La Chapelle

新 疆 拉 夏 貝 爾 服 飾 股 份 有 限 公 司

Xinjiang La Chapelle Fashion Co., Ltd.

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

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

(Stock code: 06116)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Director(s)**") of Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022 (the "**Reporting Period**") with comparative figures for the corresponding period in 2021 as follows:

	Six months ended 30 June		**Increase/**
	2022	2021	**(decrease)**
	RMB'000	*RMB'000*	
	(unaudited)	(unaudited)	%
Financial highlights			
Revenue	**112,584**	277,887	(59.5)
Gross profit	**79,482**	160,963	(50.6)
Operating loss	**(129,391)**	(236,890)	(45.4)
Loss before income tax	**(178,277)**	(242,837)	(26.6)
Income tax expenses	**1,639**	(6,996)	123.4
Net loss	**(179,916)**	(235,841)	(23.7)
Basic and diluted losses per share *(RMB)*	**(0.33)**	(0.44)	(25.0)

	30 June 2022	31 December 2021	**Increase/ (decrease)**
	RMB'000	*RMB'000*	
	(unaudited)	(audited)	%
Total assets	**2,273,794**	2,406,863	(5.5)
Total equity attributable to shareholders of the Company	**(1,608,945)**	(1,431,296)	(12.4)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Financial Ratios		
Gross profit margin	**70.60%**	57.92%
Operating loss margin	**(114.93%)**	(85.25%)
Loss margin for the period	**(159.81%)**	(84.87%)

INTERIM CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**112,584**	277,887
Less: Cost of sales	*4*	**33,102**	116,924
Taxes and surcharges		**8,560**	12,431
Selling and distribution expenses	*5*	**43,522**	170,625
General and administrative expenses	*6*	**52,319**	81,304
Financial expenses	*7*	**80,131**	97,317
Including: interest expenses		**80,617**	104,821
Interest income		**698**	7,711
Add: Other income	*11*	**10,444**	62,506
Investment income	*10*	**523**	3,390
Including: investment income of joint ventures and associates		**(2,260)**	(4,599)
Changes in fair value		**(969)**	–
Credit impairment losses	*8*	**(15,487)**	(22,765)
Asset impairment losses	*9*	**(18,006)**	(93,486)
Gains/(loss) on disposals of assets		**(846)**	14,179
Operating loss		**(129,391)**	(236,890)
Add: Non-operating income	*12*	**1,043**	526
Less: Non-operating expenses		**49,929**	6,473
Loss before income taxes		**(178,277)**	(242,837)
Less: Income tax expenses	*13*	**1,639**	(6,996)
Net loss		**(179,916)**	(235,841)

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Classified by continuity of operations			
– Net loss from continuing operations		**(179,916)**	(235,841)
– Net loss from discontinued operations		**–**	–
Classified by ownership of the equity			
– Attributable to shareholders of the Company		**(177,649)**	(236,947)
– Attributable to minority interests		**(2,267)**	1,106
Other comprehensive (loss)/income after tax		**–**	–
Attributable to shareholders of the Company/after tax		**–**	–
– Other comprehensive losses that cannot be reclassified into profit or loss		**–**	–
– Changes in fair value of other equity instrument investments		**–**	–
– Other comprehensive income that can be reclassified into profit or loss		**–**	–
– Translation differences on translation of foreign currency financial statements		**–**	–
Total comprehensive (loss)/income		**(179,916)**	(235,841)
– Attributable to shareholders of the Company		**(177,649)**	(236,947)
– Attributable to minority interests		**(2,267)**	1,106
(Losses)/earnings per share			
– Basic losses per share (RMB)		**(0.33)**	(0.44)
– Diluted losses per share (RMB)		**(0.33)**	(0.44)

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2022

ASSETS	*Notes*	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Current assets			
Cash at bank and on hand	*15*	**157,074**	167,456
Financial assets held for trading		**–**	–
Notes receivable		**–**	–
Accounts receivable	*16*	**70,313**	88,718
Advances to suppliers		**7,785**	11,050
Other receivables	*17*	**43,724**	53,453
Inventories	*18*	**34,730**	60,865
Non-current assets due within one year		**–**	–
Other current assets		**20,655**	26,544
Total current assets		**334,281**	408,086
Non-current assets			
Long-term receivables		**–**	–
Long-term equity investments		**142,343**	144,603
Other equity instruments		**2,580**	2,580
Other non-current financial assets		**100,672**	101,641
Fixed assets	*14*	**1,462,661**	1,516,195
Construction in progress		**75,710**	75,000
Right-of-use assets		**4,219**	3,837
Intangible assets		**148,664**	152,674
Goodwill		**–**	–
Long-term prepaid expenses		**2,664**	2,247
Deferred tax assets		**–**	–
Debt investment		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**1,939,513**	1,998,777
TOTAL ASSETS		**2,273,794**	2,406,863

LIABILITIES AND EQUITY	*Notes*	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Current liabilities			
Short-term borrowings	*20*	**1,148,746**	1,149,220
Notes payable		**–**	–
Accounts payable	*21*	**813,993**	826,501
Advance from customers		**2,007**	10,851
Contract liabilities		**10,468**	20,395
Employee benefits payable		**8,193**	9,833
Taxes payable		**215,423**	203,777
Other payables	*22*	**971,825**	914,134
Non-current liabilities due within one year		**350,848**	349,910
Other current liabilities		**916**	1,874
Total current liabilities		**3,522,419**	3,486,495
Non-current liabilities			
Long-term borrowings		**–**	–
Lease obligations		**1,400**	1,897
Accrued liabilities		**431,726**	420,032
Deferred tax liabilities		**2,110**	2,110
Other non-current liabilities		**5,625**	5,899
Total non-current liabilities		**440,861**	429,938
Total liabilities		**3,963,280**	3,916,433
Equity			
Share capital	*19*	**547,672**	547,672
Capital surplus		**1,910,806**	1,910,806
Less: treasury share		**20,010**	20,010
Other comprehensive income		**(41,026)**	(41,026)
Surplus reserve		**246,788**	246,788
Undistributed profits		**(4,253,175)**	(4,075,526)
Total equity attributable to shareholders of the Company		**(1,608,945)**	(1,431,296)
Minority interests		**(80,541)**	(78,274)
Total equity		**(1,689,486)**	(1,509,570)
TOTAL LIABILITIES AND EQUITY		**2,273,794**	2,406,863

INTERIM CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	**82,846**	307,302
Tax and surcharge refunds	**6,704**	
Cash received relating to other operating activities	**8,032**	41,298
Sub-total of cash inflows in operating activities	**97,582**	348,600
Cash paid for goods and services	**23,025**	115,096
Cash paid to and on behalf of employees	**39,331**	102,341
Payments of taxes and surcharges	**6,894**	21,107
Cash paid relating to other operating activities	**21,858**	89,150
Sub-total of cash outflows in operating activities	**91,108**	327,694
Net cash flows from operating activities	**6,474**	20,906
Cash flows used in investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**–**	2,214
Net cash received from disposal of subsidiaries and other business units	**–**	15,124
Cash received relating to other investing activities	**–**	–
Sub-total of cash inflows in investing activities	**–**	17,338
Cash paid to acquire fixed assets, intangible assets an other long-term assets	**3,084**	6,852
Net cash paid to acquire subsidiaries and other business units	**–**	–
Net cash paid to dispose of subsidiaries and other business units	**–**	–
Cash paid relating to other investing activities	**–**	–
Sub-total of cash outflows in investing activities	**3,084**	6,852
Net cash flows used in investing activities	**(3,084)**	10,486

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash flows used in financing activities		
Cash received from borrowings	**–**	–
Cash received relating to other financing activities	**–**	–
Sub-total of cash inflows in financing activities	**–**	–
Cash repayments of borrowings	**–**	6,500
Cash payments for distribution of dividends, profits or interest expenses	**–**	3,557
Cash payments relating to other financing activities	**748**	8,806
Sub-total of cash outflows in financing activities	**748**	18,863
Net cash flows from financing activities	**(748)**	(18,863)
Effect of foreign exchange rate changes on cash and cash equivalents	**–**	–
Net decrease in cash and cash equivalents	**2,642**	12,529
Add: Cash and cash equivalents at beginning of period	**61,356**	24,319
Cash and cash equivalents at end of period	**63,998**	36,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

1. General information

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

As of 30 June 2022, registered address of the Company: Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, PRC; office address: 12/F, Building 4, No. 50, Lane 2700, Lianhua South Road, Minhang District, Shanghai.

The main business activity of the Company and its subsidiaries (the "**Group**") is design, promotion, and sale of apparel products in the PRC. Industry: During the Reporting Period, the Company was a diversified group integrating apparel products and leasing.

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

These unaudited interim financial statements were approved by Company's Board of Directors on 29 August 2022.

2. Basis of preparation

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

3. Significant accounting policies and accounting estimates

(I) Right-of-use assets

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

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

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

3. the initial direct costs incurred by the Company;

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

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

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

(II) Lease liabilities

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

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

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

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

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

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

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

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

(III) Lease

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

1. Splitting of leased and non-leased portions

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

2. Consolidation of lease contracts

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

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

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

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

3. Accounting treatment of the Company as a lessee

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

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

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

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

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

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

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

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

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

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

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

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

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

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

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

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

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

(2) Accounting for finance leases

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

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

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

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

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

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

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

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

(3) Accounting for operating leases

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

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

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

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

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

(V) Subsequent measurement of fixed assets, intangible assets and long-term deferred expense

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

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

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

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

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

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

(VI) Impairment of long-term assets

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

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

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

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

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

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

(VII) Significant accounting judgments and estimates

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

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

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

1. *Judgments*

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

(1) Business model

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

(2) Contractual cash flow characteristics

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

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

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

(4) Deferred income tax assets

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

2. *Estimation uncertainty*

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

(1) Impairment of financial instruments

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

(2) Impairment of goodwill

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

(3) The fair value of an unlisted equity investment

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

(4) Sales return

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

(5) Accrual of impairment for inventories

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

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

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

(7) Interest rate on lessee's incremental borrowings

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

(8) Impairment losses on long-term assets

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

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

4. Revenue and cost of sales

(1) Revenue and cost of sale

	For the six months ended 30 June			
	2022		2021	
	Revenue	**Cost**	Revenue	Cost
Principal business	**72,839**	**14,280**	234,568	100,564
Other business	**39,745**	**18,822**	43,319	16,360
Total	**112,584**	**33,102**	277,887	116,924

(2) Income derived from contracts:

Contract classifications	For the six months ended 30 June	
	2022	2021
1. Category of products		
Apparel	**59,023**	169,771
Brand – integrated services	**13,816**	64,797
Lease	**32,801**	36,228
Others	**6,944**	7,091
2. Classified by business areas		
Domestic	**112,584**	277,887
Overseas	**–**	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	**65,967**	175,829
Transferred at a point over time	**46,617**	102,058
Total	**112,584**	277,887

Note: The Company's adjustment of the business model of apparel and the continued closure of loss-making stores due to external environmental factors resulted in a higher decline in operating income for the period.

5. Selling and distribution expenses

	For the six months ended 30 June	
	2022	2021
Employee benefits expenses	**15,515**	52,948
Depreciation of right of use assets	**1,316**	17,355
Amortization of long term deferred expense	**173**	13,882
Department store expenses	**1,788**	56,381
E-commerce expenses	**286**	128
Utilities fees	**3,460**	5,680
Logistic expenses	**653**	679
Depreciation of fixed assets	**15,134**	18,832
Marketing expense	**117**	–
Low value consumables	**90**	209
Refurbishment and maintenance expenses	**4,257**	1,518
Traveling and communication expenses	**4**	–
Amortization of intangible assets	**87**	130
Office expenses	**91**	–
Design and consulting expenses	**551**	2,828
Others	**–**	55
Total	**43,522**	170,625

6. General and administrative expenses

	For the six months ended 30 June	
	2022	2021
Employee benefits expenses	**18,504**	27,180
Depreciation of fixed assets	**16,874**	23,454
Consulting expenses	**3,548**	11,719
Amortization of intangible assets	**3,535**	5,841
Rental fees	**2,801**	1,853
Utilities expenses	**1,048**	4,178
Office expenses	**2,577**	2,544
Traveling and communication expenses	**884**	399
Logistic expenses	**88**	288
Refurbishment and maintenance expenses	**4**	596
Low value consumables	**39**	–
Amortization of long term deferred expense	**2,371**	2,341
Others	**46**	911
Total	**52,319**	81,304

7. Financial expenses

	For the six months ended 30 June	
	2022	2021
Interest expenses	**80,617**	104,821
Less: Interest income	**522**	7,711
Bank charges	**132**	207
Financing fees	**(96)**	–
Total	**80,131**	97,317

8. Credit impairment losses

	For the six months ended 30 June	
	2022	2021
Bad debt losses of accounts receivables	**(10,323)**	(19,853)
Bad debt losses of other receivables	**(5,164)**	(4,437)
Bad debt losses of interest receivables	**–**	(1,103)
Bad debt losses on prepayments	**–**	2,628
Total	**(15,487)**	(22,765)

9. Asset impairment losses

	For the six months ended 30 June	
	2022	2021
Loss on impairment of inventories	**(18,540)**	(93,486)
Others	**534**	–
Total	**(18,006)**	(93,486)

10. Investment income

	For the six months ended 30 June	
	2022	2021
Income from long-term equity investments accounted by the equity method	**(2,260)**	(4,599)
Income of disposal of long-term equity investment	**–**	(2,818)
Gain or loss on debt restructuring (Note 1)	**2,783**	10,807
Total	**523**	3,390

Note 1: As of 30 June 2022, the Company had investment income of RMB2,783 thousand from negotiations with some suppliers by way of debt forgiveness during the period.

11. Other income

	For the six months ended 30 June	
	2022	2021
Governmental grants relating to daily operational activities	**2,019**	1,567
Gains from debt restructuring (Note 1)	**8,425**	60,939
Total	**10,444**	62,506

Note 1: As of 30 June 2022, the Company recognized a gain of RMB8,425 thousand on debt restructuring, mainly by offsetting debt with inventories.

12. Non-operating income

	For the six months ended 30 June		The amount included in non-recurring profit or loss for the six months ended 30 June 2022
	2022	2021	
Compensation income	**2**	130	2
Others	**1,041**	396	1,041
Total	**1,043**	526	1,043

13. Income tax expenses

(1) Table of income tax expenses

	For the six months ended 30 June	
	2022	2021
Current income tax expense	**1,639**	470
Deferred income tax expense	**–**	(7,466)
Total	**1,639**	(6,996)

(2) Reconciliation between total profit and income tax expenses

	For the six months ended 30 June 2022
Total profit	**(178,277)**
Income tax expense at statutory/applicable tax rates	**(44,569)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**(5,606)**
Effect of non-taxable income	**(565)**
Effect of non-deductible costs, expenses, and losses	**11,328**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**41,051**
Income tax expense	**1,639**

14. Fixed assets

Item	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
1. Opening balance	1,790,464	57,026	1,996	66,187	1,915,673
2. Increases in the current year	8	–	–	24	32
Purchase	8	–	–	24	32
3. Decreases in the current year	–	37	–	16,465	16,502
Disposal or retirement	–	37	–	16,465	16,502
4. Closing balance	1,790,472	56,989	1,996	49,746	1,899,203
II. Accumulated depreciation					
1. Opening balance	296,930	40,656	1,522	60,371	399,479
2. Increases in the current year	47,199	3,829	348	1,305	52,681
Accrual for the period	47,199	3,829	348	1,305	52,681
3. Decreases in the current period	–	35	–	15,582	15,617
Disposal or retirement	–	35	–	15,582	15,617
4. Closing balance	344,129	44,449	1,870	46,094	436,542
III. Impairment allowance					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying amount					
1. Closing balance	1,446,343	12,540	126	3,652	1,462,661
2. Opening balance	1,493,534	16,371	474	5,816	1,516,195

15. Cash at bank and on hand

	30 June 2022	31 December 2021
Cash on hand	**20**	33
Bank deposits	**63,978**	61,323
Other monetary funds	**93,076**	106,100
Total	**157,074**	167,456
Including: total amount of funds abroad	**2**	2

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

	30 June 2022	31 December 2021
Bank deposits temporarily sealed or frozen due to judicial order	**93,076**	106,100
Total	**93,076**	106,100

16. Accounts receivable

	30 June 2022	31 December 2021
Accounts receivable	**272,975**	281,057
Less: Provision for bad debts	**202,662**	192,339
	70,313	88,718

(i) As at 30 June 2022, the top five accounts receivable are analysed as follows:

	Amount	**Provision of bad debts**	**% of total accounts Receivable balance**
Total amount of the top five accounts receivable	60,035	22	53,155

(ii) As at 30 June 2022, the provision for bad debts made for the accounts receivable are as follows:

	Book balance	**Bad debt provision**	**Proportion** (%)	**Reason**
Hongche Industrial (Shanghai) Co., Ltd.* (泓澈實業(上海)有限公司) ("**Hongche Industrial**")	4,284	4,284	100	(Note 1)
Accounts receivables from shopping malls	190,879	190,879	100	(Note 2)
Total	195,163	195,163		

Note 1: As of 30 June 2022, 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 prepared for bad debts in full.

Note 2: As of 30 June 2022, 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 30 June 2022, the Group reserved allowance of bad debts based on aging analysis method. The amount was RMB269,088 thousand.

	As at 30 June 2022		
	Carrying amount	**Allowance of bad debts**	
	Amount	**Expected credit loss**	**Expected credit loss of the entire life**
Within credit period (90 days)	39,109	2%	782
Overdue (90 days) to one year	22,710	5%	1,135
One year to two years	13,682	30%	4,150
Two years to three years	2,085	60%	1,251
Above three years	226	100%	226
	77,812	10%	7,499

(iv) No bad debt provision in the current period was reversed during the period. No accounts receivable was written off during the period.

17. Other receivables

	30 June 2022	31 December 2021
Deposits and security deposits	**95,067**	106,529
Refund of service charge expenses	**9,778**	9,778
Employee reserve fund	**1,475**	1,754
Property rental fees	**34,740**	12,522
Current accounts receivable	**176,835**	190,869
Others	**81**	1,089
Less: Provision for bad debts	**274,252**	269,088
Total	**43,724**	53,453

(a) Details of allowance for bad debts of other receivables

Bad debts allowance	Stage I Expected credit loss in the next 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Opening balance	6,385	13,908	248,795	269,088
Opening balance during the period that:	(487)	(1,076)	1,563	–
– transferred to stage II	(110)	110	–	–
– transferred to stage III	(377)	(1,186)	1,563	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Accrual in the current period	(1,263)	1,296	5,131	5,164
Reversal in the current period	–	–	–	–
Charge-off in the current period	–	–	–	–
Write-off in the current period	–	–	–	–
Reclassification	–	–	–	–
Closing balance	4,635	14,128	255,489	274,252

18. Inventories

(a) Classification of inventories is as follows:

	As at 30 June 2022			As at 31 December 2021		
	Carrying amount before provision	**Provision**	**Carrying amount**	Carrying amount before provision	Provision	Carrying amount
Raw materials	**1,050**	**–**	**1,050**	1,020	–	1,020
Finished goods	**267,334**	**238,696**	**28,638**	297,996	245,273	52,723
Goods in transit	**–**	**–**	**–**	21,525	19,420	2,105
Low value consumables	**5,042**	**–**	**5,042**	5,017	–	5,017
	273,426	**238,696**	**34,730**	325,558	264,693	60,865

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

	31 December 2021	Accrual and withdrawal in the current period	Reduction in the current period	Disposal of subsidiary	30 June 2022
Raw materials	245,273	18,540	25,117	–	238,696
Goods in transit	19,420	–	19,420	–	–
	264,693	18,540	44,537	–	238,696

Note: The Group made impairment provision on the basis of storage age, and accrued impairment provision at the lower amount of net realizable value and cost on the principle of prudence. The write-off in the current period was due to the sale of inventories that had provisions.

19. Share capital

Item	**As at 30 June 2022**	Movement in the current period	As at 31 December 2021
RMB-denominated ordinary shares (domestic shares)	**332,882**	–	332,882
Overseas-listed shares (H share)	**214,790**	–	214,790
Total	**547,672**	–	547,672

20. Short-term borrowings

	As at 30 June 2022	As at 31 December 2021
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**545,220**	545,220
Mortgage, pledge and guarantee loan	**549,526**	550,000
Total	**1,148,746**	1,149,220

As at 30 June 2022, the annual interest rate range of the above borrowings is 4.55% to 7.00% (31 December 2021: 4.55% to 7.00%).

As at 30 June 2022, the balance of overdue loans was RMB1,148,746 thousand (31 December 2021: RMB1,149,220 thousand).

21. Accounts payable

	30 June 2022	31 December 2021
Payable for purchase	**813,993**	826,501

22. Other payables

	30 June 2022	31 December 2021
Other payables	**698,126**	707,682
Including: payables for construction and decoration of department stores	**340,830**	390,986
Suppliers' deposits	**54,476**	61,313
Vendors' deposit	**22,657**	21,544
Payables for logistic expense	**4,469**	2,409
Trustee fees	**2,152**	15,594
Payable for posts props and store promotion	**6,843**	1,890
Payables for rental fees	**79,747**	94,963
Litigation defaults, fees, and interests	**124,505**	72,155
Loans from the third parties	**3,900**	4,403
Payable for e-commerce	**3,779**	3,779
Consulting fees	**5,187**	4,970
Payables for software purchase	**4,274**	2,620
Estimated expenditures	**7,912**	3,371
Late payment fees	**29,634**	18,328
Others	**7,761**	9,357
Interest payable	**273,699**	206,452
Including: interest of long-term borrowings with installment of interest and repayment of principal upon maturity	**69,820**	49,431
Interest payable of short-term borrowings	**203,879**	157,021
	971,825	914,134

23. Dividends

The Board did not recommend the payment of any dividend for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2022, the consumer market was significantly under pressure due to the frequent occurrence of local COVID-19 epidemics and epidemic prevention and control policies. According to the National Bureau of Statistics, the total domestic retail sales of consumer goods in the first half of the year amounted to RMB21,043.2 billion, represent a year-on-year decrease of 0.7%. Among the retail sales of goods of units above the limit, the total retail sales of clothing, footwear, hats and needlework were RMB628.17 billion, represent a year-on-year decrease of 6.5%. Although the consumer market was hit by the COVID-19 epidemic in the first half of 2022, it has shown recovery as the situation of COVID-19 epidemic prevention and control has improved; in June 2022, the total retail sales of consumer goods increased by 3.1% year-on-year, and among the retail sales of goods in units above the limit, the total retail sales of apparel, footwear, hats and needlework increased by 1.2% year-on-year, both of which achieved rebound compared with the growth rate in May; along with the implementation of national policies to promote consumption, the continued improvement of the consumer environment, domestic consumption is expected to continue to recover to the good.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group's revenue and operating loss reached RMB112.6 million and RMB129.4 million respectively, representing a decrease of 59.5% from its revenue and a loss decrease of 45.4% from its operating loss, respectively, as compared with the corresponding period of last year. The net loss for the first half of 2022 amounted to RMB179.9 million, representing a loss decrease of 23.7% as compared with the corresponding period of last year. The main reasons for the loss in the Reporting Period were: (1) The Company was still facing with high overdue debts during the Reporting Period, which resulted in debt interest, overdue penalties and litigation costs totaling approximately RMB116 million. (2) In the first half of the year, the Company's operating revenue decreased by approximately 59.49% year-on-year, while operating costs, selling expenses and management expenses decreased by approximately 65.04% in total. However, the Company's revenue dropped significantly during the COVID-19 epidemic period, but the Company still had to bear fixed costs and expenses, which had a negative impact on the operating results. (3) At the end of the period, the Company still recorded inventory impairment loss of approximately RMB18 million and credit impairment loss of approximately RMB15 million. With the gradual clearance of the Company's old inventory, the adoption of small batch and multi-batch ordering approach for new products, and the Company's increased efforts to collect payments and shorten the credit cycle, the Company's impairment loss is expected to gradually return to a healthy level in the future. (4) During the reporting period, the Company actively negotiated with creditors on debt restructuring plans and realized debt restructuring proceeds through the settlement of debts with goods and debt discount, which had a positive impact on net profit of approximately RMB11 million.

Revenue

The revenue of the Group in the first half of 2022 decreased from RMB277.9 million in the first half of 2021 to RMB112.6 million, representing a decrease of 59.5%.

The decrease in revenue was mainly because (1) In the first half of the year, due to the impact of COVID-19, the number of customers in offline stores decreased. Especially during the period from March to May when the epidemic raged, the Company's revenue from offline channel fell by more than 70% compared with the corresponding period of the previous year. (2) The number of the Company's existing stores decreased as at the end of the Reporting Period compared with the corresponding period of the previous year; the number of retails points of the Group decreased by 50 from 300 as at 31 December 2021 to 250 as at 30 June 2022, representing a decrease of 16.7%. (3) During the Reporting Period, revenue from the brand-integrated services (i.e. brand licensing in the corresponding period of last year) recorded approximately RMB13.82 million, representing a decrease of 78.7% compared with the corresponding period of the previous year, mainly due to the factors such as the fluctuations in the settlement cycle and sales collection which were resulted from the impact of the epidemic, and it is expected that the revenue will gradually recover in the second half of the 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:

	Six months end 30 June					
	2022			2021		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gross period margin increase or decrease compared to the same period of last year (percentage point(s))
Concessionaire counters	**29,742**	**26.4**	**77.6**	64,064	23.1	16.7
Standalone retail outlets	**16,199**	**14.4**	**77.7**	54,489	19.6	18.6
Online platform	**80**	**0.1**	**100.0**	7,879	2.8	36.2
Franchise/Associates	**11,617**	**10.3**	**65.6**	23,362	8.4	20.5
Wholesale	**1,384**	**1.2**	**100.0**	19,977	7.2	187.6
Brand-integrated services	**13,816**	**12.3**	**100.0**	64,797	23.3	–
Others	**39,746**	**35.3**	**52.6**	43,319	15.6	(9.6)
Total	**112,584**	**100.0**	**70.6**	277,887	100.0	12.7

Since the number of offline stores and the customer traffic both decreased due to the impact of COVID-19 epidemics, during the Reporting Period, the revenue from concessionaire counters decreased from RMB64.1 million in the first half of 2021 to RMB29.7 million in the first half of 2022, representing a decrease of 53.6%. The revenue from retail outlets decreased from RMB54.5 million in the first half of 2021 to RMB16.2 million in the first half of 2022, representing a decrease of 70.3%. The revenue from the franchise/associate decreased from RMB23.4 million in the first half of 2021 to RMB11.6 million to the first half of 2022, representing a decrease of 50.3%. Due to the factors such as the fluctuations in the settlement cycle and sales collection which were resulted from the impact of the epidemic, the revenue from brand-integrated services recorded approximately RMB13.8 million, representing a significant decrease compared with the corresponding period of the previous year, and it is expected that the revenue will gradually recover in the second half of the year.

Note: "Brand-integrated services" refer to brand licensing during the corresponding period of the previous year; "Others" mainly refers to the revenue from the Company's leasing business of RMB32.8 million and other revenue, amounting to a sum of RMB39.74 million in total.

Revenue by brand

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

	Six months ended 30 June					
	2022			2021		
	Revenue *(RMB'000)*	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
La Chapelle	**31,190**	**27.7**	**77.2**	89,305	32.1	10.6
Puella	**8,669**	**7.7**	**71.3**	32,172	11.6	18.6
7 Modifier	**6,599**	**5.9**	**73.2**	27,570	9.9	21.5
La Babité	**5,522**	**4.9**	**89.2**	30,572	11.0	44.0
Candie's	**4,358**	**3.9**	**91.1**	22,700	8.2	39.1
USHGEE	**3,864**	**3.4**	**59.6**	–	–	–
Menswear brands	**6,961**	**6.2**	**97.8**	17,451	6.3	27.2
8ém	**2,303**	**2.0**	**98.1**	3,602	1.3	32.0
Other brands	**1,963**	**1.7**	**91.9**	8,091	2.9	92.8
Others	**41,155**	**36.6**	**54.3**	46,424	16.7	(10.5)
Total	**112,584**	**100.0**	**70.6**	277,887	100.0	12.7

Notes:

1. "Menswear brands" comprise JACK WALK, Pote and MARC ECKŌ brands; "Other brands" comprise brands including UlifeStyle, Siastella, and EYEH; "Others" mainly refers to the revenue from the leasing business of RMB32.8 million and other revenue.

2. Due to the factors such as the fluctuations in the settlement cycle and sales collection which were resulted from the impact of the epidemic, the revenue from each brand recorded a decrease.

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

Revenue by tier of cities

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

	Six months ended 30 June					
	2022			2021		
	Revenue ***(RMB'000)***	**% of total**	**Gross Profit Margin**	Revenue *(RMB'000)*	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
First-tier cities	**16,725**	**14.9**	**82.6**	27,374	9.8	63.3
Second-tier cities	**27,605**	**24.5**	**75.8**	89,063	32.1	39.7
Third-tier cities	**46,191**	**41.0**	**55.1**	63,837	23.0	(5.9)
Other cities	**8,247**	**7.3**	**66.2**	32,816	11.8	6.2
Brand-integrated services	**13,816**	**12.3**	**100.0**	64,797	23.3	–
Total	**112,584**	**100.0**	**70.6**	277,887	100.0	12.7

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

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

Revenue by product type

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

	Six months ended 30 June					
	2022			2021		
	Revenue **(*RMB'000*)**	**% of total**	**Gross Profit Margin**	Revenue (*RMB'000*)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
Tops	**39,900**	**35.4**	**74.2**	114,332	41.2	37.0
Bottoms	**6,977**	**6.2**	**80.2**	16,484	5.9	31.5
Dresses	**11,814**	**10.5**	**78.1**	36,486	13.1	31.4
Accessories	**331**	**0.3**	**97.6**	2,469	0.9	29.2
Brand-integrated services	**13,816**	**12.3**	**100.0**	64,797	23.3	–
Others	**39,746**	**35.3**	**52.6**	43,319	15.6	(9.6)
Total	**112,584**	**100.0**	**70.6**	277,887	100.0	12.7

Note: "Others" mainly refers to the revenue from the leasing business of RMB32.8 million and other revenue.

In the first half of 2022, 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, the impact of epidemic, and the decrease in product purchases during the Reporting Period. In respect of the revenue contribution of each product type as compared with the same period of last year, revenue contribution from sales of tops decreased by 5.8 percentage points, that from sales of bottoms increased by 0.3 percentage point and that from sales of dresses decreased by 2.6 percentage points.

Cost of Sales

The cost of sales of the Group decreased by 71.7% from RMB116.9 million in the first half of 2021 to RMB33.1 million in the first half of 2022.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB161.0 million in the first half of 2021 to RMB79.5 million in the first half of 2022, representing a decrease of 50.6%, mainly attributable to a period-on-period decrease in revenue.

The overall gross profit margin of the Group increased to 70.6% in the first half of 2022 from 57.9% in the first half of 2021, mainly due to the high proportion of old inventory sold at a price higher than net value, resulting in a slight period-on-period increase in actual comprehensive average gross profit margin.

Selling and Distribution Expenses and General and Administrative Expenses

Selling and distribution expenses in the first half of 2022 amounted to RMB43.5 million (the first half of 2021: RMB170.6 million), consisting primarily of sales staff salaries and benefits, depreciation of store lease assets, amortisation of store decoration expenses and rental expenses. Expressed as a percentage, selling and distribution expenses in the first half of 2022 as a percentage of total revenue in the first half of 2022 was 38.6% (the first half of 2021: 61.4%), representing a significant decrease compared with the same period last year, which was mainly due to the Company's closure of loss-making and inefficient stores and cost-reduction measures, resulting in a significant drop in rental fees, staff costs, depreciation of right-of-use assets and amortisation of long-term deferred expenses. General and administrative expenses in the first half of 2022 amounted to RMB52.3 million (the first half of 2021: RMB81.3 million), consisting primarily of administrative employee salaries and benefit expenses, depreciation of fixed assets and consulting service fees. Expressed as a percentage, general and administrative expenses as a percentage of total revenue in the first half of 2022 were 46.4% (the first half of 2021: 29.3%). The contribution of administrative staff salaries and benefits and that of depreciation of fixed assets to our revenue for the Reporting Period increased from the corresponding period of last year.

Asset Impairment Loss

The asset impairment loss for the first half of 2022 was RMB18.0 million (the first half of 2021: RMB93.5 million), which was mainly provided for impairment of inventories.

Credit Impairment Loss

Credit impairment losses recorded RMB15.5 million for the first half of 2022 (the first half of 2021: RMB22.8 million), mainly due to bad debt losses of accounts receivables and other receivables.

Investment Income

Investment income for the first half of 2022 was RMB0.5 million (the first half of 2021: RMB3.4 million), mainly due to gain on debt restructuring.

Other Income – Net

The Group's other income amounted to RMB10.4 million in the first half of 2022 (the first half of 2021: RMB62.5 million), mainly due to the debt restructuring income generated by the settlement of debts with goods in the Reporting Period.

Finance Expenses/Income – Net

The Group's net finance expenses were RMB80.1 million in the first half of 2022 (the first half of 2021: RMB97.3 million). The increase in the net financial expenses was mainly a result of the penalty interest arising from overdue debts from financial institutions and the accrual of overdue interest in respect of litigation cases that had been settled but not yet executed at the end of the Reporting Period.

Loss before Income Tax

Loss before income tax of the Group decreased from RMB242.8 million in the first half of 2021 to a loss before income tax of RMB178.3 million in the first half of 2022, representing a decrease of 26.6% from the corresponding period of last year. The decrease in loss before income tax was mainly due to the business contraction strategy implemented by the Company and the decrease in fixed costs and expenses.

Income Tax Expense

Income tax expense amounted to RMB1.6 million for the first half of 2022 (the first half of 2021: RMB-7.0 million). The effective income tax rate in the first half of 2022 was -0.9% (the first half of 2021: 2.9%).

Net Loss and Net Loss Margin for the Reporting Period

As a result of the foregoing, net loss of the Group for the first half of 2022 amounted to RMB179.9 million, representing a decrease by 23.7% from the net loss of RMB235.8 million for the first half of 2021. In particular, net loss for the Reporting Period attributable to the shareholders of the Company was RMB177.6 million, representing a decrease by 25.0% from the net loss of RMB236.9 million for the first half of 2021. Loss margin for the period of the Group was 159.8% in the first half of 2022, compared to a loss margin of 84.9% in the first half of 2021.

Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In the first half of 2022, the capital expenditure incurred by the Group was RMB3.1 million (the first half of 2021: RMB6.9 million).

Cash and Cash Flow

In the first half of 2022, net cash generated from operating activities amounted to an inflow of RMB6.5 million (first half of 2021: inflow of RMB20.9 million). The decrease in the net cash inflow from operating activities was mainly due to the decrease in revenue.

In the first half of 2022, net cash used in investing activities amounted to a net cash outflow of RMB3.1 million (the first half of 2021: net inflow of RMB10.5 million). In particular, the major investment activities in the first half of 2022 was to acquire fixed assets, intangible assets and other long-term assets.

In the first half of 2022, net cash used in financing activities amounted to an outflow of RMB0.7 million (the first half of 2021: net outflow of RMB18.9 million). Major financing activity in the first half of 2022 was payment relating to other financing activities resulting in a net cash outflow of RMB0.7 million.

As at 30 June 2022, the Group held cash and cash equivalents in the total amount of RMB64 million (31 December 2021: RMB36.8 million). In the first half of 2022, the net increase in cash and cash equivalents is RMB2.6 million (the first half of 2021: RMB12.5 million), mainly due to the decrease in net cash flow from operating activities compared with the corresponding period of last year. Although the Company is facing a large debt burden and cash flow pressure at this stage, the Company's main business is still continuing to generate cash flow, and the net cash flow generated by operating activities is still positive.

In the first half of 2022, the average inventory turnover (based on principal business revenue) of the Group was 240 days (the first half of 2021: 499 days), and the average receivables turnover was 127 days for the first half of 2022 (the first half of 2021: 158 days). The period-on-period increase in inventory turnover rate was mainly due to the higher proportion of high-age inventories and the increase in provision for inventory.

As at 30 June 2022, current liabilities of the Group amounted to RMB3,522.4 million (31 December 2021: current liabilities of the Group amounted to RMB3,486.5 million). Total assets less current liabilities amounted to RMB-1,248.6 million (31 December 2021: total assets less current liabilities amounted to RMB-1,079.6 million). The gearing ratio (formula used: total liabilities/total assets) was 174.3% (31 December 2021: 162.7%).

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

Total equity attributable to shareholders of the Company

As at 30 June 2022, total equity attributable to shareholders of the Company was RMB-1,608.9 million (as at 31 December 2021: RMB-1,431.3 million).

BUSINESS REVIEW

Retail Network

For the six months ended 30 June 2022, the number of domestic retail outlets of the Group was 250, decreasing from 300 as at 31 December 2021, which were situated at approximately 151 physical locations. The number of retail points was counted on the basis used for that as at 31 December 2015.

The table below sets out the distribution of the Group's retail points as at 30 June 2022 and as at 31 December 2021 by tier of cities in the PRC:

	As at 30 June 2022		As at 31 December 2021	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
First-tier cities	**23**	**9.2**	23	7.7
Second-tier cities	**107**	**42.8**	128	42.7
Third-tier cities	**49**	**19.6**	58	19.3
Other cities	**71**	**28.4**	91	30.3
Total	**250**	**100.0**	300	100.0

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

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2022 and as at 31 December 2021 by types of retail points:

	As at 30 June 2022		As at 31 December 2021	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
Concessionaire counters	**100**	**40.0**	117	39.0
Standalone retail outlets	**31**	**12.4**	32	10.7
Franchise/Associate	**119**	**47.6**	151	50.3
Total	**250**	**100.0**	300	100.0

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2022 and as at 31 December 2021 by brands:

	As at 30 June 2022		31 December 2021	
	Number of retail points	**Percentage of total (%)**	Number of retail points	Percentage of total (%)
La Chapelle	**125**	**50.0**	150	50.1
Puella	**34**	**13.6**	43	14.3
7 Modifier	**33**	**13.2**	45	15.0
La Babité	**22**	**8.8**	25	8.3
Candie's	**22**	**8.8**	25	8.3
USHGEE	**12**	**4.8**	12	4.0
Menswear	**–**	**–**	–	–
8ém	**–**	**–**	–	–
Other brands	**2**	**0.8**	–	–
Total	**250**	**100.0**	300	100.0

Notes:

1. The number of stores of the Company is calculated based on the number of outlets, that is, if multiple brands are included in the same collection store, the collection store is counted as multiple terminal outlets. During the Reporting Period, the Company conducted a comprehensive evaluation of all stores in the terminal channel and further closed some loss-making and inefficient stores.

2. As at 30 June 2022, other brands include EYEHI; as at 31 December 2022, other brands include UlifeStyle and Siastella.

The table below sets out the distribution of the Group's net retail points open/(closure) in the PRC in the first half of 2022 by brands:

	As at 30 June 2021	
	Number of Net retail points closure	Percentage of total (%)
La Chapelle	**(25)**	**50.0**
Puella	**(9)**	**18.0**
7 Modifier	**(12)**	**24.0**
La Babité	**(3)**	**6.0**
Candie's	**(3)**	**6.0**
USHGEE	**–**	**–**
Menswear	**–**	**–**
8ém	**–**	**–**
Other brands	**2**	**(4.0)**
Total	**(50)**	**100.0**

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

In the first half of the year, in the face of the impact of the frequent COVID-19 epidemic on its business, the Company took remedial and gap-filling measures for the affected business chains and market areas in accordance with the general idea of "maintaining the stability of the main business and promoting transformation and innovation" to maintain the stability of its basic production and operation and core business. At the same time, the Company continued to implement changes in the areas of brand reshaping, product innovation and channel optimization to promote brand identity, brand image enhancement and quality and efficiency improvement in the end-channel retail business. During the COVID-19 epidemic period in Shanghai, the Company kept up its efforts, further rationalized its internal management system and organizational structure, and clarified its business development path and key initiatives for the future, laying the foundation for returning to a positive growth path.

FUTURE OUTLOOK

In the second half of the year, the Company will continue to adhere to the main theme of "Transformation", eliminate the debt burden through various measures, improve the sustainability and operating conditions, strive to achieve quantitative and qualitative transformation, and strive to bring the Company back to a positive growth track.

1. **Continue to promote the resolution of historical debt problems and reduce the Company's operating burden.**

   As of the date of this announcement, two subsidiaries of the Company holding core properties, Shanghai Weile and La Chapelle Taicang, have entered into pre-reorganization and liquidation procedures respectively. The above procedures will facilitate the disposal of non-core assets indirectly, reduce the pressure of overdue debts and delayed interest accrual, and further improve the asset and liability structure of the Company. Meanwhile, the Company will continue to actively negotiate with the court, suppliers and financial institutions to reduce the Company's burden by means of debt extension, forgiveness, discount, settlement and repayment of debts with goods. In addition, the Company will continue to plan a comprehensive solution to the debt problem, including but not limited to debt restructuring, settlement, bankruptcy and reorganization, etc., and strive to eliminate the debt burden through a comprehensive solution.

2. **Continuing to implement the "brand reshaping strategy" and reinterpreting the vision and value proposition of each brand.**

   In accordance with the basic strategy of "one brand, one strategy division of the primary and the secondary", the Company will reposition its main brands La Chapelle, USHGEE and "New Puella". Through consumer research and other measures, the Company will identify the current state of consumer awareness and potential appeal points of each brand, re-established the vision and value proposition of each brand, and through various measures to optimise the product design, the Company will refine the core product categories of each brand and built a product strategy and price strategy map that is in line with the positioning of the customer segment, thereby realising the construction of a brand which with multi-level, youthful and with high quality and completing a new brand transformation.

3. Accelerate the creation of a new brand-enabled online channel.

For the online business, the Company plans to adopt the business strategy of "brand empowerment + operating service + deep participation". On the one hand, the Company will continue to increase its brand empowerment business development efforts, further expand the brands, categories and platform channels covered by the online brand business, and continue to transform into a light-asset, high-margin, fast-turnaround business model. On the other hand, the Company will continue to standardise its brand empowerment control system, extend the business chain from the original business, achieve strong control over brand tone, product quality and price band, and establish a mutually beneficial cooperation and long-term sustainable win-win mechanism with its partners. In addition, the Company plans to increase the proportion of self-operated business in online channels, adopt the form of self-operated online core shops and live-streaming in offline shops, integrate offline retail outlets with social e-commerce, live-streaming e-commerce, WeChat mini-programs and membership mall to empower the flow of end shops and achieve multi-level access to consumers.

4. Focus on the profitability of offline channels and strive to enhance the level of refined management.

At this stage, the Company has basically reached the bottom of the number of offline channel outlets. The Company will adhere to the strategy of "opening new shops and opening good shops" and fully focus on the Southwest and Northwest regions where profitability is stronger, with the core business areas being directly operated by the Company and the remaining business areas being franchised, affiliated and represented, so as to achieve the effect of reducing the management radius and saving operating capital investment. In the future, the Company will focus on improving the level of refinement of management, adopting the management mindset of "headquarters management to shops and management responsibility to people", actively adjusting the merchandising strategy and staff structure, using single shops as a gateway to promote the clearance of legacy issues, and improving the shop efficiency, efficiency of sales per unit area and profitability of the offline operating network.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. In the opinion of the Board, the Company has been in compliance with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended 30 June 2022 and up to the date of this announcement, save as to the deviation from the Code Provision C.1.8 of Part 2.

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

Save as disclosed above, there has been no deviation from the Code Provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, supervisors (the "**Supervisor(s)**") and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Supervisors by the Company and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code for the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Mr. Yang Heng, and two independent non-executive Directors, namely Mr. Xing Jiangze and Ms. Chow Yue Hwa Jade.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

(1) Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) ("**Shanghai Weile**"), a wholly-owned subsidiary of the Company, received on 11 July 2022 the (2022) Hu 03 Po No. 180* ((2022) 滬03破180號) Civil Judgement* (《民事裁定書》) and Decision* (《決定書》) issued by the Shanghai No.3 Intermediate People's Court* (上海市第三中級人民法院) which accepted the petition for the winding-up of Shanghai Weile by Jiangsu Haiqi International Co., Ltd.* (江蘇海企國際股份有限公司) and appointed the judicial administrator. For details, please refer to the announcement of the Company dated 11 July 2022.

(2) In July 2022, Shanghai Weile received the relevant enforcement notice from the Shanghai No. 1 Intermediate People's Court in relation to the dispute over the Construction Contract between Shanghai Construction No. 2 (Group) Co., Ltd. and Shanghai Weile. According to the "Enforcement Notice" (2022) Hu 01 Zhi No. 864* ((2022) 滬01執864號《執行通知書》) and the "Property Reporting Order" (2021) Hu 01 Zhi No. 1199* ((2022) 滬01執864 號《財產報告令》), the said case has entered into the stage of application for enforcement. For details, please refer to the announcement of the Company dated 22 July 2022.

(3) On 12 July 2022, La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司) ("**La Chapelle Taicang**"), a wholly-owned subsidiary of the Company, received a notice from the People's Court of Taicang City, Jiangsu Province* (江蘇省太倉市人民法院) (the "**Taicang Court**") that an application for bankruptcy reorganization and for the pre-reorganization of La Chapelle Taicang during the filing review period was submitted to the Taicang Court by Tailong Electronics Co., Ltd.* (太龍電子股份有限公司), a creditor of La Chapelle Taicang. For details, please refer to the announcement of the Company dated 12 July 2022.

On 14 July 2022, the Company convened the 34th meeting of the fourth session of the Board of the Company, in which the Board considered and approved the "Resolution in relation to the approval of commencement of the pre-reorganization and reorganization procedures of a wholly-owned subsidiary"* (《關於同意全資子公司啟動預重整及重整程序的議案》). Given that La Chapelle Taicang is not capable of settling its debts as they fall due and its major assets were frozen and seized, in order to reverse the operational difficulties faced by La Chapelle Taicang and further optimize the Group's asset-liability structure, the Board agreed to carry out bankruptcy reorganization of La Chapelle Taicang, conduct pre-reorganization during the filing review period, and in the meantime, authorize the chairman of the Company and its authorized persons to discuss with relevant parties the solutions to the debt problems and future planning of La Chapelle Taicang, as well as cooperate with the reorganization review and other work of the Taicang Court, including but not limited to matters such as participating in court hearings, recommending the administrator, introducing investors and signing relevant documents. For details, please refer to the announcement of the Company dated 14 July 2022.

On 19 July 2022, La Chapelle Taicang received the (2022) Su 0585 Po Shen No. 29 “Decision”* ((2022) 蘇0585破申29號《決定書》), the (2022) Su 0585 Po Shen No. 29-1 “Decision”* ((2022) 蘇0585破申29號之一《決定書》) issued by the Taicang Court and noted the Taicang Court’s decision to commence the pre-reorganization of La Chapelle Taicang and appoint a provisional administrator. For details, please refer to the announcement of the Company dated 19 July 2022.

(4) A petition for the winding-up of Candie’s Shanghai Fashion Co., Ltd.* (上海樂歐服飾有限公司) (“**Candie’s Shanghai**”), a subsidiary of the Company, from Nantong Bosi Textile Technology Co., Ltd.* (南通博思紡織科技有限公司) (“**Nantong Bosi**”), was submitted to the Shanghai No.3 Intermediate People’s Court* (上海市第三中級人民法院) due to Candie’s Shanghai’s inability to pay off its debts when they fall due. The Company received on 27 July 2022 the (2022) Hu 03 Po No. 193 Civil Judgement* ((2022) 滬03破193號《民事裁定書》), the (2022) Hu 03 Po No. 193 Decision* ((2022) 滬03破193號《決定書》) and the (2022) Hu 03 Po No. 193 Announcement* ((2022) 滬03破193號《公告》). the petition for winding-up and liquidation of Candie’s Shanghai by Nantong Bosi is accepted by the Shanghai No.3 Intermediate People’s Court the administrator has been appointed. For details, please refer to the announcement of the Company dated 27 July 2022.

(5) As a result of the Group’s involvement in litigation and arbitration cases, some of the Group’s bank accounts have been frozen. As at 31 July 2022, an aggregate of 146 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB86 million. As at 31 July 2022, as a result of factors such as the Group’s involvement in litigation cases, the Company’s equity interest in 16 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB681 million. The freezing of the Company’s equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company’s business. For details, please refer to the announcement of the Company dated 1 August 2022.

As at 31 July 2022, as a result of the Company’s involvement in a total of 41 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 4 real properties of the Company (with an aggregate book value of approximately RMB1.581 billion as at 30 June 2022) have been seized. The seizure has caused restriction to rights and there is a risk that the real properties may be judicially auctioned for debt repayment. The Company will proactively coordinate with the relevant parties, properly handle the seizures, and actively negotiate with the applicants for such seizures so that the rights restrictions can be lifted and the real properties involved can return to normal conditions as soon as possible. For details, please refer to the announcement dated 1 August 2022.

(6) the Company’s shareholders approved the resolution in relation to the change of the registered address, amendments to the Articles of Association, Rules of Procedures for General Meetings and Rules of Procedures for Board Meetings* (《關於變更註冊地址、修訂<公司章程>、<股東大會議事規則>及<董事會議事規則>的議案》) at the 2022 first extraordinary general meeting of the Company by way of a special resolution. For details, please refer to the announcement of the Company dated 9 August 2022.

FORWARD-LOOKING STATEMENT

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

PUBLICATIONS OF INTERIM RESULTS AND INTERIM REPORT OF THE COMPANY

This interim results announcement is published on the websites of the Company (www.lachapelle.cn), the Hong Kong Stock Exchange (www.hkexnews.hk) and National Equities Exchange and Quotations (www.neeq.com.cn). An interim report for the six months ended 30 June 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company, the Hong Kong Stock Exchange and National Equities Exchange and Quotations in due course.

APPRECIATION

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

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

Shanghai, the People's Republic of China
29 August 2022

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

* *For identification purposes only*