinjiang La Chapelle Fashion Co., Ltd.". On 14 April 2022, the Company received the decision of termination the listing of the Company's A-shares from the Shanghai Stock Exchange. On 24 May 2022, the A-shares of the Company were delisted from the Shanghai Stock Exchange. After delisting the abovementioned shares has been listed on the National Equities Exchange and Quotations since 22 July 2022, stock code 400116.

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

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

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Right-of-use assets

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

1. the amount of the initial measurement of the lease liability;

2. the amount of lease payments made on or before the commencement date of the lease term, less amounts related to lease incentives taken, if any;

3. the initial direct costs incurred by the Company;

4. costs expected to be incurred by the Company to dismantle and remove the leased asset, restore the site where the leased asset is located, or restore the leased asset to the condition agreed upon under the terms of the lease (excluding costs incurred to produce inventory).

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

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

(II) Lease liabilities

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

1. fixed payments after deducting amounts related to lease incentives and in-substance fixed payments;

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

3. lease payments that include the exercise price of the purchase option if the Company is reasonably certain that the option will be exercised;

4. where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount required to be paid to exercise the option to terminate the lease;

5. the amount expected to be paid based on the residual value of the guarantee provided by the Company.

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

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

(III) Lease

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

1. Splitting of leased and non-leased portions

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

2. Consolidation of lease contracts

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

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

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

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

3. Accounting treatment of the Company as a lessee

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

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

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

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

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

4. *Accounting treatment of the Company as a lessor*

(1) Classification of leases

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

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

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

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

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

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

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

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

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

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

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

(2) Accounting for finance leases

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

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

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

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

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

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

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

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

(3) Accounting for operating leases

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

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

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

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

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

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

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

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

Intangible assets with finite useful lives are amortized on a straight-line basis over the period that they provide economic benefits to the Company. The estimated useful lives of intangible assets with finite useful lives and the bases are as follows:

Item	Estimated useful life	Basis
Land use rights	50 years	Land transfer agreement of the Ministry of Land and Resources
Trademark	8 to 10 years	Benefit period
Purchased software	2 to 10 years	Benefit period

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

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

(VI) Impairment of long-term assets

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

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

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

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

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

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

(VII) Significant accounting judgments and estimates

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

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

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

1. Judgments

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

(1) Business model

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

(2) Contractual cash flow characteristics

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

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

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

(4) Deferred income tax assets

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

2. *Estimation uncertainty*

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

(1) Impairment of financial instruments

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

(2) Impairment of goodwill

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

(3) The fair value of an unlisted equity investment

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

(4) Sales return

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

(5) Accrual of impairment for inventories

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

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

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

(7) Interest rate on lessee's incremental borrowings

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

(8) Impairment losses on long-term assets

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

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

(VIII) Changes in significant accounting policies and accounting estimates

1. *Change in accounting policy*

Content and reasons for changes in accounting policies	*Note*
The Company implemented Statement of Financial Accounting Standards Interpretation (SFAS) No. 16, "Accounting for Deferred Income Taxes Associated with Assets and Liabilities Arising from a Single Transaction Does Not Apply to the Initial Recognition Exemption" issued by the Ministry of Finance in 2022, with effect from 1 January 2023.	*(1)*
The Company implemented Statement of Financial Accounting Standards Interpretation (SFAS) No. 17, "Accounting for Sale-leaseback," issued by the Department of Finance in 2023, with effect from 25 October 2023.	*(2)*

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

On 13 December 2022, the Ministry of Finance issued Interpretation No. 16 of Accounting Standards for Business Enterprises (Caikuai [2022] No. 31, hereinafter referred to as "**Interpretation No. 16**"), Accounting for Deferred Income Taxes Associated with Assets and Liabilities Arising from a Single Transaction Does Not Apply to the Initial Recognition Exemption "shall be effective from 1 January 2023, companies are allowed to implement earlier from the year of publication.

The Company has implemented above-mentioned accounting treatment in prior years, and the implementation did not have a material impact on the financial statements for the current period.

(2) Impact of the implementation of ASBE No. 17 on the Company

On 25 October 2023, the Ministry of Finance issued "Interpretation No. 17 of the Accounting Standards for Business Enterprises" (Caikuai [2023] No. 21, hereinafter referred to as "**Interpretation No. 17**"), and the Company adopted the "Accounting for Sale-leaseback Transactions" from 25 October 2023.".

The Company had no Sale-leaseback transactions during the reporting period, and the implementation of the "Accounting for Sale-leaseback Transactions", and the implementation had no material impact on the financial statements for the current period.

2. *Changes in accounting estimates*

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

4. REVENUE AND COST OF SALES

	For the year ended 31 December			
	2023		2022	
	(Unaudited)		(Audited)	
	Revenue	**Cost**	Revenue	Cost
Principal business	**154,756**	**39,278**	135,801	29,478
Other business	**15,477**	**7,808**	62,040	32,283
Total	**170,233**	**47,086**	197,841	61,761

Income derived from contracts:

Contract classifications	**For the year ended 31 December**	
	2023	2022
	(Unaudited)	(Audited)
I. Category of products		
Apparel	**101,398**	107,465
Brand-integrated services	**53,359**	28,336
Lease	**9,683**	50,243
Others	**5,793**	11,797
II. Classified by business areas		
Domestic	**170,233**	197,841
Overseas	**–**	–
III. Classified by the timing of commodity transfer		
Transferred at a point in time	**107,191**	119,262
Transferred at a point over time	**63,042**	78,579
Total	**170,233**	197,841

5. INCOME TAX EXPENSES

	For the year ended 31 December	
	2023	2022
	(Unaudited)	(Audited)
Current income tax expense	**2,479**	1,660
Deferred income tax expense	**–**	(2,110)
Total	**2,479**	(450)

Reconciliation between total profit and income tax expenses:

	For the year ended 31 December 2023
Total profit	**(745,862)**
Income tax expense at statutory tax rates	**(186,466)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**(2,993)**
Effect of non-taxable income	**(2,383)**
Effect of non-deductible costs, expenses and losses	**798**
Effect of deductible losses from the use of prior period's unrecognized deferred tax assets	**(2,653)**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**196,176**
Income tax expense	**2,479**

6. (LOSSES)/EARNINGS PER SHARE

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

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

	For the year ended 31 December	
	2023	2022
	(Unaudited)	(Audited)
Losses:		
Net loss for the period attributable to the Company's common stockholders	**(733,275)**	(1,071,973)
Shares:		
Weighted average number of shares of the Company's common stock issued and outstanding	**544,098**	544,098
Basic loss per share and diluted loss per share	**(1.35)**	(1.97)

Note:

As of 31 December 2023, the Company has repurchased an aggregate of 3,573,200 A shares through centralized competitive trading, which is deducted from the calculation of the weighted average number of the Company's outstanding common shares.

7. CASH AT BANK AND ON HAND

	31 December 2023 (Unaudited)	31 December 2022 (Audited)
Cash on hand	**15**	27
Bank deposits	**41,627**	36,025
Other monetary funds	**8,288**	64,186
Total	**49,930**	100,238
Including: total amount of funds abroad	**2**	2

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

	31 December 2023 (Unaudited)	31 December 2022 (Audited)
Bank deposits restricted due to reasons such as judicial freezing	**8,288**	64,186
Total	**8,288**	64,186

8. ACCOUNTS RECEIVABLE

	31 December 2023 (Unaudited)	31 December 2022 (Audited)
Accounts receivable	**1,580,379**	473,608
Less: Provision for bad debts	**1,571,126**	431,028
Total	**9,253**	42,580

(i) As at 31 December 2023, the top five accounts receivable of the year-end balance aggregated by the owing party are analysed as follows:

	Amount	**Provision of bad debts**	**% of total accounts receivable balance**
Total amount of the top five accounts receivable	1,456,817	1,456,817	93

(ii) As at 31 December 2023, the provision for bad debts made for the accounts receivable are as follows:

		Closing balance		
Items	**Book balance**	**Bad debt allowance**	**Proportion** *(%)*	**Reason**
Hongche Industrial (Shanghai) Co., Ltd.* (泓澈實業(上海)有限公司) (“**Hongche Industrial**”)	4,284	4,284	100	Note 1
Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) (“**Shanghai Weile**”)	263,527	263,527	100	Note 2
La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司) (“**La Chapelle Taicang**”)	787,557	787,557	100	Note 3
Shanghai La Chapelle Casual Fashion Co., Ltd * (上海拉夏貝爾休閒服飾有限公司) (“**La Chapelle Casual**”)	372,285	372,285	100	Note 4
Receivables from merchants	142,522	142,522	100	Note 5
Total	1,570,175	1,570,175	100	–

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

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

Note 3: On 10 February 2023, La Chapelle Taicang, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy reorganisation administrator designated by the court. As La Chapelle Taicang is insolvent and has preferential claims, the Company expected that it was difficult to collect its receivables, and therefore full provision for bad debts has been made.

Note 4: On 23 August 2023, La Chapelle Casual, a wholly-owned subsidiary of the Company, was taken over by a bankruptcy liquidation administrator designated by the court. As La Chapelle Casual is insolvent and has preferential claims, the Company expected that it was difficult to collect its receivables, and therefore full provision for bad debts has been made.

Note 5: The amounts due from shopping malls for which accrual for bad debts was made were all due to the poor operating conditions of the shopping malls and liquidity problems, some of the shopping malls were in a state of closure and the Company considered that it was difficult to collect the receivables in full and therefore a full accrual for bad debts was made.

(iii) As at 31 December 2023, the Group reserved allowance of bad debts based on aging analysis method. The amount was RMB10,204 thousand.

	As at 31 December 2023		
	Provision of bad debts Carrying amount	**Expected credit loss** *(%)*	**Allowance of bad debts Expected credit loss of the entire life**
Within credit period (90 days)	7,602	2	140
Overdue (90 days) to one year	1,438	6	83
One year to two years	315	30	94
Two years to three years	539	60	324
Above three years	310	100	310
	10,204	9	951

(iv) Provision for bad debts made, recovered or reversed during the period set out as follows:

		Changes over current period				
Item	**Opening balance**	**Accrual**	**Recovered or reversed**	**Write-off**	**Other changes due to changes in scope of consolidation**	**Closing balance**
Accounts receivable subjected to accrual for expected credit losses on individual basis	426,310	43,652	(51,470)	(2,110)	1,153,793	1,570,175
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	4,718	–	(2,171)	–	(1,596)	951
Including: Accrual of aging for bad debts on portfolio	4,718	–	(2,171)	–	(1,596)	951
Total	431,028	43,652	(53,641)	(2,110)	1,152,197	1,571,126

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

Item	Write-off amount
Actual write-off of accounts receivable	2,110

9. INVENTORIES

(a) Classification of inventories is as follows:

	As at 31 December 2023 (Unaudited)			As at 31 December 2022 (Audited)		
	Carrying amount before provision	**Provision**	**Carrying amount**	Carrying amount before provision	Provision	Carrying amount
Raw materials	**980**	**–**	**980**	980	–	980
Finished goods	**97,608**	**62,728**	**34,880**	142,635	107,803	34,832
Low value consumables	**2,593**	**–**	**2,593**	2,887	–	2,887
Total	**101,181**	**62,728**	**38,453**	146,502	107,803	38,699

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

	31 December 2022 (Audited)	**Accrual and withdrawal in the current period**	**Reduction in the current period**	**Other decrease**	**31 December 2023 (Unaudited)**
Finished goods	107,803	8,678	53,753	–	62,728
Total	107,803	8,678	53,753	–	62,728

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

10. SHARE CAPITAL

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

11. ACCOUNTS PAYABLE

	31 December 2023 (Unaudited)	31 December 2022 (Audited)
Payable for purchase	**1,121,143**	893,963

Classified by aging

	Closing balance (Unaudited)		**Opening balance (Audited)**	
Aging	**Amount**	**Percentage**	**Amount**	**Percentage**
Within 1 year	**14,371**	**1**	68,268	8
Above 1 year	**1,106,772**	**99**	825,695	92
Total	**1,121,143**	**100**	893,963	100

12. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2023.

No payment of cash dividends or stock dividends and no transfer from capital surplus to share capital for the year ended 31 December 2022 was approved at the 2022 annual general meeting of the Company held on 31 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review and Business Operations

In 2023, as the economy and society fully resumed normal operation and with the benefit of the policies for expanding domestic demand and promoting consumption, the consumption environment continuously and slowly recovered and the domestic consumer market as a whole showed a trend of steady recovery. According to statistics from the National Bureau of Statistics, the total domestic retail sales of consumer goods in 2023 amounted to RMB47,149.5 billion, representing a year-on-year increase of 7.2%. The retail sales of apparel, footwear, hats and knitted textile products in the consumer goods category above the designated size amounted to RMB1,409.5 billion, representing a year-on-year increase of 12.9%. The willingness to consume continued to recover, and consumer demand is expected to be gradually released. In December 2023, the total domestic retail sales of consumer goods increased by 7.4% 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 increased by 26.0% over the same period in the previous year. Looking ahead, as the "stabilizing growth" policy continues to take effect and the national economy gradually improves, the national per capita disposable income is expected to be continuously recovered, which will help drive further release of consumer demand and promote the continuous recovery of the consumer market.

Looking back at 2023, the Company actively promoted the reorganisation, upheld the general principle of "maintaining the stability of main business and promoting transformation and innovation", and maintained the stability of its basic production and operation and core business. At the same time, the Company continued to promote changes in the areas of rebranding, product innovation and pipeline optimization to promote brand connotation, brand image enhancement and quality as well as efficiency improvement in its end-of-line retail business. The Company continued to rationalize its internal management system and organizational structure and clarify the business development path and key measures in the future, thereby laying a solid foundation for returning to a healthy growth path.

During the Reporting Period, the Company achieved operating income of approximately RMB170 million, representing a decrease compared to last year. The main reason is that some wholly-owned subsidiaries of the Company have been in bankruptcy liquidation procedures or bankruptcy reorganisation procedures, and the revenue from the operation of these subsidiaries are no longer consolidated into the consolidated financial statements of the Company. During the Reporting Period, the Company's net loss attributable to shareholders amounted to approximately RMB730 million, representing a reduction of approximately RMB340 million in net loss compared to last year. The main reasons for the loss during the Reporting Period are: (1) the Company still faced a high level of overdue debts during the Reporting Period, which resulted in accumulation in interests on debts and overdue penalty interests, totaling approximately RMB260 million. (2) as Nuoxing (Shanghai) Clothing Co., Ltd.* (諾杏(上海)服飾有限公司), La Chapelle Casual, and La Chapelle Taicang, former subsidiaries of the Company, entered into bankruptcy liquidation procedures or bankruptcy reorganisation procedures respectively in the Reporting Period, the Company lost control over them, resulting in investment losses of approximately RMB380 million. (3) the disposal loss of the auction of Chengdu logistic property amounted to approximately RMB30 million. (4) as Shanghai Weile and La Chapelle Taicang entered into bankruptcy liquidation procedures or bankruptcy reorganisation procedures respectively and were no longer consolidated into the consolidated statements, resulting in the decrease in the leasing revenue of the Group of approximately RMB40 million. In the meantime, the Group has to bear additional expenses related to leasing office and warehousing of approximately RMB10 million. During the Reporting Period, the net loss attributable to shareholders after deducting non-recurring profit or loss amounted to approximately RMB150 million, representing a decrease of approximately RMB170 million as compared to last year.

Financial Review

For the year ended 31 December 2023, the Group's revenue and operating loss reached RMB170.2 million and RMB571.3 million respectively, representing a decrease in revenue of 14.0% and a decrease in loss of 39.4% respectively, as compared with last year. The net loss for the year ended 31 December 2023 amounted to RMB749.1 million, representing a loss decrease of 30.2% as compared with last year.

Revenue

The revenue of the Group for the year ended 31 December 2023 decreased from RMB197.8 million for 2022 to RMB170.2 million, representing a decrease of 14.0%.

The decrease in revenue was mainly because Shanghai Weile, holding the headquarter buildings of the Group, and La Chapelle Taicang, holding Taicang logistic property, entered into liquidation bankruptcy or reorganisation bankruptcy in July 2022 and February 2023 respectively and were no longer consolidated into consolidated statements. In addition, Chengdu logistic property was disposed of via judicial auction in August 2023, which resulted in the revenue from leasing business to decrease to RMB9.7 million, representing a decrease of 80.7% compared with last year.

Revenue by distribution channel

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

	Year ended 31 December					
	2023 (Unaudited)			2022 (Audited)		
	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	**39,553**	**23.2**	**71.2**	49,116	24.8	(4.4)
Standalone retail outlets	**24,609**	**14.5**	**72.6**	31,593	16.0	(6.5)
Online platform	**13,166**	**7.7**	**35.1**	2,867	1.4	1.3
Franchise/Associates	**21,508**	**12.6**	**41.5**	18,946	9.6	(11.3)
Wholesale	**2,561**	**1.5**	**99.7**	4,943	2.5	0.4
Brand-integrated services	**53,359**	**31.4**	**100.0**	28,336	14.3	–
Others	**15,477**	**9.1**	**49.6**	62,040	31.4	1.6
Total	**170,233**	**100.0**	**72.3**	197,841	100.0	3.5

Note: "Others" mainly refers to the revenue from the Company's leasing business of RMB9.68 million and other revenue, amounting to a sum of RMB15.48 million in total.

The revenue from concessionaire counters decreased from RMB49.1 million for the year ended 31 December 2022 to RMB39.6 million for the year ended 31 December 2023, representing a decrease of 19.5%. The revenue from standalone retail outlets decreased from RMB31.6 million for the year ended 31 December 2022 to RMB24.6 million for the year ended 31 December 2023, representing a decrease of 22.1%. The revenue from franchise/associates increased from RMB18.9 million for the year ended 31 December 2022 to RMB21.5 million for the year ended 2023, representing an increase of 13.5%. As the Company continuous to promote the business model of "Brand empowerment + operation services", the revenue from brand-integrated services for the year ended 31 December 2023 was RMB53.4 million, representing an increase of 88.3% from the same period last year.

Revenue by brand

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

	Year ended 31 December					
	2023 (Unadited)			2022 (Audited)		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	Revenue % of total	Gross profit margin increase or decrease compared to the same period of last year *(percentage point(s))*
La Chapelle	**92,287**	**54.2**	**71.0**	61,157	30.9	(3.2)
Puella	**17,245**	**10.1**	**81.3**	18,892	9.5	3.6
7 Modifier	**3,885**	**2.3**	**91.5**	9,719	4.9	9.4
La Babité	**5,515**	**3.3**	**99.0**	10,644	5.4	8
Candie's	**–**	**–**	**–**	4,177	2.1	–
USHGEE	**14,761**	**8.7**	**42.4**	10,031	5.1	(6.6)
Menswear brands	**15,671**	**9.2**	**97.4**	13,611	6.9	(1.1)
8ém	**5,343**	**3.1**	**100.0**	4,140	2.1	2.4
Other brands	**49**	**–**	**98.0**	3,355	1.7	17.3
Others	**15,477**	**9.1**	**49.6**	62,115	31.4	2.1
Total	**170,233**	**100.0**	**72.3**	197,841	100.0	3.5

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKÕ brands; "Other brands" comprise brands including UlifeStyle, Siastella, and EYEH; "Others" mainly refers to the revenue from the leasing business of RMB9.68 million and other revenue. Revenue from leasing business decreased by 80.73% compared to last year mainly because Shanghai Weile, holding the headquarter buildings of the Group, and La Chapelle Taicang, holding Taicang logistic property, entered into liquidation bankruptcy and reorganisation bankruptcy in July 2022 and February 2023 respectively and were no longer consolidated into consolidated statements and that Chengdu logistic property was disposed of via judicial auction in August 2023.

2. As the revenue of La Chapelle brand, menswear brands, and 8ém brand from the channel of brand-integrated services increased continuously, their revenue increased by 50.9%, 15.1%, and 29.1% compared with the corresponding period of the previous year respectively. Benefiting from the expansion of retail outlets and the optimization of product structure, the revenue of USHGEE brand recorded a period-on-period increase of 47.2%. As the number of offline stores and the customer traffic both decreased, the revenue from other main brands recorded a decrease.

3. Due to the continuous promotion of brand-integrated services with a higher gross profit during the Reporting Period and the Company's increased efforts to sell aged inventories at a price higher than the net value, the gross profit of certain brands of the Company recorded an increase.

As affected by the decrease of 80.7% in the revenue from leasing business compared to corresponding period of last year, the revenue of the Group for the year ended 31 December 2023 had an overall decrease of 14.0%. As the revenue of La Chapelle brand and menswear brands from the channel of brand-integrated services increased continuously and with the benefit of the optimization of product structure of USHGEE brand, the revenue from womenswear brands increased by 16.6%, and that from menswear brands increased by 15.1%. At the same time, as the revenue from brand-integrated serves has taken a bigger share in the total revenue and the increase in the effort to sell aged inventories at a price higher than the net value, the overall gross profit margin of the Group recorded an increase.

Revenue by tier of cities

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

	Year ended 31 December					
	2023 (Unaudited)			2022 (Audited)		
	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	**34,665**	**20.4**	**64.0**	39,761	20.1	(9.1)
Second-tier cities	**38,163**	**22.4**	**59.6**	45,388	22.9	(15.4)
Third-tier cities	**26,304**	**15.4**	**53.1**	72,602	36.7	1.7
Other cities	**17,742**	**10.4**	**61.5**	11,754	5.9	(0.8)
Brand-integrated services	**53,359**	**31.4**	**100**	28,336	14.4	–
Total	**170,233**	**100.0**	**72.3**	197,841	100.0	3.5

Note:

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

In 2023, as the allocation of offline retail points in cities of various tiers changed, the revenue of first-tier cities to third-tier cities all recorded decreases.

Revenue by product type

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

	Year ended 31 December					
	2023 (Unaudited)			2022 (Audited)		
	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	**66,898**	**39.3**	**62.7**	69,463	35.1	(12.8)
Bottoms	**12,671**	**7.4**	**67.3**	13,232	6.7	(7.1)
Dresses	**21,618**	**12.7**	**53.6**	24,167	12.2	(9.4)
Accessories	**210**	**0.1**	**12.4**	603	0.3	(70.7)
Brand-integrated services	**53,359**	**31.4**	**100.0**	28,336	14.3	–
Others	**15,477**	**9.1**	**49.6**	62,040	31.4	1.6
Total	**170,233**	**100.0**	**72.3**	197,841	100.0	3.5

Note: "Others" mainly refers to the revenue from the leasing business of RMB9.68 million and other revenue.

In 2023, revenue of the Group from sales recorded a decrease across tops, bottoms, and dresses, which was partly attributable to the year-on-year decrease in the number of existing stores of the Group. In respect of the revenue contribution of each product type as compared with the same period of last year, revenue contribution from sales of tops increased by 4.2 percentage points, that from sales of bottoms increased by 0.7 percentage point and that from sales of dresses increased by 0.5 percentage point.

Cost of Sales

The cost of sales of the Group decreased by 23.8% from RMB61.8 million for the year ended 31 December 2022 to RMB47.1 million for the year ended 31 December 2023. The decrease in cost of sales was mainly due to the year-on-year decrease in revenue, which resulted in a decrease in the corresponding cost carryforward.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB136.1 million for the year ended 31 December 2022 to RMB123.1 million for the year ended 31 December 2023, representing a decrease of 9.5%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased to 72.3% for the year ended 31 December 2023 from 68.8% for the year ended 31 December 2022, mainly due to the increase in the proportion of revenue from brand-integrated serves in the total revenue and the increase in the effort to sell aged inventories at a value higher than the net value, resulting in a slight period-on-period increase in actual comprehensive average gross profit margin.

Selling and Distribution Expenses and General and Administrative Expenses

Selling and distribution expenses for the year ended 31 December 2023 amounted to RMB102.8 million (2022: RMB81.2 million), consisting primarily of department store expenses, sales staff salaries and benefits, depreciation of fixed assets. Expressed as a percentage, selling and distribution expenses for the year ended 31 December 2023 as a percentage of total revenue for the year ended 31 December 2023 was 60.4% (2022: 41.0%), representing an increase compared with the same period last year, which was mainly due to the department store expenses due to the Company's closure of loss-making and inefficient stores. However, on the whole, the ratio of selling and distribution expenses to revenue was still at a high level. General and administrative expenses for the year ended 31 December 2023 amounted to RMB93.8 million (2022: RMB129.0 million), consisting primarily of administrative employee salaries, consulting service fees and rental fees. Expressed as a percentage, general and administrative expenses as a percentage of total revenue for the year ended 31 December 2023 were 55.1% (2022: 65.2%), representing a decrease compared with the same period last year. The main reason is that Shanghai Weile, a subsidiary of the Company, entered into liquidation procedures and was taken over by an administrator in August 2022 and was no longer consolidated into the consolidated statements, resulting in a decrease in the depreciation of fixed assets.

Asset Impairment Loss

The asset impairment loss for the year ended 31 December 2023 was RMB19.7 million (2022: RMB22.6 million), which was mainly due to a decrease in the provision for impairment of inventories.

Finance Expenses/Income – Net

The Group's net finance expenses were RMB88.6 million for the year ended 31 December 2023 (2022: RMB181.7 million). The financial expenses were mainly the interest and penalty interest arising from overdue debts charged by financial institutions.

Loss before Income Tax

Loss before income tax of the Group decreased from RMB1,074.2 million for the year ended 31 December 2022 to a loss before income tax of RMB746.7 million for the year ended 31 December 2023, representing a decrease of 30.5% from the corresponding period of last year. The decrease in loss before income tax was mainly due to the decrease in loss on derecognition resulting from the former subsidiaries of the Company's entering bankruptcy procedures.

Income Tax Expense/Waiver

Income tax credit amounted to RMB2.5 million for the year ended 31 December 2023 (2022: RMB-0.5 million). The effective income tax rate for the year ended 31 December 2023 was -0.33% (2022: 0.04%).

Net Loss and Net Loss Margin for the Reporting Period

As a result of the foregoing, net loss of the Group for the year ended 31 December 2023 amounted to RMB749.1 million, representing a decrease by 30.2% from the net loss of RMB1,073.8 million for the year ended 31 December 2022. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB733.3 million, representing an increase by 31.6% from the net loss of RMB1072.0 million for the year ended 31 December 2022. Net loss margin for the period of the Group was -440.1% in 2023, compared to that of -542.7% in 2022.

During the Reporting Period, the net loss attributable to shareholders after deducting non-recurring profit or loss amounted to RMB149.1 million, representing a decrease of RMB169.7 million as compared to last year.

Total equity attributable to shareholders of the Company

As at 31 December 2023, total equity attributable to shareholders of the Company was RMB-3,236.7 million (31 December 2022: RMB-2,505.8 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 Sub-branch of China Everbright Bank Co., Ltd.* (中國光大銀行股份有限公司上海漕河涇開發區支行) ("**China Everbright Caohejing**") sued the Company and its subsidiaries. China Everbright Caohejing has applied to the court for compulsory enforcement, and the court holed that the real estate located at No. 24, Xinghua West Branch Road, Dasi Town, Xiqing District, Tianjin, the PRC* (天津市西青區大寺鎮興華西支路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 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 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 Sàrl ("**LaCha Apparel II**"), and 100% of its equity interest in Naf Naf SAS to Gemstone Advantage Limited (previously under the name of HTI ADVISORY COMPANY LIMITED) ("**Gemstone Advantage**") for a loan of EUR37.4 million to fund the consideration for acquiring 60% equity interest in Naf Naf SAS. The Company accepted joint and several liability for the loan. Subsequently, due to the Company's liquidity difficulties and the deterioration of Naf Naf SAS's operating conditions, the Company failed to repay the loan on time.

On 25 February 2020, Gemstone Advantage took over LaCha Fashion I. As a result, the Company was unable to control or exert any influence on it, and therefore lost actual control of it, thereby also losing control over LaCha Fashion I's subsidiaries, i.e. APPAREL I, APPAREL II and Naf Naf SAS. Gemstone Advantage has commenced proceedings 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 or the announcements of the administrator of the Company dated 25 September 2020, 31 August 2022, 16 January 2023, 17 January 2023 and 16 May 2023.

As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB475.2 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, which is 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, and the above-mentioned auction has been withdrawn.

For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 23 April 2021, 16 August 2021, 20 December 2021 and 2 February 2023, and the announcements of the administrator of the Company dated 15 February 2023 and 8 March 2023.

(h) As a result of a dispute over a construction agreement, Shanghai Construction No. 2 (Group) Co., Ltd.* (上海建工二建集團有限公司) ("**Shanghai Construction**") claimed against the Company and its subsidiary. Since the Company's wholly owned subsidiary, Shanghai Weile did not pay the first instalment of the construction price of RMB5 million to Shanghai Construction, Shanghai Construction has applied to Shanghai No. 1 Intermediate People's Court for compulsory enforcement, and the said case has entered into the stage of application for compulsory enforcement. For details, please refer to the announcements of the Company dated 9 December 2020, 29 April 2021, 17 May 2021, 9 June 2021, 30 June 2021, 3 July 2022 and 22 July 2022.

(i) As a result of a dispute over a clothing sale and purchase agreement, Xinjiang Hengding International Supply Chain Technology Co., Ltd.* (新疆恒鼎國際供應鏈科技有限公司) sued the Company and its subsidiaries. As at the date of this announcement, the first instance judgement from the court was received. For details, please refer to the announcements of the Company dated 27 November 2019, 7 December 2020, 12 January 2021, 19 January 2021, 28 January 2021, 9 March 2021, 28 January 2021, 23 February 2021, 24 February 2021, and 7 December 2021.

(j) As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 31 December 2023, an aggregate of 92 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB8.69 million. As at 31 December 2023 as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 10 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB116 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 January 2024.

As at 31 December 2023, as a result of the Company's involvement in a total of 13 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, one real property of the Company (with an aggregate book value of approximately RMB216 million as at 30 November 2023) 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 January 2024.

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

BUSINESS REVIEW

Retail Network

For the year ended 31 December 2023, the number of domestic retail outlets of the Group was 217, decreasing from 218 as at 31 December 2022. The number of retail points was counted on the basis used for that as at 31 December 2015.

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

	As at 31 December			
	2023		2022	
	(Unaudited)		(Audited)	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
First-tier cities	**31**	**14.3**	35	16.1
Second-tier cities	**73**	**33.6**	97	44.5
Third-tier cities	**32**	**14.8**	40	18.3
Other cities	**81**	**37.3**	46	21.1
Total	**217**	**100.0**	218	100.0

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

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

	As at 31 December			
	2023		2022	
	(Unaudited)		(Audited)	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
Concessionaire counters	**23**	**10.6**	87	39.9
Standalone retail outlets	**59**	**27.2**	27	12.4
Franchise/Associate	**135**	**62.2**	104	47.7
Total	**217**	**100.0**	218	100.0

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

	As at 31 December			
	2023		2022	
	(Unaudited)		(Audited)	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
La Chapelle	**118**	**54.4**	95	43.5
Puella	**42**	**19.3**	42	19.3
7 Modifier	**7**	**3.2**	31	14.2
La Babité	**3**	**1.4**	20	9.2
Candie's	**–**	**–**	–	–
USHGEE	**47**	**21.7**	25	11.5
Menswear	**–**	**–**	4	1.8
8ém	**–**	**–**	1	0.5
Other brands	**–**	**–**	–	–
Total	**217**	**100.0**	218	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 included in the same collection store, the collection store is counted as multiple terminal retail points. During the Reporting Period, continuously streamlined its offline terminal channel and further closed and made adjustments in some loss-making and inefficient stores.

The table below sets out the distribution of the Group's net retail points open/(closure) in the PRC in as at 31 December 2023 and as at 31 December 2022 by brands:

	For the year ended 31 December			
	2023		2022	
	(Unaudited)		(Audited)	
	Number of Net retail points open/ (closure)	**Percentage of total** ***(%)***	Number of retail points points open/ (closure)	Percentage of total *(%)*
La Chapelle	**23**	**(2,300.0)**	(55)	67.1
Puella	**–**	**–**	(1)	1.2
7 Modifier	**(24)**	**2,400.0**	(14)	17.1
La Babité	**(17)**	**1,700.0**	(5)	6.1
Candie's	**–**	**–**	(25)	30.5
USHGEE	**22**	**(2,200.0)**	13	(15.9)
Menswear	**(4)**	**400.0**	4	(4.9)
8ém	**(1)**	**100.0**	1	(1.2)
Other brands	**–**	**–**	–	–
Total	**(1)**	**100.0**	(82)	100.0

In the Reporting Period, the number of retail points of the Group's major brands La Chapelle and USHGEE increased.

Same store sales

Due to the adjustments in market structure, the Company has seen the migration of certain customers from department stores and shopping centers to online shopping platforms, causing reduction in same store sales of traditional clothing enterprises that relied on department stores as their primary distribution channels. The same store sales of retail shops in 2023 decreased by 36.0% compared to that of 2022.

FUTURE OUTLOOK

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

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

   Currently, the Company is in the reorganisation procedures and has introduced formal reorganisation investors. With the objective of protecting the legitimate rights and interests of its creditors and safeguarding its overall value, the Company will actively discuss the reorganisation scheme with the reorganisation investors. A draft reorganisation scheme of the Company will be prepared according to 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 its main business scale and 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 rationalizing the Group's holding and controlling subsidiaries and optimizing 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. **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 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. **Strengthen business control to ensure long-term sustainable development of business.**

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

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

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

DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (year ended 31 December 2022: Nil).

According to the Articles of Association of the Company, before making up the losses and allocating the statutory common reserve fund, the Company shall not distribute dividends or carry out other distributions by way of bonus. Since the audited distributable profit of the Company for 2023 was negative, the Company intended not to make profit distribution in any form for 2023.

CLOSURE OF REGISTER OF MEMBERS FOR H SHARES FOR 2023 AGM

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

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 Listing Rules for the year ended 31 December 2023 and up to the date of this announcement, save as to the deviation from the Code Provision C.1.8 of Part 2.

Under Code Provision C.1.8 of Part 2, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Currently, the Company does not have insurance cover for legal action against its Directors as the Board considers that no director liability insurance on the market can provide sufficient protection for its Directors at a reasonable insurance premium. Therefore, benefits to be derived from taking out insurance may not outweigh the costs.

Save as disclosed above, there has been no deviation from the Code Provisions of the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules for the year ended 31 December 2023.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, supervisors (the "**Supervisor(s)**") and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all the Directors and the Supervisors by the Company and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code for the year ended 31 December 2023.

THE AUDIT COMMITTEE

The audit committee of the Board 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit process for the annual results for the year ended 31 December 2023 has not been completed primarily because the Company was in bankruptcy reorganisation procedures during the year ended 31 December 2023, various work streams such as periodic audit work, special audit, and due diligence by investors are being processed, the Company and Da Hua, the auditor of the Company for 2023, need extra time to complete the audit procedures for the year ended 31 December 2023. Therefore, Da Hua could not complete the audit process by 27 March 2024, and the Company could not publish its audited annual results announcement by even date.

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

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

SIGNIFICANT EVENT AFTER REPORTING PERIOD

1. After undergoing the reorganisation investor invitation and selection procedure, the official reorganisation investor of the Company's bankruptcy reorganisation case has been selected. On 12 March 2024, the Company received six of (2023) Hu 03 Po No. 64 Civil Judgement* ((2023)滬03破64號之六《民事裁定書》) issued by Shanghai No. 3 Intermediate People's Court, in which the deadline for submission of the draft reorganisation scheme of the Company is extended to 12 June 2024. For details, please refer to the announcements of the administrator of the Company dated 12 January 2024 and 12 March 2024.

2. The industrial property and office and electronic equipment at No. 58 Tanzhu Road, Minhang District, Shanghai, the PRC* (中國上海市閔行區潭竹路58號) held by Shanghai Weile, a former wholly-owned subsidiary of the Company, was put up for public auction on the judicial auction online platform of Taobao.com from 10:00 a.m. on 23 January 2024 to 10:00 a.m. on 24 January 2024. As at the end conclusion of the auction, no bids had been placed, so the judicial auction has failed to find any buyers. For details, please refer to the announcement of the administrator of the Company dated 24 January 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 29 February 2024, an aggregate of 92 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB7.52 million. As at 29 February 2024, as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 2 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB94 million. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the administrator of the Company dated 1 March 2024.

   As at 29 February 2024, as a result of the Company's involvement in a total of 13 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, one real property of the Company (with a book value of approximately RMB215 million as at 31 January 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 1 March 2024.

FORWARD-LOOKING STATEMENT

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

FURTHER ANNOUNCEMENT(S)

Following the completion of the audit process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2023 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members for H shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the audit process.

CONTINUED SUSPENSION OF TRADING

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

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the People's Republic of China
27 March 2024

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

* *For identification purpose only.*