La Chapelle

Xinjiang La Chapelle Fashion Co., Ltd.

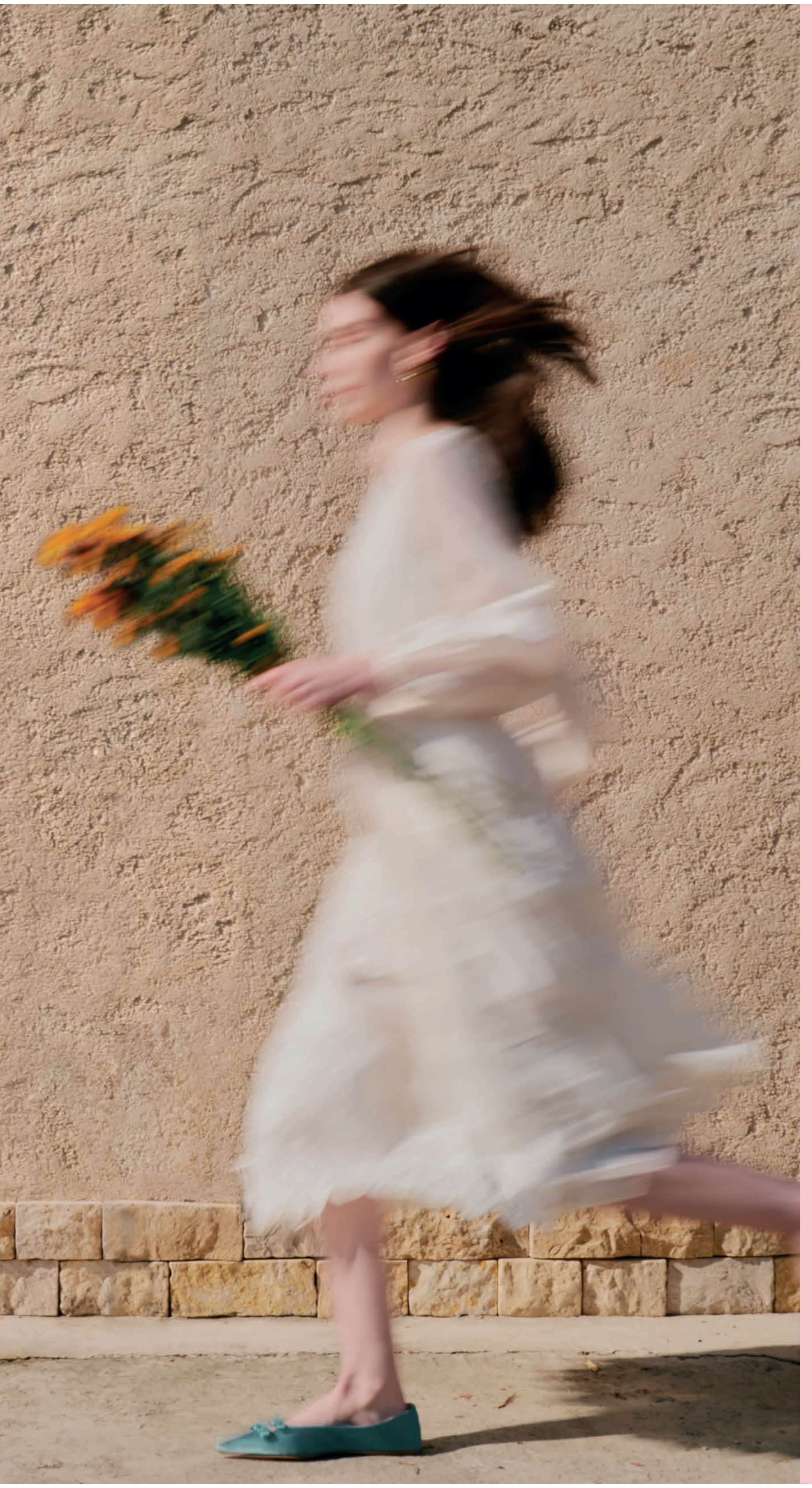
(a joint stock company incorporated in the People's Republic of China with limited liability)

ANNUAL REPORT 2023

(Stock Code: 06116)

Contents

Corporate Profile



Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**" or "**China**") as a joint stock company on 23 May 2011 converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited that was founded in 1998. The H shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 9 October 2014 (the "**Hong Kong Listing Date**").

The Company and its subsidiaries (collectively, the "**Group**") are a multi-brand and omni-channel operated fashion group in the PRC that designs, markets and sells apparel products with a focus on mass- market casual wear. Since its establishment, the Group has kept its focus on the apparel sector and adhered to the brand's core development concept of "designing for a better life". The Group has been committed to providing consumers with fashionable, high-quality and cost-effective apparel products and is an important participant in the mass casual apparel market.

The Group now owns multiple brands such as La Chapelle and USHGEE which have different but complementary styles. They are mass-market women fashion brands that have interwoven and extensive customer positioning which satisfy the diverse needs of a wide range of female consumers.

Corporate Profile

Corporate Information

REGISTERED CHINESE NAME

新疆拉夏貝爾服飾股份有限公司

ENGLISH NAME

Xinjiang La Chapelle Fashion Co., Ltd.

HEADQUARTERS

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

REGISTERED OFFICE IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.lachapelle.cn

DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wang Yan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

BUDGET COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

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

SUPERVISORS

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jinwen
Ms. Wong Wai Ling

LEGAL ADVISERS

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

AUDITOR

Da Hua Certified Public Accountants (Special General Partnership)

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK CODE

6116

Financial Highlights

FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, equity and liabilities of the Group for the last five financial years, is set as below:

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**170,233**	197,841	430,128	1,819,317	7,666,229
Gross profit	**123,147**	136,080	210,762	885,596	4,423,450
Gross profit margin	**72.34%**	68.78%	49.00%	48.68%	57.70%
Operating (loss)/profit	**(575,432)**	(942,023)	(724,598)	(1,498,037)	(2,266,447)
Operating (loss)/profit margin	**(338.03%)**	(476.15%)	(168.46%)	(82.34%)	(29.56%)
(Loss)/profit for the year	**(753,310)**	(1,073,774)	(822,762)	(1,876,936)	(2,252,279)
(Loss)/profit attributable to equity owners of the Company	**(737,450)**	(1,071,973)	(821,280)	(1,839,543)	(2,166,306)
Non-controlling interests	**(15,860)**	(1,801)	(1,482)	(37,393)	(85,973)

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**409,642**	926,084	1,998,777	2,293,936	4,811,602
Current assets	**188,207**	230,107	408,086	1,191,844	3,199,921
Total assets	**597,849**	1,156,191	2,406,863	3,485,780	8,011,523
EQUITY AND LIABILITIES					
Total equity	**(3,325,008)**	(2,573,209)	(1,509,570)	(686,648)	1,126,196
Non-current liabilities	**486,613**	501,565	429,938	408,909	1,400,240
Current liabilities	**3,436,244**	3,227,835	3,486,495	3,763,519	5,485,087
Total liabilities	**3,922,857**	3,729,400	3,916,433	4,172,428	6,885,327
TOTAL EQUITY AND LIABILITIES	**597,849**	1,156,191	2,406,863	3,485,780	8,011,523

The above summary does not form a part of the consolidated financial statements.

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2023.

Looking back at 2023, the Company actively promoted the reorganisation, upheld the general principle of "maintaining the stability of its main business and promoting transformation and innovation", and maintained the stability of its basic production and operation and core business. At the same time, the Company continued 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 foundation for returning to a healthy growth path.

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 the court, 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 rationalize the Group's holding and controlling subsidiaries and optimize the equity structure and internal management accordingly by disposing of subsidiaries with no substantive business, revitalize subsidiaries holding assets under their names, divest subsidiaries engaging in non-core businesses, and properly resolve 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 leverage the competitive advantage of the La Chapelle main brand. For brands that are clearly different from the main brand (such as USHGEE), they will maintain their own differentiated development direction. For brands that are similar to the main brand, they will be gradually integrated and adjusted to reshape the brand matrix with a clearer, 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.

On behalf of the Board, I would like to express sincere gratitude to the Group's shareholders, business partners, customers and employees for their unstinting support.

Chairman
Mr. Zhao Jinwen

29 April 2024

Management Discussion and Analysis

INDUSTRY REVIEW AND BUSINESS OPERATIONS

In the year ended 31 December 2023 (the "**Reporting Period**"), 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 RMB740 million, representing a reduction of approximately RMB330 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) The investment losses and impairment losses of long-term equity investments caused by the invested enterprises aggregated approximately RMB20 million. (5) 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 RMB575.4 million respectively, representing a decrease in revenue of 14.0% and a decrease in loss of 38.9% respectively, as compared with last year. The net loss for the year ended 31 December 2023 amounted to RMB753.3 million, representing a loss decrease of 29.8% 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			2022		
	Revenue (RMB'000)	% of total	Gross Profit Margin	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
Concessionaire counters	**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			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
La Chapelle	**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 ECKŌ 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			2022		
	Revenue (RMB'000)	**% of total**	**Gross Profit Margin**	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
First-tier cities	**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			2022		
	Revenue (RMB'000)	% of total	Gross Profit Margin	Revenue (RMB'000)	% of total	Gross profit margin increase or decrease compared to the same period of last year (percentage point(s))
Tops	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 RMB20.8 million (2022: RMB22.6 million), which was mainly due to a decrease in the provision for impairment of inventories.

Credit Impairment Loss

Credit impairment losses recorded RMB14.4 million for the year ended 31 December 2023 (2022: RMB27.9 million), mainly due to the decrease in the provisions for expected credit losses on receivables for the Reporting Period as compared to last year and the receipt of certain receivables.

Investment Loss

Investment income for the year ended 31 December 2023 was RMB-390.0 million (2022: RMB-629.5 million), mainly due to the decrease in the loss on derecognition resulting from the former subsidiaries of the Company's entering bankruptcy liquidation or bankruptcy reorganisation procedure as compared to last year.

Other Income – Net

The Group's other income amounted to RMB1.5 million for the year ended 31 December 2023 (2022: RMB17.7 million), mainly due to the decrease in debt restructuring income generated by the settlement of debts with goods in the Reporting Period as compared to last year.

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 RMB750.8 million for the year ended 31 December 2023, representing a decrease of 30.1% 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 RMB753.3 million, representing a decrease by 29.8% 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 RMB737.5 million, representing an increase by 31.2% 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 442.5% in 2023, compared to that of 542.7% in 2022.

During the Reporting Period, the net loss attributable to shareholders of the Company after deducting non-recurring profit or loss amounted to RMB150.3 million, representing a decrease of RMB168.5 million as compared to last year.

Capital Expenditure

Capital expenditure of the Group primarily consisted of capital expenditure related to retail stores. In 2023, the capital expenditure incurred by the Group was RMB2.7 million (2022: RMB6.7 million).

Cash and Cash Flow

In 2023, net cash generated from operating activities amounted to an inflow of RMB8.0 million (2022: outflow of RMB16.0 million). The increase in net cash generated from operating activities was mainly due to the increase in the receipt of previous receivables in the Reporting Period and the decrease in the expenditures resulting from the deconsolidation of La Chapelle Taicang, such as expenses and tax.

In 2023, net cash used in investing activities amounted to a net cash outflow of RMB0.07 million (2022: net outflow of RMB7.0 million). In 2023, the major net cash outflow in investing activities amounted to RMB2.7 million in relation to the acquisition of fixed assets, intangible assets and other long-term assets.

In 2023, net cash used in financing activities amounted to an outflow of RMB2.4 million (2022: net outflow of RMB2.3 million). Major financing activity in 2023 was payment relating to other financing activities resulting in a net cash outflow of RMB2.8 million.

As at 31 December 2023, the Group held cash and cash equivalents in the total amount of RMB41.6 million (31 December 2022: RMB36.1 million). In 2022, the net increase in cash and cash equivalents is RMB5.6 million (2022: RMB-25.3 million), the reason of which was the increase in the receipt of previous receivables in the Reporting Period and the decrease in the expenditures resulting from the deconsolidation of La Chapelle Taicang, such as expenses and tax.

In 2023, the average inventory turnover (based on apparel revenue) of the Group was 140 days (2022: 170 days), and the average receivables turnover (based on principal business revenue) was 62 days for 2023 (2022: 177 days). The period-on-period decrease in inventory turnover rate was mainly due to the Company's vigorous clearance of aged inventories and the control in procurement volume based on the current scale.

As at 31 December 2023, current liabilities of the Group amounted to RMB3,436.2 million (31 December 2022: RMB3,227.8 million). Total assets less current liabilities amounted to RMB-2,838.4 million (31 December 2022: RMB-2,071.6 million). The gearing ratio (formula used: total liabilities/total assets) was 656.2% (31 December 2022: 322.6%).

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

Total equity attributable to shareholders of the Company

As at 31 December 2023, total equity attributable to shareholders of the Company was RMB-3,240.9 million (31 December 2022: RMB-2,505.8 million).

Bank loans and other borrowings

As at 31 December 2023, bank borrowings of the Group amounted to RMB1,077.6 million (31 December 2022: outstanding loan balance amounted to RMB1,147.7 million), which mainly included mortgages, pledges and guaranteed loans due within one year.

Pledge of assets

(a) As at 31 December 2023, the book value of properties and buildings used as mortgage for bank loans was RMB108.5 million (31 December 2022: RMB513.6 million).

(b) As at 31 December 2023, projects under construction with book value of RMB67.9 million (31 December 2022: RMB70.0 million) were used as mortgage to obtain bank loans.

(c) As at 31 December 2023, the land use right with book value of RMB34.4 million (31 December 2022: RMB86.8 million) was used to support a mortgage to obtain bank loans; the amortization amount of the land use right in 2023 was RMB1.3 million (2022: RMB2.8 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 Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, the PRC* (天津市西青區大寺鎮興華四支路24號) under the name of La Chapelle (Tianjin) Co., Ltd.* (拉夏貝爾服飾(天津)有限公司) ("**La Chapelle Tianjin**"), shall be accessed and auctioned. The above-mentioned real estate was put up for the first and second online judicial auction and judicial sale respectively, which all failed to find any buyers. For details, please refer to the announcements of the Company dated 25 January 2021, 29 April 2021, 25 June 2021, 31 December 2021 and 28 December 2022 and the announcements of the administrator of the Company dated 17 February 2023, 22 March 2023, 12 May 2023, 3 July 2023 and 9 October 2023.

(c) As a result of disputes over financial loan agreements, China 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.

Human Resources

As at 31 December 2023, the Group had 297 full-time employees in total (31 December 2022: 421). The Group offers competitive compensation package for its employees, including statutory social insurance, housing fund, holiday benefits and other benefits, etc. Meanwhile, the Group is dedicated to building itself a learning organization by emphasizing employee training, individual development and team spirit.

Significant investments held

Please refer to notes V(8) to the consolidated financial statements of the Group for the year ended 31 December 2023 for details of the investments held by the Group.

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	
	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	
	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	
	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	
	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.

Profiles of Directors, Supervisors and Senior Management

DIRECTORS OF THE FIFTH SESSION OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Zhao Jinwen (趙錦文), aged 31, has been an executive director, chairman of the member of the Remuneration and Appraisal Committee, a member of the Budget Committee, and the chairman of the Strategy and Development Committee of the Board since 20 April 2022. He was a non-executive director and a member of the Audit Committee of the Company from 10 June 2021 to 20 April 2022. He obtained a master's degree in finance from Tsinghua University (清華大學) in July 2016. Mr. Zhao served as a manager at China Orient Asset Management Co., Ltd.* (中國東方資產管理股份有限公司) from July 2016 to July 2020, and has been a manager of the president's office of Shanghai Wensheng Asset Management Co., Ltd.* (上海文盛資產管理股份有限公司) ("**Shanghai Wensheng**") since July 2020.

For the details of Shanghai Wensheng's interests and short positions in shares and underlying shares of the Company, please refer to the section of "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company" of "Directors' Report".

Ms. Zhang Ying (張瑩), aged 45, is an executive director of the Company (with effect from 11 January 2021), the president of the Company (with effect from 9 December 2020), the chairman of the Budget Committee of the Company (with effect from 22 February 2021), a member of the Strategy and Development Committee of the Company (with effect from 22 February 2021) and a member of Nomination Committee of the Company (with effect from 22 February 2021). She was the chairman of the Board, the chairman of the Nomination Committee, the chairman of the Strategy and Development Committee, a member of the Budget Committee of the Company from 11 January 2021 to 22 February 2021 and a member of the Audit Committee of the Company from 11 January 2021 to 10 June 2021.

She obtained an EMBA degree from Xiamen University (廈門大學) in June 2022. Since 2003, she has successively worked as a designer, associate supervisor of brands, a supervisor of brands, general manager of brand department, general manager of business department, vice president, and president of the Company.

Mr. Zhu Fengwei (朱風偉), aged 35, has been an executive director of the Company, a member of each of the Budget Committee and Strategy and Development Committee of the Company since 17 April 2023 and a secretary of the Board of directors of the Company since June 2021. He obtained a bachelor's degree in finance and had served as the investor relations manager at Shanghai Aoyun Management Consulting Co., Ltd.* (上海翺贇管理諮詢有限公司) and the investment manager at Shanghai Feile Intelligence Technology Co., Ltd.* (上海飛樂智能技術有限公司). He joined the office of the Board of directors of the Company in November 2017 and successively served as the security affairs representative and the head of the office of the Board.

NON-EXECUTIVE DIRECTOR

Ms. Wang Yan (王艶), aged 33, is a non-executive director of the Company (with effect from 30 December 2022), a member of the Audit Committee of the Company (with effect from 17 April 2023) and a member of the Strategy and Development Committee of the Company (with effect from 30 December 2022). She was a member of the Budget Committee of the Company from 30 December 2022 to 17 April 2023. Ms. Wang obtained a master's degree in economic law from East China University of Political Science and Law (華東政法大學) in June 2017 and she holds a Chinese legal professional qualification certificate. Ms. Wang served as a project manager of the business department at Shanghai Wensheng from July 2017 to December 2017, a practicing lawyer at Shanghai Haworth & Lexon Law Firm* (上海和華利盛律師事務所) from January 2018 to September 2020, and has been an investment manager at the president's office at Shanghai Wensheng since October 2020.

For the details of Shanghai Wensheng's interests and short positions in shares and underlying shares of the Company, please refer to the section of "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company" of "Directors' Report".

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xing Jiangze (邢江澤), aged 57, has been an independent non-executive director, the chairman of the Audit Committee and the Remuneration and Appraisal Committee and a member of the Budget Committee and the Nomination Committee of the Company since 8 May 2020.

Mr. Xing Jiangze is a certified public accountant, certified tax agent and senior accountant in China. He has a practicing certificate for Asset Management Association of China and has nearly 30 years' experience in finance, accounting and auditing. From January 1992 to November 1998, he served as a director and the financial manager of Lingbao Wuhua Fuel Co., Ltd.* (靈寶物華燃料有限公司). From December 1998 to January 2000, he served as a chief accountant of Henan Lingye Group Co., Ltd.* (河南淩冶集團有限公司). From February 2000 to November 2002, he successively served as a project manager and a manager of the first auditing division of Henan Zhengyong Accounting Firm* (河南正永會計師事務所). From November 2002 to April 2007, he served as a financial director of Lingbao Shuangxin Mining Co., Ltd.* (靈寶雙鑫礦業有限公司). From April 2007 to June 2018, he successively served as a deputy financial director and manager of the finance department, financial director, investment director, secretary of the board, deputy general manager and executive director of Lingbao Gold Group Company Ltd. (stock code: 03330). He has served as a vice chairman, secretary of the board and vice president of Lingbao Gold Group Company Ltd. from June 2018 to May 2021, a vice chairman and secretary of the board from May 2021 to October 2022, and a vice chairman, secretary of the board and the chief compliance officer of Lingbao Gold Group Company Ltd. from October 2022.

Mr. Xing graduated from Henan Radio and Television University (河南廣播電視大學) with a college diploma in accounting in July 1988. Mr. Xing attended the PLA Information Engineering University (解放軍信息工程大學) from September 2006 to June 2009 specializing in computer science and technology, and obtained a bachelor's degree in engineering.

Ms. Chow Yue Hwa Jade (周玉華), aged 61, has been an independent non-executive director, a member of the Audit Committee, Budget Committee, and Strategy and Development Committee of the Company since 10 June 2021. She obtained a master's degree in business administration from the University of Southern California in May 1985 and a bachelor's degree in science from University of California, Los Angeles in August 1983. Ms. Chow acted as the general manager and a director of Elegance Textiles (Hong Kong) Limited from 1990 to 1998, an associate director of PricewaterhouseCoopers (Hong Kong) from 1999 to 2003, and the managing director of Marbridge Holdings LLC (United States) since November 2003.

Ms. Yang Linyan (楊林岩), aged 60, has been an independent non-executive director, the chairman of the Nomination Committee, a member of each of the Remuneration and Appraisal Committee and the Strategy and Development Committee of the Company since 17 April 2023. She has a doctoral degree in applied economics from Xi'an Jiaotong University (西安交通大學). Since July 1986, she has successively been a teaching assistant, lecturer, associate professor in Xi'an Jiaotong University. She was an exchange scholar in Nanyang Technological University in Singapore, an invited scholar in Gunma University in Japan, and a visiting scholar in the University of Maryland in the United States of America and in University of Alberta in Canada.

SUPERVISORS OF THE FIFTH SESSION OF THE SUPERVISORY COMMITTEE

Mr. Gu Zhenguang (顧振光), aged 43, is the chairman of the Supervisory Committee (appointed since 10 June 2021). He has been a shareholder representative Supervisor since 22 February 2021. Mr. Gu obtained a diploma in financial accounting from the Shanghai Open University (上海電視大學) in March 2008. Mr. Gu currently serves as a director of the accounting management department of the Company. Mr. Gu has successively served as a financial commissioner, financial supervisor, financial manager, and senior financial manager and director of the accounting management department of the Company since November 2003.

Profiles of Directors, Supervisors and Senior Management

Mr. Sun Bin (孫斌), aged 43, has been an employee representative Supervisor since 15 January 2021. Mr. Sun obtained a diploma in administration and management from Shanghai Normal University in March 2006. Mr. Sun Bin served as an executive officer of Shanghai Datun Energy Company Limited (上海大屯能源股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code:600508)) from December 2000 to December 2010 and has served as an executive officer of the Company since December 2010.

Mr. Wang Jiajie (王佳杰), aged 34, has been an employee representative Supervisor since 10 June 2021. He is an intermediate accountant and is currently the supply chain director of the LA business department of the Company. Since July 2011, Mr. Wang has successively served various positions in the Company over the years since July 2011, including as a financial specialist, a supervisor of the finance department, a deputy financial manager of the accounting management department, a manager of the accounting management department, a senior manager of the accounting management department, the director of the supply chain department and the supply chain director of the LA business department of the Company. Mr. Wang obtained a bachelor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in 2015.

CURRENT SENIOR MANAGEMENT

Ms. Zhang Ying (張瑩), aged 45, is the executive director and the president of the Company. Please refer to her biography under the sub-section headed "Executive Directors".

Mr. Zhu Fengwei (朱風偉), aged 35, is the executive director and the secretary of the Board of directors of the Company. Please refer to his biography under the sub-section headed "Executive Directors".

Mr. Hu Zhiguo (虎治國), aged 41, has been the chief financial officer of the Company since 30 March 2020. Mr. Hu served as an accountant of cost of Dayu Jieshui Group Company Limited (大禹節水集團股份有限公司) from July 2008 to May 2010. He also served various positions, including as general ledger accountant of the finance department manager of accounting and auditing department and deputy head of the finance department, at Zhejiang Semir Garment Co., Ltd. (浙江森馬服飾股份有限公司) from June 2010 to April 2017. He joined the Company in April 2017 and successively served as the financial director at the regional finance management department, as general manager of the finance department and as the chief financial officer of the Company. Mr. Hu obtained an EMBA degree at the School of Management in Bocconi University (博科尼大學商學院) in October 2022.

COMPANY SECRETARY

Ms. Wong Wai Ling (黃慧玲), is the Company's company secretary (the "**Company Secretary**"). She is also a vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. She has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong, and is an Associate of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has approximately 15 years of experience in providing company secretarial services.

Directors' Report

The Board is pleased to present this report and the audited consolidated results of the Company and the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group designs, markets and sells apparel products with a focus on mass-market ladies' casual wear in the PRC. Principal activities and other particulars of the Company's subsidiaries are set out in note VIII(I) of the consolidated financial statements.

BUSINESS REVIEW

The business review for the year and discussions on the future business development of the Group together with the description of the possible risks and uncertainties of the Group are contained in the section headed "Management Discussion and Analysis" on pages 12 to 27 of this report. The descriptions of the financial risk management of the Group are set out in note IX to the consolidated financial statements. Five-year financial summary of the Group is set out on page 9 of this report in which the annual performance of the Group is analyzed by means of the critical financial performance indicators. In addition, the compliance of related laws and regulations which have significant impacts on the Group is set out on page 39 of this report.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2023 and the Company's and the Group's financial position as at that date are set out in the consolidated financial statements of this report.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the section headed "Management Discussion and Analysis" of this report.

RESERVES AND RESERVES AVAILABLE FOR DISTRIBUTION

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set out in Consolidated Statement of Changes in Shareholders' Equity to the consolidated financial statements.

As at 31 December 2023, the Company did not have any reserves available for distribution.

SHARE CAPITAL

Details of movements of the share capital of the Company are set out in note V(30) to the consolidated financial statements.

FINAL DIVIDENDS

As the distributable profit of the Company as at the end of 2023 was negative, pursuant to the requirements of the articles of association of the Company (the "**Articles of Association**") the Board of Directors recommended no payment of cash dividends or stock dividends and no transfer from capital surplus to share capital or other form of distribution for the year ended 31 December 2023.

PROFIT DISTRIBUTION POLICY

Pursuant to the requirements of the Articles of Association, the profit distribution plan of the Company are as follows:

1. The Company may distribute profits in cash, shares and/or by a combination of cash and shares or otherwise as permitted by laws and regulations. However, where the conditions for cash dividend are satisfied, profit distribution in the form of cash dividend shall take priority;

2. Where the Company intends to implement cash dividend distribution, all the following conditions shall be satisfied:

   (1) the distributable profit (i.e. after-tax profit after making up for losses and making appropriation to the statutory reserve fund) of the Company for the year is positive;

   (2) the auditing firm issued a standard audit report with unqualified opinions on the financial report for the year.

3. The Company shall maintain the continuity and stability of its profit distribution policies. The total profit to be distributed in cash shall not be less than twenty percent (20%) of the distributable profit realised in such year. The Board shall comprehensively consider factors such as the characteristics of the industry in which the Company operates, the stage of development, operation model and profitability of the Company and whether there is any arrangement for significant capital expenditure to differentiate between the following situations, and put forward differentiated policies for cash dividend distribution according to the procedures stipulated in the Articles of Associations:

   (1) cash dividend distribution should at least account for 80% of the profit distribution if the Company reaches a mature stage in its development and there is no arrangement for significant capital expenditure;

   (2) cash dividend distribution should at least account for 40% of the profit distribution if the Company reaches a mature stage in its development and there is an arrangement for significant capital expenditure;

   (3) cash dividend distribution should at least account for 20% of the profit distribution if the Company is in a stage of growth and there is an arrangement for significant capital expenditure; the stipulations in the preceding paragraph shall prevail if it is difficult to differentiate the stages of development of the Company.

   If the profit of the company grows substantially and the Board is of the opinion that there is a mismatch between the share price of the Company and the scale of its share capital, a preliminary dividend distribution plan may also be proposed and implemented after satisfying the above cash dividend distribution.

4. If the Board does not put forth a cash dividend distribution plan, the reasons shall be disclosed in the annual report and independent Directors shall express independent opinions thereon;

5. If there is illegal misappropriation of funds of the Company by a Shareholder, the Company has the right to deduct that Shareholder's cash dividend during profit distribution to reimburse the misappropriated funds.

CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

On 31 May 2024, the Company will hold the 2023 annual general meeting of the Company (the "**2023 AGM**") for the purposes of considering and, if thought fit, passing the resolutions listed in the notice of the 2023 AGM. The Company will publish the circular and notice of the 2023 AGM as and when appropriate.

In order to determine the H shareholders who are entitled to attend the 2023 AGM, the register of members of the Company for H shares will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfer of H shares of the Company can be registered. In order to be qualified to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2024.

H Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 27 May 2024 are entitled to attend and vote at the 2023 AGM. Please refer to the announcement published on the National Equities Exchange and Quotations for the information for Domestic Shareholders who are entitled to attend the 2023 AGM.

FIXED ASSETS

Details of the fixed assets of the Group are set out in note V(11) to the consolidated financial statements.

INFORMATION ON THE GROUP'S MATERIAL PROPERTIES

The following table sets out the Group's material properties held for investment as at 31 December 2023:

Location	Existing use	Freehold
No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, PRC	Storage and lease	The Group

Note: The industrial properties located at No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, the PRC* (天津市西青區大寺鎮興華四支路24號) held by La Chapelle (Tianjin) Co., Ltd. * (拉夏貝爾服飾(天津)有限公司), a wholly-owned subsidiary of the Company, were put up for the first and second online judicial auction and judicial sale respectively, which have all failed to find any buyers. For details, please refer to 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.

BANK LOANS AND BORROWINGS

Details of the bank loans and borrowings of the Group as at 31 December 2023 are set out in notes V(18) (24) (28) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date before printing this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

DIRECTORS AND SUPERVISORS

The Directors during the year ended 31 December 2023 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Group
Mr. Zhao Jinwen (趙錦文)	Chairman and Executive Director	Board management, strategic planning and decision making	10 June 2021	June 2021
Ms. Zhang Ying (張瑩)	President and Executive Director	Overall management of the Group, strategic planning and decision making	11 January 2021	March 2003
Mr. Zhu Fengwei (朱風偉)	Executive Director	Corporate governance and administration operation management	17 April 2023	November 2017
Ms. Wang Yan (王艷)	Non-executive Director	As a non-executive Director	30 December 2022	December 2022
Mr. Yang Heng (楊恒)[1]	Non-executive Director (retired)	As a non-executive Director	6 July 2021	July 2021
Mr. Xing Jiangze (邢江澤)	Independent non-executive Director	As an Independent non-executive Director	8 May 2020	May 2020
Ms. Chow Yue Hwa Jade (周玉華)	Independent non-executive Director	As an Independent non-executive Director	10 June 2021	June 2021
Yang Linyan (楊林岩)	Independent non-executive Director	As an Independent non-executive Director	17 April 2023	April 2023
Mr. Zhu Xiaozhe (朱曉喆)[2]	Independent non-executive Director (retired)	As an Independent non-executive Director	8 May 2020	May 2020

Notes:

1. Mr. Yang Heng was the non-executive director of the Company and retired with effect from 17 April 2023.

2. Mr. Zhu Xiaozhe was the independent non-executive director and retired with effect from 17 April 2023.

The Supervisors during the year ended 31 December 2023 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Supervisor	Date of joining the Group
Mr. Gu Zhenguang (顧振光)	Chairman of the Supervisory Committee and director of the accounting management department	Supervision of the Board and Senior Management	22 February 2021	November 2003
Mr. Sun Bin (孫斌)	Supervisor and executive officer	Supervision of the Board and Senior Management	15 January 2021	December 2010
Mr. Wang Jiajie (王佳杰)	Supervisor and the supply chain director of the LA business department	Supervision of the Board and Senior Management	10 June 2021	July 2011

Biographical details of the Directors, Supervisors and senior management are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each Director has entered into a service contract with the Company while all Supervisors do not have a service contract with the Company. The terms of the Directors and Supervisors do not exceed three years and will expire upon conclusion of the general meeting at which members of a new session of the Board and Supervisory Committee are elected.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors or Supervisors, or any entity connected with the Directors or Supervisors, had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party as of and during the year ended 31 December 2023.

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

As at 31 December 2023, none of the Directors, Supervisors and the chief executives of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO); or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**").

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2023, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 December 2023, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6]	Approximate percentage shareholding in the relevant class of Shares as at 31 December 2023	Approximate percentage shareholding in the total issued Shares at 31 December 2023
Shanghai Qijin Enterprise Management Partnership LLP* (上海其錦企業管理合夥企業(有限合夥)) ("**Shanghai Qijin**") [1]	Beneficial owner	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Lijin Asset Management Co., Ltd. * (杭州文盛勵錦資產管理有限公司) [1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. * (杭州文盛祥文資產管理有限公司) [1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Shanghai Wensheng Asset Management Co., Ltd. * (上海文盛資產管理股份有限公司) ("**Shanghai Wensheng**") [1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
	Beneficial owner	21,600,000 Domestic Shares (L)	6.49%	3.94%
Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry* (證券行業支持民企系列之海通證券資管1號FOF單一資產管理計劃) [2]	Beneficial owner	80,000,000 Domestic Shares (L)	24.03%	14.61%
China Merchants Asset Management, Construction and Investment Overseas No. 1 Overseas Single Asset Management Plan* (招商資管建投海外1號海外單一資產管理計劃)	Others	11,400,000 H Shares (L)	5.31%	2.08%
China Cinda Asset Management Co., Ltd.[3]	Interest in controlled corporation	49,597,132 H Shares (L)	23.09%	9.06%
Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership)* (寧波梅山保税港區金信昌泰投資(有限合夥))[4]	Beneficiary of a trust	22,150,000 H Shares (L)	10.31%	4.04%
Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司)[5]	Interest in controlled corporation	22,236,800 H Shares (L)	10.35%	4.06%
Senda International Capital Limited[5]	Beneficial owner	16,630,800 H Shares (L)	7.74%	3.04%

Notes:

1. Shanghai Wensheng was beneficially interested in 21,600,000 Domestic Shares and deemed to be interested in 85,200,000 Domestic Shares held by Shanghai Qijin. Shanghai Wensheng indirectly holds 100% of Shanghai Qijin's shares through its wholly-owned subsidiaries of Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. and Hangzhou Wensheng Lijin Asset Management Co., Ltd..

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

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

4. Ningbo Meishan Free Trade Zone Jinxin Changtai Investment Partnership (Limited Partnership) invested in H Shares of the Company as an asset principal through China Merchants Asset Management, Construction and Investment Overseas No. 1 Single Asset Management Plan.

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

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

Other than as disclosed above, as at 31 December 2023, the Directors have not been notified by any person (not being the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST EMOLUMENTS

The Directors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Details of the Directors' emoluments and the five highest paid individuals are set out in note XI(V)6 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The Remuneration and Appraisal Committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors, Supervisors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

For the year ended 31 December 2023, Mr. Yang Heng (retired on 17 April 2023) agreed not to receive remuneration for acting as a non-executive Director of the Company. Save as disclosed above, none of the Directors waived remuneration for the year ended 31 December 2023.

PENSION SCHEMES

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organized by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries. Contributions to these Schemes vest to employees immediately. Under these Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2023 were RMB5,701 thousand.

There were no forfeited contributions (by employers on behalf of employees who leave the Schemes prior to vesting fully in such contributions) which were used or may be used to reduce the level of contributions for the year ended 31 December 2023 and no forfeited contribution was available as at 31 December 2023 to reduce future years' contributions. The Group does not operate any defined benefit plan.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

The Company has not arranged for appropriate insurance cover for the Directors, Supervisors and senior management in respect of certain liabilities arising out of corporate activities. As required by section 470(1) and (2) of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Hong Kong Companies Ordinance**"), it is confirmed that the permitted indemnity provision mentioned above is/was in force for the benefit of the Directors/then Directors when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance; and has been in force throughout the financial year ended 31 December 2023, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases; and the combined revenue from the five largest customers did not exceed 30% of the total revenue of the Group. None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to promoting the sustainable development of the environment and society. To ensure product quality, starting from procurement, we prohibit purchasing products that contain toxic and hazardous substances, and we ensure that all our products sold meet relevant national quality standards. During the entire process of the actual product formation, the Group fully integrates environmental protection ideas, such as raising the stringency of environmental protection requirements in upstream fabric factories, using environmentally friendly dyestuffs (such as environmentally friendly disperse dyestuffs, environmentally friendly reactive dyestuffs and environmentally friendly vat dyestuffs), which are required to be harmless to humans, environmentally friendly, azo-free and lead-free, etc. Detailed information on the environmental policy of the Group is contained in the "Environmental, Social and Governance Report 2023" (the "**ESG Report 2023**").

The Chinese and English versions of ESG report 2023 is available in the Investor Relations (Corporate Reports) section of the website of the Company (www.lachapelle.cn), the HKEX news website (www.hkexnews.hk), and the National Equities Exchange and Quotations (www.neeq.com.cn). If the shareholders of the Company wish to receive the Company's ESG report 2023, they may submit their request to the Company by email to ir@lachapelle.cn.

RELATIONSHIP WITH STAKEHOLDERS

The Group fully understands that employees, customers and partners are the key to our sustainable and steady development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality products and services to our customers so as to ensure our sustainable development.

The Group values our staff as the most important resource. Hence, the Group has been endeavouring to provide our staff with equal opportunities and humane workplace, and great opportunities for promotion based on employees' performance. The Group also provides our staff with regular training, including internal training and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market and industry as well as to upgrade their job skills.

The Group upholds its initial aspiration and development concept of "designing for a better life", bears in mind its corporate mission of "creating a better life", guards the bottom line for quality, and establishes the corporate image of La Chapelle through continuous innovation.

The Group intends to achieve mutual growth with partners in the brand value chain with reference to international standards and leading practices of the industry. In 2023, we followed a series of internal systems such as the Administrative Measures on the Appraisal and Rating of Garment Suppliers and the Administrative Measures for New Supplier Admission to impose requirements on the work process, evaluation standards and targets of supply chain management. As a result, the goal of a responsible supply chain can be attained for driving its sustainable development. Detailed information on the relationship between the Group and stakeholders is contained in the ESG Report 2023.

CONNECTED TRANSACTIONS

For the year ended 31 December 2023, the Group did not enter into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

No contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2023 or as at the date of this report.

MATERIAL LITIGATION

Please refer to the section of "Litigation and Contingent liabilities" of "Management Discussion and Analysis" for the material litigation or arbitration that the Company or its subsidiaries involved in during the year ended 31 December 2023.

During the year ended 31 December 2023, the Company and its subsidiaries were also involved in other non-material litigation or arbitration. For details, please refer to the announcement of the administrator of the Company dated 2 January 2024.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SHARE OPTION SCHEME

There is no share option scheme operated by the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement has been entered into with the Company during the year ended 31 December 2023.

AUDIT COMMITTEE

During the year ended 31 December 2023, the Audit Committee met four times to discuss the 2022 audit work and review the annual financial results in respect of the year ended 31 December 2022, the interim financial results in respect of the six months ended 30 June 2023, the provision for asset impairment, etc. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2023.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2023 and has discussed with the management on the accounting policies and practices adopted by the Group, risk management and internal controls, and financial reporting matters.

REMUNERATION AND APPRAISAL COMMITTEE

During the year ended 31 December 2023, the Remuneration and Appraisal Committee met twice to review and assess the annual job performance of the senior management, and review and make recommendations to the Board on the policy and structure of the remuneration of Directors and senior management and other related matters.

NOMINATION COMMITTEE

During the year ended 31 December 2023, the Nomination Committee met twice to nominate directors and senior management members for appointment and selection, review the structure, size and composition of the Board, the independence of the independent non-executive Directors and diversity of the Board.

AUDITORS

Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**") was re-appointed as the domestic and international auditor of the Company at the 2021 third extraordinary general meeting of the Company held on 6 July 2021 to hold office until the conclusion of the next annual general meeting of the Company.

Da Hua was re-appointed as the domestic and international auditor of the Company at 2021 annual general meeting of the Company held on 29 June 2022 to hold office until the conclusion of the next annual general meeting of the Company.

Da Hua was re-appointed as the domestic and international auditor of the Company at 2022 annual general meeting of the Company held on 31 May 2023 to hold office until the conclusion of the next annual general meeting of the Company.

The proposal on the appointment of auditors for the year 2024 will be tabled at the 2023 annual general meeting.

The remuneration paid to Da Hua was RMB1.45 million (tax excluded) in respect of the audit services rendered for the year ended 31 December 2023.

POST REPORTING PERIOD EVENTS

Details of the events after the Reporting Period are set out in note XIII to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report, there was no change to any of the information required to be disclosed in relation to any Director or Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the date of 2023 interim report of the Company.

THE BOARD'S AND THE AUDIT COMMITTEE'S VIEWS ON THE DISCLAIMER OF OPINION FOR THE YEAR ENDED 31 DECEMBER 2023

Da Hua issued a disclaimer of opinion on the Company's financial statements for the year ended 31 December 2023. The bases for the qualified opinion objectively reflect the actual situation of the Company and reveal the risks faced by it. Taking into the fact that the Company is in bankruptcy reorganisation procedures and the difficulties resulted from the fact, the Board and the audit committee respect the independent judgment of Da Hua in issuing a disclaimer of opinion.

MAJOR ACTIONS PROPOSED TO BE TAKEN BY THE COMPANY

(I) For actions proposed to be taken by the Company in respect of the material uncertainties, the Company plans to take proactive measures to improve the Company's ability to sustain and operate, and to put the Company back on the growth track, please refer to the section "Future Outlook" under "Management Discussion and Analysis" of this report.

(II) As the Company and its subsidiaries have mutual guarantee obligations or undertake joint and several liability obligations with the Company's four subsidiaries that entered bankruptcy liquidation procedures or bankruptcy reorganisation procedures (Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) ("**Shanghai Weile**") entered into bankruptcy liquidation procedures in July 2022, and Nuoxing (Shanghai) Clothing Co., Ltd.* (諾杏(上海)服飾有限公司) ("**Shanghai Nuoxing**"), Shanghai La Chapelle Casual Fashion Co., Ltd. * (上海拉夏貝爾休閒服飾有限公司) ("**La Chapelle Casual**") and La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司) ("**La Chapelle Taicang**") and its subsidiaries entered into bankruptcy liquidation procedures or bankruptcy reorganisation procedures in 2023). If the debts of the above-mentioned companies are not fully repaid, their creditors will seek to recover the outstanding portion from the Company and its subsidiaries. As at the date of the audit report, the Company is unable to estimate the amount of the adjustment to the liabilities and the amount of the estimated loss and is unable to produce the best estimate of the expenses required for the Group to meet the related current obligations. Taking into account the above factors, the auditors considered that due to the complexity of litigation matters, the uncertainty of the outcome of litigation matters, the difficulty to confirm the amount of liquidated damages and the penalty interests for delays, and the length of the judicial process, the auditors were unable to obtain sufficient and appropriate audit evidence to determine whether the estimated liabilities related to litigation was correct, and therefore issued a disclaimer of opinion.

In response to the litigation cases faced by the Company and its subsidiaries related to the mutual guarantee obligations or joint and several liability obligations, the Company intends to eliminate the related effects by the following plan:

As at the latest practical date, the first creditors' meetings of Shanghai Weile, Shanghai Nuoxing, La Chapelle Casual and La Chapelle Fashion Taicang have already been held respectively, and their certain claims have already been confirmed. According to Company's communication with the administrators of the above-mentioned companies, the second creditors' meetings of them are expected to be held in 2024, at which most of their claim are expected to be confirmed. At the second creditors' meetings of them, if the above-mentioned companies are still in bankruptcy liquidation procedures, their creditors may consider and resolve the distribution plan of bankruptcy properties. If the above-mentioned companies have moved from bankruptcy liquidation procedures to bankruptcy reorganisation procedures, their creditors will review and decide on the debtor's reorganisation plan at the meetings respectively. Therefore, after the second creditors' meetings of the above-mentioned companies, the Company expects that the debt repayment plan of the above-mentioned companies will be clarified. The obligation to pay by the Company will also be clarified accordingly. The relevant review procedures and rulings will also provide strong support for the auditors to determine the accuracy and completeness of the estimated liabilities.

For and on behalf of the Board
Zhao Jinwen (趙錦文)
Chairman

Shanghai, PRC, 29 April 2024

Report of the Supervisory Committee

In 2023, the Supervisory Committee of the Company fulfilled diligently its duties and conscientiously discharged its responsibilities and obligations, and implemented various oversight functions in accordance with the Company Law, the Securities Law, the Articles of Association, and the Rules of Procedure of the Supervisory Committee and other relevant laws and regulations of the PRC. The Supervisory Committee inspected and supervised the Company's legal operation, production and operation, financial condition, and performance of duty of the Company's directors and senior management, providing a strong protection for the Company's standardized operation and development. The report of the Supervisory Committee of the Company for this year is as follows:

1. WORK PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Company convened five meetings of the Supervisory Committee, in which 20 resolutions were considered and approved. Members of the Supervisory Committee attended all the Board meetings and shareholders' general meetings. During the Reporting Period, the meetings of the Supervisory Committee were as follows:

(I) The twenty-second meeting of the fourth session of the Supervisory Committee

On 22 March 2023, the Company convened the twenty-second meeting of the fourth session of the Supervisory Committee in Shanghai, which considered and approved the "Resolution in Relation to the Proposed Amendments of the Articles of Association, Rules of Procedures for General Meetings and Rules of Procedures for Meetings of the Supervisory Committee" and the "Resolution in Relation to the Early Election for the Appointment of Supervisor to the Supervisory Committee".

(II) The twenty-third meeting of the fourth session of the Supervisory Committee

On 30 March 2023, the Company convened the twenty-third meeting of the fourth session of the Supervisory Committee in Shanghai, which considered and approved the "Report of the Supervisory Committee of the Company for the Year 2022", the "Report on the Company's Financial Accounts for the Year 2022", the "Resolution in Relation to the Provision for Asset Impairment and the Write-off of Assets", the "Annual Report and Summary of the Company for the Year 2022", the "Opinion on Specific Explanation of the Board on Matters Involving Non-Standard Audit Opinions", the "Internal Control Evaluation Report of the Company for the Year 2022", the "Proposal on the Unrecovered Losses Amounting to One-Third of the Total Paid-Up Share Capital", the "2022 Environmental, Social and Governance Report", the "Proposal on the Determination of the Remuneration of Supervisors of the Company for the Year 2022", the "Proposal on the Company's 2022 Plan on Non-distribution of Profit", the "Special Report on the Deposit and Actual Use of the Funds Raised by the Company for the Year 2022", the "Report on the Company's Financial Budget for the Year 2023", and the "Resolution on Re-Appointment of the Auditor for the Year 2023".

(III) The first meeting of the fifth session of the Supervisory Committee

On 17 April 2023, the Company convened the first meeting of the fifth session of the Supervisory Committee in Shanghai, which considered and approved the "Resolution on the election of the chairman of the Supervisory Committee".

(IV) The second meeting of the fifth session of the Supervisory Committee

On 28 April 2023, the Company convened the second meeting of the fifth session of the Supervisory Committee in Shanghai, which considered and approved the "Resolution in Relation to the Proposed Amendments of the Articles of Association, Rules of Procedures for General Meetings and Rules of Procedures for Meetings of the Supervisory Committee".

(V) The third meeting of the fifth session of the Supervisory Committee

On 30 August 2023, the Company convened the third meeting of the fifth session of the Supervisory Committee in Shanghai, which considered and approved the "Company Interim Report and Interim Results Announcement of 2023", the "Resolution in Relation to the Provision for Asset Impairment for the First Half Year of 2023" and "Special Report on the Deposit and Actual Use of Funds Raised for the First Half Year of 2023".

2. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S OPERATIONS

During the Reporting Period, the Supervisory Committee inspected and supervised the Company's financial condition, operations and the performance of duty by senior management in accordance with the Company Law and other relevant laws and regulations, the Articles of Association and relevant requirements of the Rules of Procedures for the Supervisory Committee. The Supervisory Committee is of the view that in 2023, the Company operated normatively in strict compliance with the Company Law, the Articles of Association and other relevant regulations and systems. Operating decisions were reasonable and effective, and the decision-making procedures complied with the requirements of laws and regulations. None of the directors and senior management of the Company had violated laws and regulations or caused any prejudice to the interests of the Company and various investors in performing their duties.

3. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON FINANCIAL POSITION OF THE COMPANY

During the Reporting Period, the Supervisory Committee of the Company supervised and inspected the Company's financial condition by receiving reports from the Company's chief financial officer, reviewing the Company's periodic reports, and reviewing audited reports issued by an accounting firm. The Supervisory Committee is of the view that the financial operations of the Company are made normatively during the year. The 2023 audited financial statements of the Company truly reflected the Company's operating condition, and there are no false records, misleading statements or major omissions.

4. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON THE UTILIZATION OF THE PROCEEDS RAISED BY THE COMPANY

The Supervisory Committee has inspected the utilization of the proceeds raised, and the Company has established the management system for the proceeds raised. The proceeds were used in a regulated manner and were invested in the projects as undertaken. The Company utilized part of the idle proceeds raised for supplementing liquidity, performing the required legal and relevant approval procedures as well as fulfilling its information disclosure obligations.

Currently, the Company is in the bankruptcy reorganisation procedures, and the funds available to the Company are insufficient to repay the proceeds raised. As at the date of this report, the Company is unable to repay RMB50 million of the proceeds that were used to temporarily supplement its liquidity into its specific bank account for such proceeds. The Supervisory Committee would urge the Board of Directors and management of the Company to actively seek solutions for repaying the proceeds used to temporarily supplement its liquidity as soon as possible.

5. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON REVIEW OF THE COMPANY'S EXTERNAL GUARANTEE

During the Reporting Period, the Company had no violation of its external guarantees. The Supervisory Committee has not identified any circumstances that would impair the interests of the Company's shareholders or cause loss to the Company's assets.

6. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON APPROPRIATION OF FUNDS OF THE COMPANY

In 2021, through internal investigation of the Company, it was discovered that Shanghai Hexia Investment Co., Ltd.* (上海合夏投資有限公司), a person acting in concert with the former de facto controller of the Company, has accumulatively appropriated RMB9.5 million from the Company in 2019. The Company proactively urged the relevant parties for repayment and has proactively taken judicial action to urge for repayment. The defendant was ordered by the court in the first instance to repay the principal amount of RMB9.5 million and the corresponding interest. During the Reporting Period, upon the compulsory enforcement by the court, the enforcement payment of RMB143,092 was received. In the future, the Supervisory Committee will continue to follow up, understand and monitor the progress of the appropriation of funds and strictly supervise the Company to implement the effective enforcement of the internal control system to prevent the recurrence of similar situations.

7. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON INSPECTING THE IMPLEMENTATION OF INFORMATION INSIDER MANAGEMENT OF THE COMPANY

During the Reporting Period, in accordance with the relevant requirements of the Securities Law and the Management Policy for Registration of Persons with Inside Information* (《內幕信息知情人登記管理制度》), the Company implemented insider information confidentiality and insider information registration for matters such as periodic reports and significant matters, effectively preventing the disclosure and utilization of insider information for trading. Upon verification, the Supervisory Committee is of the view that, during the Reporting Period, the Company's directors, supervisors, senior management and other insider information personnel did not use any insider information or to trade any stocks of the Company through others.

8. INSPECTION OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S PERIODIC REPORT

The preparation and review procedures for the Company's 2023 annual report are in compliance with relevant provisions of laws, regulations and the Articles of Association of the Company. Its substance and form are in compliance with the requirements of the China Securities Regulatory Commission and the National Equities Exchange and Quotations. The information contained therein truly reflected the Company's operational management and financial condition in 2023. No violation of confidentiality requirements was found among those involved in the preparation and review of the annual report.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2023.

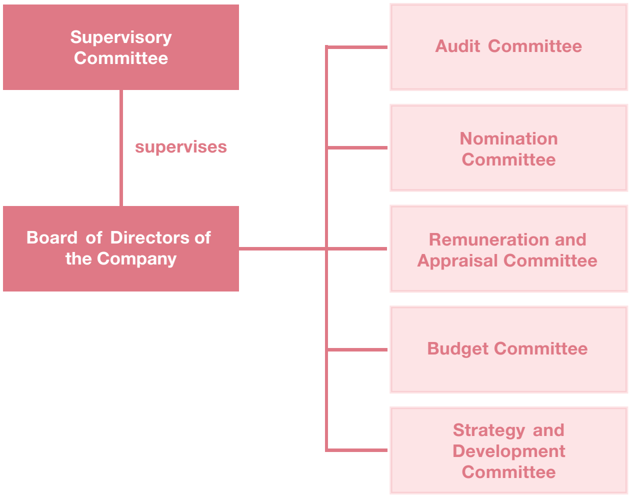
For the year ended 31 December 2023 and as at the date of this report, the Company has been complying with the code provisions ("**Code Provision(s)**") of the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the "**CG Code**"), except the deviation mentioned below. Corporate governance rules and recommendations with respect to matters including Board composition, Board diversity policy, duties and procedures, salary structure of the Directors and senior management and appraisal of the Board, internal control and auditing, Company Secretary, and communication between the Company and Shareholders were made by the Company.

In particular, the Chairman assumes the major responsibility for ensuring sound corporate governance practices and procedures of the Company. The Company has adopted a corporate governance policy, which sets out the terms of reference for the Board to perform, including but not limited to: formulation and review of the corporate governance policy and practices of the Company; review and monitoring of the training and continuous professional development of the Directors and senior management; review and monitoring of the policies and practices of the Company in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of the compliance by staff and Directors with the code of conduct and compliance manual; and review of the compliance of the Company with the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability. The Group has prudently reviewed the relevant regulations pursuant to the guidelines as stipulated in the Listing Rules, and introduced corporate governance practices appropriate to the conduct and growth of the business.

As of 31 December 2023, the governance structure of the Company is as follows:



The H shares of the Company were listed on the Hong Kong Stock Exchange with effect from the Hong Kong Listing Date, therefore, the CG Code has been applicable to the Company since the Hong Kong Listing Date.

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 of the CG Code set out in Appendix C1 of the Listing Rules for the year ended 31 December 2023, 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.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall management and control of the Company. The Board's main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. In the meantime, the Board strives to oversee the implementation of the corporate culture, business objectives and strategies for achieving those objectives, in order to ensure that they are consistent with the long-term interests and viability of the Group. All Directors carry out their duties in good faith and in compliance with the applicable laws and regulations, and act in the interest of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed.

The Board is responsible for making decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Directors have full and timely access to independent consultation with the senior management. Upon making reasonable request to the Board, a Director or a Board professional committee may seek independent professional advice in appropriate circumstances at the Company's expense.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the management of the Group. The respective functions of the Board and the management of the Company are established and will be reviewed from time to time as appropriate. To oversee particular aspects of the Company's affairs, the Board has established five Board professional committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Budget Committee and the Strategy and Development Committee (altogether the "**Board Professional Committees**"). The Board has delegated to the Board Professional Committees responsibilities as set out in their respective terms of reference.

Board Composition

As at the date of this report, the Directors of the fifth session of the Board are as follows:

Executive Directors

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

Non-executive Director

Ms. Wang Yan

Independent Non-executive Directors

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

Biographical details of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

There are no relationships among the Directors, Supervisors and senior management, including financial, business, family or other material/relevant relationships.

For the year ended 31 December 2023, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications of accounting or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Mr. Zhu Fengwei and Ms. Yang Linyan have received formal, comprehensive and tailored induction on their appointments as Directors to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Each of the independent non-executive Directors has confirmed his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board Professional Committees, all non-executive Directors has made various contributions to the effective leadership of the Company.

Induction and Continuous Professional Development

All Directors of the Company confirmed that they have complied with Code Provision C.1.4 of Part 2 relating to the director training during the year ended 31 December 2023. During the year ended 31 December 2023, all Directors of the Company participated in continuous professional development by means of reading materials to further develop and refresh their knowledge and skills. All Directors of the Company have provided their training record during the year ended 31 December 2023 to the Company.

Directors	Reading materials
Executive Directors	
Mr. Zhao Jinwen (Chairman)	√
Ms. Zhang Ying (President)	√
Mr. Zhu Fengwei (appointed on 17 April 2023)	√
Non-executive Director	
Ms. Wang Yan	√
Independent Non-executive Directors	
Mr. Xing Jiangze	√
Ms. Chow Yue Hwa Jade	√
Ms. Yang Linyan (appointed on 17 April 2023)	√

Note: Given that Mr. Yang Heng and Mr. Zhu Xiaozhe had ceased to be Directors prior to the date of training, they did not attend the training during the year ended 31 December 2023.

The Company has established mechanisms to ensure independent views and input are available to the Board including but not limited to, independent non-executive Directors being entitled to retain independent professional advisors as and when it is required; the Company providing the necessary working conditions for independent non-executive Directors to perform their duties; all Directors being encouraged to express their views in an open and candid manner during the Board or committees meetings; and the compliance with the requirement of the Hong Kong Listing Rules that at least one-third of the Board members are independent non-executive directors. The implementation and effectiveness of such mechanisms are reviewed on an annual basis by the Board.

Chairman and Chief Executive Officer

Code Provision C.2 of Part 2 stipulates that the chairman and chief executive in the Company should have a balanced power and authority.

The positions of Chairman of the Board and President of the Company are held by Mr. Zhao Jinwen and Ms. Zhang Ying, respectively. The Chairman provides leadership and is responsible for formulating the overall strategic planning of the Group. The President focuses on the Company's overall business management and making overall operational decisions.

Appointment and Re-Election of Directors

Pursuant to the Articles of Association, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall be subject to election at general meetings with a term of office of three years and may be re-elected. However, an independent non-executive Director shall not serve more than six years consecutively. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, consider the selection criteria, selection procedures and terms of office of the Directors of the Company after taking into account the practical situations of the Company, and shall record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at general meetings. Each of the Directors has entered into a service contract with the Company for a term commencing on the date of appointment and ending on the expiration of the term of office.

Board Professional Committees

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls.

The Group has established a whistleblowing policy and system. Please refer to the contents under the sub-section headed "Risk management and internal controls".

The Audit Committee of the fifth session of the Board consists of one non-executive Director and two independent non-executive Directors. The members of the Audit Committee are Mr. Xing Jiangze, Ms. Wang Yan and Ms. Chow Yue Hwa Jade. It is currently chaired by Mr. Xing Jiangze, an independent non-executive Director.

During the year ended 31 December 2023, the Audit Committee met four times to discuss the 2022 audit work and review the annual financial results in respect of the year ended 31 December 2022, the interim financial results in respect of the six months ended 30 June 2023 and the provision for asset impairment, etc. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2023.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, to assess the independence and diversity of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors. The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's Board Diversity Policy, the individuals' skills, experience, professional knowledge and time commitments, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee of the fifth session of the Board consists of one executive Director and two independent non-executive Directors. The members of the Nomination Committee are Ms. Yang Linyan, Ms. Zhang Ying and Mr. Xing Jiangze. It is currently chaired by Ms. Yang Linyan, an independent non-executive Director.

Nomination Policy

The following selection process for directors and senior management is set out in the terms of reference of nomination committee of the Board:

(1) The Nomination Committee shall proactively exchange views with relevant departments of the Company, study the demand of the Company for new directors and senior management, and then prepare the written materials thereof;

(2) The Nomination Committee may conduct extensive search for candidates for directors and senior management in the Company and job market;

(3) The Nomination Committee shall collect information on the potential candidates, including the profession, education, job title, detailed working experience and all part-time jobs, and then prepare the written materials thereof;

(4) The Nomination Committee shall seek the nominee's consent to nomination, failing which such nominee shall not be named as a candidate for directors and senior management;

(5) Meetings of the Nomination Committee shall be convened, at which a review on qualifications for the potential candidates shall be carried out based on the terms of appointment for directors and senior management;

(6) The Nomination Committee shall submit to the Board of Directors its recommendations on the candidates for directors and new senior management together with relevant materials in one month to two months prior to the election of new directors and appointment of new senior management;

(7) The Nomination Committee shall implement other follow-up work in accordance with the decisions and feedback of the Board of Directors.

During the year ended 31 December 2023, the Nomination Committee met twice to nominate directors for appointment and selection, review the structure, size and composition of the Board and the independence of the independent non-executive Directors and diversity of the Board.

Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard to the benefits of diversity on the Board.

The Company is committed to selecting the best person for the role of a Board member. Selection of candidates will not only be based on educational background, professional experience, skills, knowledge and length of service, but also with reference to a range of factors with a view to enhancing diversity, including but not limited to gender, age, cultural background and ethnicity. The ultimate decision will be based on merit and contribution that the candidate will bring to the Board.

As of 31 December 2023, the Board consists of three male members and four female members, with a female representation and gender diversity on the Board of approximately 57%. The Nomination Committee is responsible for reviewing the diversity of the Board, and will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and disclose in the corporate governance report about the implementation of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. The Nomination Committee will also bear in mind the gender diversity of the Board in the future when evaluating candidates to be appointed as directors to the Board.

As of 31 December 2023, one of our senior management members out of three is female, and approximately 84% of our total workforce were female. The Company will also continue to take steps to promote gender diversity at all levels of the Company.

Remuneration and Appraisal Committee

The Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

According to the Terms of Reference of Remuneration and Appraisal Committee, the remuneration plans of the directors of the Company proposed by the Remuneration and Appraisal Committee must be agreed by the Board and approved in the General Meeting before it can be implemented. The remuneration distribution schemes of the senior management of the Company must be submitted to the Board for approval. The procedures as set out in Model (ii) of Rule E.1.2 (c) of Part 2 in Appendix C1 of the Listing Rules is adopted for the determination on the remuneration of directors and senior management

The Remuneration and Appraisal Committee of the fifth session of the Board consists of one executive Director and two independent non-executive Directors. The members of the Remuneration and Appraisal Committee are Mr. Xing Jiangze, Mr. Zhao Jinwen, and Ms. Yang Linyan. It is chaired by Mr. Xing Jiangze, an independent non-executive Director.

For the year ended 31 December 2023, the Remuneration and Appraisal Committee met twice to review and assess the annual job performance of the senior management, and to review and make recommendations to the Board on the policy and structure of the remuneration of Directors and Senior Management and other related matters.

Budget Committee

The Company has established a Budget Committee. The primary duties of the Budget Committee are to make recommendations to the Board on budgeting.

The Budget Committee of the fifth session of the Board consists of three executive Directors, and two independent non-executive Directors. The members of the Budget Committee are Ms. Zhang Ying, Mr. Zhao Jinwen, Mr. Zhu Fengwei, Mr. Xing Jiangze and Ms. Chow Yue Hwa Jade. It is chaired by Ms. Zhang Ying.

For the year ended 31 December 2023, the Budget Committee met twice to review and make recommendations to the Board on the budgeting for the upcoming financial year.

Strategy and Development Committee

The Company has established a Strategy and Development Committee. The primary duties of the Strategy and Development Committee are to make recommendations to the Board on matters such as the Company's development plans, strategic investments and business innovations.

The Strategy and Development Committee of the fifth session of the Board consists of three executive Directors, one non-executive Director and two independent non-executive Directors. The members of the Strategy and Development Committee are Mr. Zhao Jinwen, Ms. Zhang Ying, Mr. Zhu Fengwei, Ms. Wang Yan, Ms. Chow Yue Hwa Jade and Ms. Yang Linyan. It is chaired by Mr. Zhao Jinwen.

For the year ended 31 December 2023, the Strategy and Development Committee met once to review and make recommendations to the Board on the Group's latest strategic plans and development.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendations to the Board where appropriate to enhance shareholders' relationship with the Company.

For the year ended 31 December 2023, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

Board Meetings and Board Professional Committee Meetings

The Board intends to hold Board meetings regularly (i.e., at least four times a year roughly at quarterly intervals). Notices of no less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters for discussion in the meeting agenda.

For other Board and Board Professional Committee meetings, reasonable notice will generally be given. The agenda and the accompanying board papers will be dispatched to the Directors or members of a Board Professional Committee at least 3 days before the meetings to ensure that they have sufficient time to review the papers and can adequately prepare for the meetings. When Directors or members of a Board Professional Committee are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the Chairman of the Committee prior to the meeting.

Minutes of the Board meetings and Board Professional Committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board Professional Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Professional Committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

According to the Articles of Association, a Director shall not vote nor be counted in the quorum on any resolution of the Board approving any contract or arrangement in which the Director or the Director's associates is materially interested.

During the year ended 31 December 2023, five board meetings were held.

DIRECTORS' ATTENDANCE RECORDS AT BOARD MEETINGS, BOARD PROFESSIONAL COMMITTEES' MEETINGS AND GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board, Board Professional Committees and general meeting of the Company held during the year ended 31 December 2023 are set out below:

Name of Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Budget Committee meeting	Strategy and Development Committee meeting	General meeting
Mr. Zhao Jinwen	5/5			2/2	2/2	1/1	4/10
Ms. Zhang Ying	5/5		2/2		2/2	1/1	6/10
Mr. Zhu Fengwei (appointed on 17 April 2023)	3/3				1/1	0/0	4/4
Ms. Wang Yan	5/5	1/1			1/1	1/1	10/10
Mr. Xing Jiangze	5/5	4/4	2/2	2/2	2/2		10/10
Ms. Chow Yue Hwa Jade	5/5	4/4			2/2	1/1	10/10
Ms. Yang Linyan (appointed on 17 April 2023)	3/3		1/1	0/0		0/0	4/4
Mr. Yang Heng (retired on 17 April 2023)	2/2	3/3				1/1	0/6
Mr. Zhu Xiaozhe (retired on 17 April 2023)	2/2		1/1	2/2		1/1	3/6

Attendance at the above meetings by an alternate Director has not been counted as attendance by the Director himself or herself.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

The largest shareholder of the Company, Shanghai Wensheng, and its person acting in concert, Shanghai Qijin have respectively confirmed to the Company and declared that they have complied with the non-compete undertaking given by them to the Company in April 2021 during the year ended 31 December 2023. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2023.

SENIOR MANAGEMENT'S REMUNERATIONS

The senior management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. The remunerations paid to a total of 2 senior management (excluding Directors and Supervisors) by remuneration bands for the year ended 31 December 2023 are set out below:

Remuneration bands	Number of individuals
RMB1,000,000 and below	1
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	0

The remunerations of senior management during their tenure as directors have not been included in as the senior management's remunerations.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, Supervisors and relevant employees on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

As a public company listed both in Hong Kong and the National Equities Exchange and Quotations, the Company strives to improve its internal governance and build a favorable corporate risk monitoring environment by strictly abiding by the laws and regulations and other regulatory requirements of the listing locations.

Continue to improve and optimize risk monitoring system

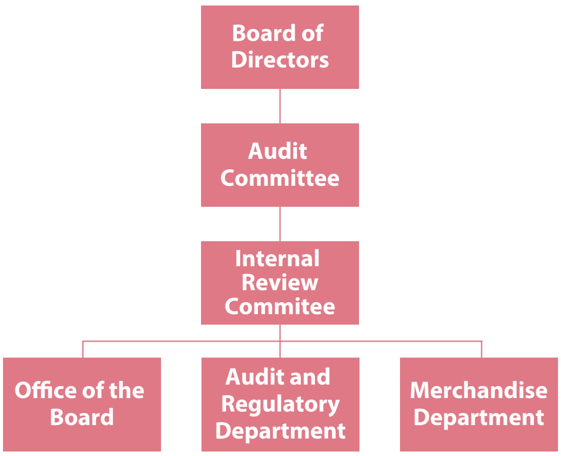
During the Reporting Period, in accordance with the four documents co-published by the five ministries of the PRC, namely, the Fundamental Norms on Corporate Internal Control, the Application Guidance on Corporate Internal Control, the Guidance on Corporate Internal Control and Assessment, the Audit Guidance on Corporate Internal Control as well as the relevant requirements with regard to the reviewing of the risk management and internal control systems by the Hong Kong Stock Exchange, the Company, along with its subsidiaries and relevant departments, carried out a comprehensive check on its existing system and procedures in light of organizational structure, development strategy, human resources, social responsibility, corporate culture, funding activities, procurement business, asset management, sales business, merchandizing, financial reports, comprehensive budget, contract management, internal communications and information system, and formed a virtuous cycle of detecting risks, identifying risks and facilitating business development through risk identification, risk assessment and gradual optimization, so as to further strengthen and standardize internal corporate monitoring, enhance operational management and risk control capability as well as to guarantee stakeholders' legitimate interests and facilitate the realization of the Company's strategic goal and sustainable development.

Effectively prevent operational risks to strengthen corporate control

The Company further normalized and perfected its internal control system to enhance the efficiency and effectiveness of the construction and implementation of the internal control system. The Company further improved its management and control measures with regard to strategic risks, financial risks, operational risks and market risks to prevent all kinds of risks, lay a solid foundation for corporate development as well as facilitate sustainable development. The Company further enhanced the learning and training of all employees so as to build up employee recognition and identification. The Company continued to enhance staff competency and skills by encouraging the learning of new management concepts and internal control methods through external and internal trainings, thus forming a benign atmosphere within the Company that "everyone learns internal control, everyone emphasizes risks and everyone is checked", and consequently facilitating the development of internal control and management mechanism and risk prevention mechanism that are systematic, normative and efficient.

The Company has established a scientific and efficient internal control system to identify, assess and manage the significant risks of the Company. The Board of Directors has confirmed its responsibility to supervise the Company's risk management and internal control systems, and reviewed their effectiveness at least annually through the Audit Committee. The Audit Committee generally supervises the effective implementation and self-evaluation of internal control, and is responsible for reviewing risk management and internal control systems and supervision. Besides reviewing the annual reports by the external auditors, the Audit Committee also reviews the periodic internal audit reports compiled by the audit department concerning the Company's core businesses in order to review the effectiveness of the internal control system and risk management mechanism as well as to resolve any material inadequacies found in relation to internal control. The Internal Review Committee manages and supervises the internal risk management system within the relevant departments of the Company, guarantees the implementation and enhancement of risk management system and measures, and manages the disclosure of inside information. The Internal Review Committee, led by the Audit Committee, reports to the Audit Committee.

The management is responsible for the daily operation of the internal control within the Company. The Office of the Board, Audit and Regulatory Department and Merchandise Department constitute the functioning departments within the Company responsible for the implementation of internal control and the assessment of the soundness and effectiveness of all the internal control systems within the Company. As the implementation units of the internal control, the Company's functioning departments, affiliates, wholly-owned and holding subsidiaries appoint designated persons to improve and evaluate the internal control system. The Company's internal risk management organizational structure is illustrated below:



The Company has adopted a number of policies and procedures to assess and carefully improve the effectiveness of the Company's risk management and internal control systems. Currently, the Company formulated rules and regulations to tackle problems concerning matters such as regional management, logistics operations and disposal of obsolete inventories, namely Administrative Measures on Donations, Administrative Measures on Inventory-taking in Logistics Warehouse and Administrative Measures on Disposal of Obsolete Inventories, in an effort to improve the Company's internal system and avoid operational risks. The Company has established various whistle-blowing channels, including telephone hotline: 86 21-5460 7110, email: jiancha@lachapelle.cn, and mail, to enable anonymous reporting of any suspected violations of laws and regulations, corruption and bribery. The Company' s Regulatory Department participated in and organized anti-corruption trainings, involving a total of around 130,000 attendances. It has also opened a WeChat subscription account named La Chapelle with Integrity. All of the abovementioned the efforts have contributed to the improvement of the Company's network for anti-corruption and internal control.

For the year ended 31 December 2023, the Board carried out annual review on the effectiveness of the Company's risk management system, procedures and internal control system, and continuously advised on various means of improvement. The review involved all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programs and the Company's budget on accounting and financial reporting function. The Board considers that the Company's risk management and internal control systems are effective and adequate in all material respects. The Company will continue to improve its risk management and internal control systems in order to protect the interests of the Company and its shareholders.

The Company's risk management and internal control systems aim to manage, rather than eliminate, the risks involved with failing to meet the business goals, and can only provide reasonable, but not absolute, guarantee on material misrepresentations or losses.

COMPANY SECRETARY

During the year ended 31 December 2023, Ms. Wong Wai Ling, the Company Secretary, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Ms. Wong Wai Ling is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and Mr. Zhao Jinwen, an executive Director, is her primary contact person at the Company. The biographical details of the Company Secretary is set out in the section headed "Profiles of Directors, Supervisors and Senior Management".

Having been authorized by the Chairman, the Company Secretary is responsible for working out meeting agenda, organising Board meetings, and offering relevant documents to the Directors in advance, so as to ensure that the Directors have obtained sufficient and accurate information for making effective and well-grounded decisions.

The Company Secretary assists in convening and holding Board meetings in accordance with all applicable laws and regulations, as well as the procedures specified in the Articles of Association. In addition, the Company Secretary would prepare relevant minutes and circulate them to the Directors for their comments.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 in accordance with statutory requirements and applicable accounting standards.

The Board is responsible for providing to the shareholders a clear and balanced assessment on the Company's financial position and prospects, and is accountable to the shareholders in this regard. The management of the Company provides all relevant information and records to the Board, which enable the Board to prepare the accounts of the Company and to make the above assessments.

The Audit Committee had reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2023. Save as disclosed below, the Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue operation on the going concern basis.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report.

GOING CONCERN CAPABILITY

On 2 February 2023, the Shanghai Third Intermediate People's Court accepted the bankruptcy liquidation application filed against the Company by its creditors and appointed administrator, and the Company has entered into bankruptcy liquidation proceedings. On 12 September 2023, the Shanghai Third Intermediate People's Court ruled that the Company has entered into bankruptcy reorganisation proceedings, and as at the date of this report, the Company is still under bankruptcy reorganisation status.

As stated in note 2 to the financial statements "Basis of Preparation of Financial Statements", at present, the main business of the Company is running normally, and its operation and management are in good order. The board of directors and management are actively cooperating with the administrator to expedite the bankruptcy reorganisation procedures in order to completely resolve the historical debt burden of the Company. Therefore, the Company's management has prepared its financial statements on a going concern basis. However, as at the date of this report, it is uncertain whether the Company's reorganisation proposal will be approved by the creditors, whether the corresponding reorganisation plan will be approved by the court and whether the bankruptcy reorganisation proceedings will be successfully terminated. In view of the impact of the above circumstances, it indicates that there is a material uncertainty in the continuing operation of the Company.

The auditors were unable to obtain sufficient and appropriate audit evidence to determine whether it is appropriate for the Company to prepare its 2023 financial statements on going concern basis.

AUDITORS

Da Hua was appointed as the domestic and international auditors of the Company for the year ended 31 December 2023. The resolution regarding the appointment of the auditor for the year ending 31 December 2024 will be tabled at the 2023 AGM.

The remuneration paid to Da Hua in respect of the audit services rendered for the year ended 31 December 2023 was RMB2.28 million.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The shareholders' communication policy of the Company is to maintain transparency and provide timely information of the Group's material developments to shareholders and investors. General meetings of the Company are formal channels for communication between shareholders and the Board. The chairman of the Board and the chairmen of the Board Professional Committees (or, in their absence, other members of the respective committees) will make themselves available at the general meetings to have direct communication with the shareholders. The Company publishes its announcements, financial information, and other relevant information on its website (group.lachapelle.cn) and the website of Hong Kong Stock Exchange (www.hkexnews.hk), as a channel to facilitate effective communication.

The Company has a shareholders' communication policy in place and the Board is satisfied during the annual evaluation of the current policy that it is adequate and effective.

Shareholders may also send their enquiries and concerns to the Board by sending them to the investor relations department of the Company at the following address:

Address:	12F, Building 4, No, 50. Lane 2700 South Lianhua Road, Minhang District, Shanghai, China, Postal code: 200241
Email:	ir@lachapelle.cn

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting by Shareholders

Pursuant to the Articles of Association, shareholders severally or jointly holding 10% or more of the shares carrying the right to vote at the proposed meeting may request the Board to convene an extraordinary general meeting. The agenda of the proposed meeting shall be stated therein.

When the Company convenes an annual general meeting, a notice to notify all registered shareholders must be given no later than 20 days before the meeting date; when the Company convenes an extraordinary general meeting, a notice to notify all registered shareholders must be given no later than 15 days before the meeting date. Such notice shall contain the matters to be considered at the meeting as well as the date and venue of the meeting.

Putting Forward Proposals at General Meetings

When the Company decides to convene an annual general meeting, any shareholders that severally or jointly holding 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company, and may raise ad hoc proposals and submit them in writing to the Board ten days prior to the general meeting. The Board shall, within two days after receipt of such proposal, issue a supplemental notice of the general meeting and announce the contents of the ad hoc proposals.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company proposed to make certain amendments to the existing Articles of Association (the "**Proposed Amendments**"). The Proposed Amendments were approved by the shareholders at the 2023 third extraordinary general meeting, 2023 third domestic shareholders class meeting, and 2023 third H shareholders class meeting held on 19 May 2023, respectively and has taken effect on 1 August 2023. The revised Articles of Association has been published on both the websites of the Hong Kong Stock Exchange and the Company.

Audit Report

D.H.S.Z.[2024]0011009472

To the Shareholders of Xinjiang La Chapelle Fashion Co., Ltd.:

I. DISCLAIMER OF OPINION

We have audited the financial statements of Xinjiang La Chapelle Fashion Co., Ltd. (hereinafter as "La Chapelle"), which comprise the consolidated and parent company's balance sheet as of December 31, 2023, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements, the consolidated and parent company statements of changes in shareholders' equity for the fiscal year 2023, and notes to the financial statements.

We do not express audit opinion on the accompanying financial statements of La Chapelle. Due to the significance of the matters described in the "Basis for the Disclaimer of Opinion" section, we were unable to obtain sufficient and appropriate audit evidence to form a basis of our audit opinion on the financial statements.

II. BASIS FOR THE DISCLAIMER OF OPINION

(I) Going Concern

On February 2, 2023, the Shanghai Third Intermediate People's Court accepted the bankruptcy liquidation application filed against La Chapelle by its creditors and appointed administrator, and La Chapelle has entered into bankruptcy liquidation proceedings. On September 12, 2023, the Shanghai Third Intermediate People's Court ruled that La Chapelle has entered into bankruptcy reorganisation proceedings, and as at the date of this report, La Chapelle is still under bankruptcy reorganisation status.

As stated in note 2 to the financial statements "Basis of Preparation of Financial Statements", at present, the main business of La Chapelle is running normally, and its operation and management are in good order. The board of directors and management are actively cooperating with the administrator to expedite the bankruptcy reorganisation procedures in order to completely resolve the historical debt burden of the Company. Therefore, La Chapelle's management has prepared its financial statements on a going concern basis. However, as at the date of this report, it is uncertain whether La Chapelle's reorganisation proposal will be approved by the creditors, whether the corresponding reorganisation plan will be approved by the court and whether the bankruptcy reorganisation proceedings will be successfully terminated. In view of the impact of the above circumstances, it indicates that there is a material uncertainty in the continuing operation of the Company.

We were unable to obtain sufficient and appropriate audit evidence to determine whether it is appropriate for La Chapelle to prepare its 2023 financial statements on going concern basis.

(II) Recognition of the amount of claims and debts related to the litigation

La Chapelle Company has been in judicial proceedings since February 2, 2023. Its wholly-owned subsidiary Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) has entered into bankruptcy liquidation procedures in 2022, and its wholly-owned subsidiaries Nuoxing (Shanghai) Clothing Co., Ltd.* (諾杏(上海)服飾有限公司), Shanghai La Chapelle Casual Fashion Co., Ltd.* (上海拉夏貝爾休閒服飾有限公司) and La Chapelle Fashion (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司) and its subsidiaries have entered into bankruptcy liquidation procedures or bankruptcy reorganisation procedures in 2023 respectively. La Chapelle and its other subsidiaries within the scope of consolidation have assumed mutual guarantee obligations or undertake joint and several liability obligations, and the creditors have declared their claims to the aforementioned companies. If debts cannot be fully repaid, the outstanding portion will be recovered from La Chapelle and its other subsidiaries.

Due to the complexity of litigation matters, the uncertainty of the outcome of litigation matters, the difficulty to confirm the amount of liquidated damages and the penalty interests for delays, and the length of the judicial process, we were unable to perform the external confirmations procedures in full or obtain a satisfactory response to the external confirmations procedures that were performed.

We were unable to obtain sufficient and appropriate audit evidence to determine whether the estimated liabilities related to litigation was correct.

III. RESPONSIBILITIES OF MANAGEMENT AND GOVERNANCE FOR FINANCIAL STATEMENTS

The management of La Chapelle is responsible for preparing financial statements that present a fair view in accordance with accounting standards for business enterprises and for designing, implementing, and maintaining such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, La Chapelle's management is responsible for assessing La Chapelle's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and applying the going concern assumptions, unless management plans to liquidate La Chapelle, discontinue operations, or has no other realistic option.

Governance is responsible for overseeing La Chapelle’s financial reporting process.

IV. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANTS FOR THE AUDIT OF FINANCIAL STATEMENTS

Our responsibility is to perform the audit of the financial statements of La Chapelle in accordance with CAS (China Accounting Standards) in order to issue an audit report. However, we are unable to obtain sufficient and appropriate audit evidence as a basis for our audit opinion because of the matters described in the "Basis for Disclaimer of Opinion" section.

We are independent of La Chapelle and have fulfilled our other responsibilities in terms of professional ethics in accordance with the Code of Ethics for Certified Public Accountants in China.

Da Hua Certified Public Accountants (Special General Partnership)	CICPA: (Engagement Partner)	薛祈明 Xue Qiming
Beijing, China	CICPA:	葉華 Ye Hua
	29 April 2024	

Consolidated Balance Sheet

As at 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

	Note V	**Closing Balance**	Opening Balance
Assets			
Current assets:			
Monetary Funds	(I)	**49,930**	100,238
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(II)	**9,253**	42,580
Accounts receivable financing		**–**	–
Prepayments	(III)	**1,472**	5,004
Other receivables	(IV)	**5,469**	11,298
Other receivables			
Inventories	(V)	**38,857**	38,699
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year	(VI)	**–**	–
Other current assets	(VII)	**83,226**	32,288
Total current assets		**188,207**	230,107
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(VIII)	**87,313**	106,264
Other equity instruments investment	(IX)	**–**	–
Other non-current financial assets	(X)	**96,727**	92,208
Investment properties		**–**	–
Fixed assets	(XI)	**110,972**	526,254
Construction in progress	(XII)	**67,868**	69,778
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets	(XIII)	**8,988**	36,427
Intangible assets	(XIV)	**35,355**	91,125
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses	(XV)	**2,419**	4,028
Deferred tax assets	(XVI)	**–**	–
Other non-current assets		**–**	–
Total non-current assets		**409,642**	926,084
Total assets		**597,849**	1,156,191

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

Consolidated Balance Sheet

As at 31 December 2023

(All amounts in RMB'000 unless otherwise stated)

	Note V	**Closing Balance**	Opening Balance
Liability and Equity			
Current liabilities:			
Short-term borrowings	(XVIII)	**1,077,598**	1,147,748
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable	(XIX)	**1,121,143**	893,963
Advance from customers	(XX)	**782**	267
Contract liabilities	(XXI)	**5,170**	4,408
Payroll Payable	(XXII)	**11,216**	10,563
Tax payable	(XXIII)	**134,175**	201,028
Other payables	(XXIV)	**1,082,453**	958,932
Held-for-sale liabilities		**–**	–
Non-current liability due within one year	(XXV)	**3,219**	10,348
Other current liabilities	(XXVI)	**488**	578
Total current liabilities		**3,436,244**	3,227,835
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities	(XXVII)	**5,238**	26,673
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities	(XXVIII)	**476,875**	469,473
Deferred income		**–**	–
Deferred tax liabilities	(XVI)	**–**	–
Other non-current liabilities	(XXIX)	**4,500**	5,419
Total non-current liabilities		**486,613**	501,565
Total liabilities		**3,922,857**	3,729,400

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

Consolidated Balance Sheet

As at 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

	Note V	**Closing Balance**	Opening Balance
Equity:			
Share capital	(XXX)	**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus	(XXXI)	**1,913,251**	1,910,806
Less: Treasury share	(XXXII)	**20,010**	20,010
Other comprehensive income	(XXXIII)	**(43,606)**	(43,606)
Special reserves		**–**	–
Surplus reserve	(XXXIV)	**246,788**	246,788
Undistributed profits	(XXXV)	**(5,884,949)**	(5,147,499)
Equity attributable to Shareholders of the Company		**(3,240,854)**	(2,505,849)
Non-controlling interests		**(84,154)**	(67,360)
Total equity		**(3,325,008)**	(2,573,209)
Total liabilities and equity		**597,849**	1,156,191

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Consolidated Income Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	2023	2022
1. Revenue	(XXXVI)	**170,233**	197,841
Less: Costs of sales	(XXXVI)	**47,086**	61,761
Taxes and surcharges	(XXXVII)	**(5,251)**	12,201
Selling and distribution expenses	(XXXVIII)	**102,806**	81,179
Administrative expenses	(XXXIX)	**93,794**	129,047
Research and development expenses		**–**	–
Finance expenses	(XL)	**88,641**	181,703
Including: Interest expenses		**88,604**	182,103
Interest income		**626**	1,495
Add: Other income	(XLI)	**1,462**	17,690
Investment income	(XLII)	**(390,037)**	(629,545)
Including: Investment income from associates and joint ventures		**(17,936)**	(38,342)
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging		**–**	–
Gain/(Loss) on fair value changes	(XLIII)	**4,907**	(9,433)
Credit impairment losses	(XLIV)	**14,358**	(27,890)
Asset impairment losses	(XLV)	**(20,807)**	(22,577)
Gain/(Loss) on disposal of assets	(XLVI)	**(28,472)**	(2,218)
2. Operating profit		**(575,432)**	(942,023)
Add: Non-operating income	(XLVII)	**500**	1,822
Less: Non-operating expenses	(XLVIII)	**175,899**	134,023
3. Profit before tax		**(750,831)**	(1,074,224)
Less: Income tax expenses	(XLIX)	**2,479**	(450)
4. Net profit		**(753,310)**	(1,073,774)
I. Classified by continuity of operations			
Net profit from continuing operations		**(753,310)**	(1,073,774)
Net profit from discontinuing operations		**–**	–
II. Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		**(737,450)**	(1,071,973)
Net profit attributable to non-controlling interests		**(15,860)**	(1,801)

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

Consolidated Income Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	2023	2022
5. Other comprehensive income, net of tax		**–**	(2,580)
Other comprehensive income after tax attributable to parent company		**–**	(2,580)
I. Items of other comprehensive income that cannot be reclassified into profit and loss			(2,580)
i. Changes in fair value of investments in equity instruments		**–**	(2,580)
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
i. Translation differences on translation of foreign currency financial statement		**–**	–
Other comprehensive income attributable to non-controlling interests after tax		**–**	–
6. Total comprehensive income		**(753,310)**	(1,076,354)
Attributable to shareholders of the company		**(737,450)**	(1,074,553)
Attributable to non-controlling interests		**(15,860)**	(1,801)
7. Earnings per share			
I. Basic earnings per share		**(1.36)**	(1.97)
II. Diluted earnings per share		**(1.36)**	(1.97)

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	2023	2022
1. Cash flows from operating activities			
Cash received from sales of products or rendering of services		**188,752**	168,187
Tax and surcharge refunds		**90**	8,878
Cash received relating to other operating activities	(LII)	**17,621**	13,463
Total cash inflows from operating activities		**206,463**	190,528
Cash paid for goods and services		**58,637**	43,909
Cash paid to and for employees		**73,326**	72,828
Taxes and surcharges paid		**3,286**	8,319
Other cash payments related to operating activities	(LII)	**63,178**	81,449
Total cash outflows from operating activities		**198,427**	206,505
Net cash flows from operating activities		**8,036**	(15,977)
2. Cash flows from investing activities			
Cash received from return on investments		**–**	–
Cash received from gain on investment		**–**	–
Net cash received from disposals of fixed assets, intangible assets, and other long-term assets		**211**	240
Net cash received from disposal of subsidiaries and other business units		**2,641**	–
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**2,852**	240
Cash paid for fixed assets, intangible assets, and other long-term assets		**2,704**	6,679
Cash paid for investments		**–**	–
Net cash paid for acquiring subsidiaries and other business units		**–**	–
Cash paid relating to other investing activities		**218**	573
Total cash outflows from investing activities		**2,922**	7,252
Net cash flows from investing activities		**(70)**	(7,012)

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

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note V	2023	2022
3. Cash flows from financing activities			
Cash received from investments by others		**400**	–
Including: Cash received by subsidiaries from non-controlling investors		**400**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**400**	–
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Including: Dividends or profit paid by subsidiaries to non-controlling investors		**–**	–
Other cash payments related to financing activities	(LII)	**2,776**	2,315
Total cash outflows from financing activities		**2,776**	2,315
Net cash flows from financing activities		**(2,376)**	(2,315)
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**5,590**	(25,304)
Add: Opening balance of cash and cash equivalents		**36,052**	61,356
6. Closing balance of cash and cash equivalents		**41,642**	36,052

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	2023											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	**547,672**	**-**	**-**	**-**	**1,910,806**	**20,010**	**(43,606)**	**-**	**246,788**	**(5,147,499)**	**(67,360)**	**(2,573,209)**
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	**547,672**	**-**	**-**	**-**	**1,910,806**	**20,010**	**(43,606)**	**-**	**246,788**	**(5,147,499)**	**(67,360)**	**(2,573,209)**
3. Increase/decrease for current year	**-**	**-**	**-**	**-**	**2,445**	**-**	**-**	**-**	**-**	**(737,450)**	**(16,794)**	**(751,799)**
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(737,450)	(15,860)	(753,310)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	400	400
i. Common stock contributed/ paid-in capital by shareholders/ owners	-	-	-	-	-	-	-	-	-	-	400	400
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	2,445	-	-	-	-	-	(1,334)	1,111
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,913,251**	**20,010**	**(43,606)**	**-**	**246,788**	**(5,884,949)**	**(84,154)**	**(3,325,008)**

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	2022											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
1. Closing balance of last year	547,672	-	-	-	1,910,806	20,010	(41,026)	-	246,788	(4,075,526)	(78,274)	(1,509,570)
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	547,672	-	-	-	1,910,806	20,010	(41,026)	-	246,788	(4,075,526)	(78,274)	(1,509,570)
3. Increase/decrease for current year	-	-	-	-	-	-	(2,580)	-	-	(1,071,973)	10,914	(1,063,639)
I. Total comprehensive income	-	-	-	-	-	-	(2,580)	-	-	(1,071,973)	(1,801)	(1,076,354)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/ paid-in capital by shareholders/ owners	-	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	12,715	12,715
4. Closing balance of current year	547,672	-	-	-	1,910,806	20,010	(43,606)	-	246,788	(5,147,499)	(67,360)	(2,573,209)

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Company Balance Sheet

As at 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

	Note XVII	Closing Balance	Opening Balance
Assets			
Current assets:			
Monetary Funds		**968**	34,823
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(I)	**332,877**	1,475,334
Accounts receivable financing		**–**	–
Prepayments		**82**	1,784
Other receivables	(II)	**670,519**	299,272
Inventories		**5,560**	16,554
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year		**–**	–
Other current assets		**71,873**	2,726
Total current assets		**1,081,879**	1,830,493
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(III)	**450,520**	582,020
Other equity instruments investment		**–**	–
Other non-current financial assets		**30,612**	22,540
Investment properties		**–**	–
Fixed assets		**1,707**	2,459
Construction in progress		**–**	–
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets		**5,819**	30,968
Intangible assets		**945**	4,309
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses		**–**	–
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**489,603**	642,296
Total assets		**1,571,482**	2,472,789

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

Company Balance Sheet

As at 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

	Note XVII	**Closing Balance**	Opening Balance
Liability and Equity			
Current liabilities:			
Short-term borrowings		**527,598**	597,748
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable		**1,049,776**	1,034,143
Advance from customers		**745**	221
Contract liabilities		**–**	1,334
Payroll payable		**1,588**	544
Tax payables		**88,552**	98,060
Other payables		**1,553,361**	1,358,432
Held-for-sale liabilities		**–**	–
Non-current liability due within a year		**1,602**	6,713
Other current liabilities		**–**	174
Total current liabilities		**3,223,222**	3,097,369
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Including: Perpetual debt		**–**	–
Lease liabilities		**3,451**	24,526
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities		**1,548,732**	49,179
Deferred income		**–**	–
Deferred tax liabilities		**–**	–
Other non-current liabilities		**–**	–
Total non-current liabilities		**1,552,183**	73,705
Total liabilities		**4,775,405**	3,171,074

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

Company Balance Sheet

As at 31 December 2023

(All amounts in RMB'000 unless otherwise stated)

	Note XVII	**Closing Balance**	Opening Balance
Equity:			
Share capital		**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Including: Perpetual debt		**–**	–
Capital surplus		**1,897,270**	1,897,270
Less: Treasury share		**20,010**	20,010
Other comprehensive income		**–**	–
Special reserves		**–**	–
Surplus reserve		**246,788**	246,788
Undistributed profits		**(5,875,643)**	(3,370,005)
Total equity		**(3,203,923)**	(698,285)
Total liabilities and equity		**1,571,482**	2,472,789

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Company Income Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note XVII	2023	2022
1. Revenue	(IV)	**27,265**	81,021
Less: Costs of sales	(IV)	**9,792**	26,026
Taxes and surcharges		**(8,457)**	702
Selling and distribution expenses		**11,380**	86
Administrative expenses		**29,990**	61,126
Research and development expenses		**–**	–
Finance expenses		**7,001**	71,655
Including: Interest expenses		**7,127**	71,908
Interest income		**423**	848
Add: Other income		**664**	13,094
Investment income	(V)	**7,894**	4,190
Including: Investment income from associates and joint ventures		**–**	–
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging		**–**	–
Gain/(Loss) on fair value changes		**8,461**	(9,305)
Credit impairment losses		**(2,233,005)**	(1,064,852)
Asset impairment losses		**(136,356)**	(76,676)
Gain/(Loss) on disposal of assets		**248**	(1,603)
2. Operating profit		**(2,374,535)**	(1,213,726)
Add: Non-operating income		**446**	286
Less: Non-operating expenses		**131,415**	51,489
3. Profit before tax		**(2,505,504)**	(1,264,929)
Less: Income tax expenses		**134**	221
4. Net profit		**(2,505,638)**	(1,265,150)
i. Net profit from continuing operations		**(2,505,638)**	(1,265,150)
ii. Net profit from discontinuing operations		**–**	–
5. Other comprehensive income, net of tax		**–**	–
I. Items of other comprehensive income that cannot be reclassified into profit and loss		**–**	–
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
6. Total comprehensive income		**(2,505,638)**	(1,265,150)

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Company Cash Flow Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note XVIIs	2023	2022
1. Cash flows from operating activities			
Cash received from sales of products or rendering of services		**4,737**	715
Tax and surcharge refunds		**3**	7
Cash received relating to other operating activities		**2,108**	577
Total cash inflows from operating activities		**6,848**	1,299
Cash paid for goods and services		**–**	–
Cash paid to and for employees		**–**	–
Taxes and surcharges paid		**–**	–
Other cash payments related to operating activities		**6,588**	1,300
Total cash outflows from operating activities		**6,588**	1,300
Net cash flows from operating activities		**260**	(1)
2. Cash flows from investing activities			
Cash received from return on investments		**–**	–
Cash received from gain on investment		**–**	–
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business units		**–**	–
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**–**	–
Cash paid for fixed assets, intangible assets, and other long-term assets		**–**	–
Cash paid for investments		**–**	
Net cash paid for acquiring subsidiaries and other business units		**–**	
Cash paid relating to other investing activities		**–**	
Total cash outflows from investing activities		**–**	–
Net cash flows from investing activities		**–**	–

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

Company Cash Flow Statement

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	Note XVIIs	**2023**	2022
3. Cash flows from financing activities			–
Cash received from investments by others		**–**	–
Cash received from borrowings		**–**	–
Other cash receipts related to other financing activities		**–**	–
Total cash inflows from financing activities		**–**	–
Cash repayments of borrowings		**–**	–
Cash payments for distribution of dividends, profits or interest expenses		**–**	–
Other cash payments related to financing activities		**–**	–
Total cash outflows from financing activities		**–**	–
Net cash flows from financing activities		**–**	–
4. Effect of changes in foreign exchange rates on cash and cash equivalents			
5. Net increase in cash and cash equivalents		**260**	(1)
Add: Opening balance of cash and cash equivalents		**17**	18
6. Closing balance of cash and cash equivalents		**277**	17

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	2023										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(3,370,005)**	**(698,285)**
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
2. Opening balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(3,370,005)**	**(698,285)**
3. Increase/decrease for current year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,505,638)**	**(2,505,638)**
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(2,505,638)	(2,505,638)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(5,875,643)**	**(3,203,923)**

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

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

Items	2022										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Others	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
1. Closing balance of last year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(2,104,855)	566,865
Add: Increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in prior period	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
2. Opening balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(2,104,855)	566,865
3. Increase/decrease for current year	–	–	–	–	–	–	–	–	–	(1,265,150)	(1,265,150)
I. Total comprehensive income	–	–	–	–	–	–	–	–	–	(1,265,150)	(1,265,150)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	–
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	–
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–
IV. Transfers within owners' equity	–	–	–	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	–
4. Closing balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(3,370,005)	(698,285)

Legal representative: **Zhao Jinwen**

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

Head of accounting department: **Hu Zhiguo**

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

Notes to the financial statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

I. GENERAL INFORMATION

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

Xinjiang La Chapelle Fashion Co., Ltd. (hereinafter referred to as "Company") is a joint stock company, established and converted from Shanghai Xuhui La Chapelle Apparel Co. (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-share of RMB-denominated shares and H-share 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.

As of 31 December 2023, the Company accumulatively issued 547,761,600 shares with a registered share capital of RMB547,761.6 thousand. Registered address: 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.

(II) Business Nature and Major Activities of the Company

The main business activity of the Company and its subsidiaries is design, promotion and sale of apparel products in the PRC.

During the reporting period, the major activities of the Company include apparel sales, brand-integrated services and property leasing.

(All amounts in RMB'000 unless otherwise stated)

I. GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements

The total number of subsidiaries in the scope of consolidated financial statements for the period is 21, including:

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

(All amounts in RMB'000 unless otherwise stated)

I. GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements (continued)

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai La Chapelle Naf Fashion Co., Ltd. ("Laxia Naf")	Controlling subsidiary	First	65	65
Guangzhou Xichen Clothing Co., Ltd. ("Guangzhou Xichen")	Controlling subsidiary	First	60	60
Taicang Xiawei Fashion Co., Ltd. ("Taicang Xiawei")	Wholly-owned subsidiary	First	100	100
Xinjiang Tongrong Fashion Co., Ltd. ("Xinjiang Tongrong")	Wholly-owned subsidiary	First	100	100
Shanghai Pinxi Technology Co., Ltd. ("Shanghai Pinxi")	Wholly-owned subsidiary	Second	100	100
Taicang Chongan Fashion Co., Ltd. ("Taicang Chongan")	Wholly-owned subsidiary	First	100	100
Shanghai Geraopu Fashion Co., Ltd. ("Shanghai Geraopu")	Wholly-owned subsidiary	Second	100	100
Shanghai Aixi Culture Broker Co., Ltd. ("Aixi Culture")	Wholly-owned subsidiary	Third	100	100
Shanghai Puaila Fashion Co., Ltd. ("Shanghai Puaila")	Controlling subsidiary	Second	80	80

In this fiscal year, 1 entity was newly joined in, and 6 entities were subtracted from the scope of consolidation, details below:

I. GENERAL INFORMATION (CONTINUED)

(III) Scope of Consolidated Financial Statements (continued)

(I) Subsidiaries added to scope of consolidation:

Name of subsidiary	Reasons of changes
Shanghai Puaila Fashion Co., Ltd. ("Shanghai Puaila")	Investment establishment

(II) Subsidiaries which no longer in scope of consolidation:

Name of subsidiary	Reasons of changes
Nuoxing (Shanghai) Fashion Co., Ltd. ("Shanghai Nuoxing")	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
Shanghai La Chapelle Casual Fashion Co., Ltd. ("Laxia Xiuxian")	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
Anhui Xinshang Fashion Co., Ltd ("Anhui Xinshang")	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
La Chapelle Fashion (Taicang) Co., Ltd. ("Taicang Laxia")	Taken over by court-appointed reorganisation administrator and no longer included in the scope of the consolidation
Taicang Jiashang Storage Co., Ltd. ("Taicang Jiashang Storage")	Due to the take-over of the wholly-owned subsidiary Taicang Laxia by the reorganisation administrator, it is no longer included in the scope of the consolidated financial statements
Taicang Xiawei Storage Co., Ltd. ("Taicang Xiawei Storage")	Due to the take-over of the wholly-owned subsidiary Taicang Laxia by the reorganisation administrator, it is no longer included in the scope of the consolidated financial statements

Details of the changes are presented in Note VII "Changes in Scope of Consolidation"

(IV) Approval of Financial Statements for Reporting

These financial statements are approved by Company's Board of Directors on 29 April 2024.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

The Company recognizes and measures transactions and events in accordance with the "Accounting Standards for Business Enterprises – Basic Standards" issued by the Ministry of Finance and Specific Accounting Standards for Business Enterprises, Application Guidelines, Interpretations, and other relevant regulations. In conjunction with the "Rules for the Disclosure of Information of Public-Offered Stocks and Securities by Companies No. 15 – General Requirements of Financial Reporting" (Revised 2023) issued by the China Securities Regulatory Commission.

(II) Going Concern

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

The Company's main business is currently operating normally and the operation and management work is in an orderly manner. The Board of Directors of and the management of the Company are pro-actively taking measures to promote reorganisation work to completely resolve the Company's historical debt burden and improve the Company's ability to continue operations and profitability. The main measures are as follows:

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.

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

(II) Going Concern (continued)

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.

(III) Basis of Accounting and Valuation Principles

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of Compliance with Corporate Accounting Standards

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

(II) Accounting Period

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

(III) Operating Cycle

An operating cycle refers to the period required for a business to make initial purchase to produce goods and receive cash and cash equivalents. The company adopts 12 months as an operating cycle, which is the classification standard of the liquidity of its asset and liability.

(IV) Currency of Accounts

The company adopts Chinese Yuan as its currency of accounts.

(V) Determination method and selection basis of materiality standard

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

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

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

(1) These transactions occurred simultaneously or mutually influence have been considered.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. Business combination under the common control

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Business combination not under common control

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

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

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

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

4. Costs incurred in connection with the merger

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. Criteria for determining the control

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

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

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

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

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

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

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

(6) Investors' relationships with other parties.

2. Scope of consolidation

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

3. Consolidated procedure

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Consolidated procedure (continued)

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

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

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

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

For subsidiaries acquired through business combinations not under common control, their financial statements are adjusted based on the fair value of identifiable net assets at the date of purchase.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Consolidated procedure (continued)

(1) Addition to subsidiary or business

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

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

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

If the Company can exercise control over an investee not under common control due to additional investment, etc., the company remeasures the equity interest in the investee held prior to the date of purchase at the fair value of the equity interest at the date of purchase, and the difference between the fair value and carrying amount is recognized as investment income for the current period. If the equity interest in the investee held before the date of purchase involves other comprehensive income under the equity method of accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owners' equity are transferred to investment income for the current period to which they belong at the date of purchase, except for other comprehensive income resulting from the remeasurement of the investee's net liabilities or changes in net assets of the defined benefit plan. Other comprehensive income arising from the remeasurement of the net liabilities or net assets of the defined benefit plan is excluded.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Consolidated procedure (continued)

(2) Disposal of subsidiaries or business

1) General treatment

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

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

2) Disposal of subsidiary achieved by stages

Where an equity investment in a subsidiary is disposed of in steps through multiple transactions until control is lost, the terms, conditions and economic effects of each transaction to dispose of the equity investment in the subsidiary are such that one or more of the following circumstances normally indicate that the multiple transaction event should be accounted for as a package transaction:

A. The transactions were entered into simultaneously or after consideration of their mutual effects.

B. The transactions as a whole are necessary to achieve a complete business result.

C. The occurrence of one transaction is dependent on the occurrence of at least one other transaction.

D. A transaction is uneconomic when viewed alone but is economic when considered together with other transactions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Consolidated procedure (continued)

(2) Disposal of subsidiaries or business (continued)

2) Disposal of subsidiary achieved by stages (continued)

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

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

(3) Acquisition of minority interest of subsidiary

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. Classification of joint venture arrangements

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

2. Accounting for joint operations

The Company recognizes the following items in its share of interest in joint operations that relate to the Company and accounts for them in accordance with the relevant corporate accounting standards:

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

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

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

(4) Recognition of revenue from the sale of output from joint operations in its share.

(5) Recognition of expenses incurred separately and, in proportion to their shares, jointly.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IX) Criteria for determining cash and cash equivalents

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

(X) Foreign currency operations and translation of foreign currency statements

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments

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

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

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

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

1. Classification, Recognition, and Measurement of Financial Instruments

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

(1) Financial assets measured at amortized cost.

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

(1) Financial assets classified as measured at amortized cost

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

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

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

2. Classification, recognition, and measurement of financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

1) Ability to eliminate or significantly reduce accounting mismatches.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

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

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

(2) Other financial liabilities

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

1) Financial liabilities at fair value through profit or loss.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

3. Derecognition of financial assets and liabilities

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

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

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

(2) Conditions for derecognition of financial liabilities

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

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

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

4. Recognition basis and measurement method of financial asset transfer

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

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

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

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

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

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

1) Carrying value of derecognized portion at the date of derecognition.

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

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

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

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

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

(1) Credit risk increased significantly

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(1) Credit risk increased significantly (continued)

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

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

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

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

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

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

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

(2) Financial assets that are credit impaired

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

1) Significant financial difficulty of the issuer or debtor.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(2) Financial assets that are credit impaired (continued)

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

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

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

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

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

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

(3) Determination of expected credit losses

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(3) Determination of expected credit losses (continued)

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

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

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

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

(4) Write-down of financial assets

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

7. Offset of financial assets and financial liabilities

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Notes receivable

The Company determines the expected credit losses on notes receivable and accounts for them as described in Note XI/6 "Impairment of financial instruments".

The Company separately determines credit losses on notes receivable resulting from transactions governed by the income guidelines.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company classifies notes receivable into certain portfolios based on credit risk characteristics, considering historical credit loss experience, current conditions and judgments about future economic conditions, and calculates expected credit losses on the basis of the portfolios. The basis for determining the portfolio is as follows:

Name of portfolio	Basis for determining	Accrue method
Banker's Acceptance Note Portfolio	Accepting Institution	Calculation of expected credit losses by reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the entire duration.
Commercial Promissory Note Portfolio	Acceptor	Prepare a table comparing the aging of notes receivable with expected credit losses throughout the life of the notes by referring to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and calculate expected credit losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Accounts receivable

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

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

Name of portfolio	Basis for determining	Accrue method
Full amount of expected credit loss portfolio	Account receivables which have full impairment of bad debts.	Accounts receivable with expected credit losses are individually evaluated with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and are classified into the corresponding portfolio for bad debt provisioning
Age of accounts risk portfolio	All accounts receivable except those for which full impairment of bad debts have been applied.	Calculate expected credit losses by referring to historical credit loss experience, combining current conditions and forecasts of future economic conditions, through default exposures and expected credit loss rates over the entire duration

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Receivable's financing

The Company's method of determining expected credit losses on receivables financing and its accounting treatment are detailed in Note XI/6 "Impairment of financial instruments".

(XV) Other receivables

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

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

Name of portfolio	Basis for determining	Accrue method
Full amount of expected credit loss portfolio	Other account receivables which have full impairment of bad debts.	Other receivables with expected credit losses are individually evaluated with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and are classified in the appropriate portfolio for bad debt provisioning
Age of accounts risk portfolio	All other account receivables except those for which full impairment of bad debts have been applied.	Calculate expected credit losses based on reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and prepare a comparison table of the aging of other receivables over the next 12 months or the entire duration.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Inventory

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

(1) Classification of inventories

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

(2) Inventory valuation method when they are issued

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

(3) Inventory system for inventories

Adopt perpetual inventory counting system.

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

Low-value consumables are amortized using the one-time reversal method.

2. 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 on the basis of the general sales price.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVI) Inventory (continued)

2. The basis for determining the net realizable value of inventories and the impairment for inventory (continued)

If the factors affecting previous write-down of inventory value have disappeared, the amount of the write-down is restored and reversed within the amount of the original impairment of inventories, and the amounts reversed are charged to current period profit or loss.

(XVII) Other debt investment

The method of determining expected credit losses and the accounting treatment of the company's other debt investments is detailed in Note XI/6 "Impairment of financial instruments".

(XVIII) Long-term receivables

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

(XIX) Long-term equity instruments

1. Initial determination of investment costs

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

1. Initial determination of investment costs (continued)

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

2. Subsequent measurement and profit or loss recognition

(1) Cost method

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

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

(2) Equity method

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

The difference between the initial investment cost of a long-term equity investment and its share of the fair value of the identifiable net assets of the investee at the time of investment is not adjusted; the difference between the initial investment cost and its share of the fair value of the identifiable net assets of the investee at the time of investment is recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

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

(2) Equity method (continued)

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

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

(1) Transfer from fair value measurement to equity method accounting

If the equity investment originally held by the Company that does not have control, joint control or significant influence over the investee and is accounted for under the recognition and measurement of financial instruments standard is able to exercise significant influence or joint control over the investee but does not constitute control due to additional investment, etc., the sum of the fair value of the originally held equity investment plus the cost of the additional investment determined in accordance with AS 22 – Recognition and Measurement of Financial Instruments", the sum of the fair value of the equity investment originally held plus the cost of the additional investment shall be used as the initial investment cost to be accounted for under the equity method instead.

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

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

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

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

If an equity investment held before the date of purchase is accounted for in accordance with the relevant provisions of AS 22 – Recognition and Measurement of Financial Instruments, the accumulated changes in fair value previously recognized in other comprehensive income are transferred to current profit or loss when the investment is accounted for under the cost method instead.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

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

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

If the Company loses joint control or significant influence over an investee for reasons such as disposal of a portion of its equity investment, the remaining equity interest after disposal is accounted for in accordance with AS 22 – "Recognition and Measurement of Financial Instruments", and the difference between its fair value and book value at the date of loss of joint control or significant influence is recognized in the current period. Profit or loss.

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

(4) Conversion from cost method to equity method

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

(5) Conversion from cost method to fair value measurement

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, in preparing the individual financial statements, if the remaining equity interest after disposal cannot exercise joint control or significant influence over the investee, it is instead accounted for in accordance with the relevant provisions of AS 22 – "Recognition and Measurement of Financial Instruments". The difference between its fair value and book value at the date of loss of control is recognized in profit or loss for the current period.

4. Disposal of long-term equity investment

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

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

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

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

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

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

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

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

(1) In the individual financial statements, the difference between the carrying amount of the equity interest disposed of and the actual acquisition price is recognized in profit or loss for the current period. If the remaining equity interest after disposal can exercise joint control or significant influence over the investee, it is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method since its acquisition; if the remaining equity interest after disposal cannot exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of AS 22 – The difference between the fair value and the carrying amount at the date of loss of control is recognized in profit or loss for the current period.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Long-term equity instruments (continued)

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

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

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

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

5. Judgment criteria for joint control and significant influence

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Fixed asset

1. Recognition of fixed assets

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

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

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

2. Initial measurement of fixed assets

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

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

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

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

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

(All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Fixed asset (continued)

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

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

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

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

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

(2) Subsequent measurements of fixed assets

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

(3) Disposal of fixed assets

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Construction in progress

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

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

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

(XXII) Borrowing costs

1. Principles of recognizing capitalization of borrowing costs

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

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

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

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

(2) Borrowing costs have been incurred.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Borrowing costs (continued)

2. Capitalization period of borrowing costs

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

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

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

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

3. Suspension of capitalization period

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

4. Calculation of capitalization of borrowing cost

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Right-of-use assets

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

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

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

3. the initial direct costs incurred by the Company.

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

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

(XXIV) Intangible assets

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

1. Initial measurement of intangible assets

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Intangible assets (continued)

1. Initial measurement of intangible assets (continued)

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

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

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

2. Subsequent measurement of intangible assets

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

(1) Intangible assets with limited useful life

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Intangible assets (continued)

2. Subsequent measurement of intangible assets (continued)

(1) Intangible assets with limited useful life (continued)

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

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

(2) Intangible assets with indefinite useful lives

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

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

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

(XXV) Impairment of long-term assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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.

(XXVI) Long-term prepaid expenses

1. Amortization method

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.

2. Amortization period

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

(XXVII) Contract liabilities

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Employee benefits

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

1. Short-term employee benefits

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

2. Post-employment benefits

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

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

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

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

3. Termination benefits

Termination benefits are compensation given by the Company to employees for the termination of their employment relationship prior to the expiration of their employment contracts or to encourage employees to voluntarily accept redundancy. A liability is recognized for compensation given for the termination of the employment relationship with employees when the Company cannot unilaterally withdraw the termination plan or the proposed redundancy and at the earlier of the recognition of costs associated with the restructuring involving the payment of termination benefits The Company recognizes the liability arising from the termination of the employment relationship with the employee, which is simultaneously recognized in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Estimated liabilities

1. Criteria for recognition of a estimated liability

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

2. Measurement of estimated liabilities

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

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

The best estimates are treated separately as follows:

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Lease liabilities

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

1. fixed payments after deducting amounts related to lease incentives and material 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.

(XXXI) Revenue

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

(1) retail sales

(2) Wholesale sales

(3) Brand-integrated services

(4) Property leasing

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

1. General principles of revenue recognition

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

2. Specific methods of revenue recognition

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

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

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

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

3. Accounting treatment principle on the revenue of specific transactions

(1) Contracts with sales return clause

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

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

(2) Reward points program

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

2. Specific methods of revenue recognition (continued)

(3) Primary responsible/agent

The Company assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Company is a principal or an agent. If the Company controls the specified good or service before that good or service is transferred to a customer, the Company is a principal and recognises revenue in the gross amount of consideration received or receivable. Otherwise, the Company is an agent and recognises revenue in the amount of any fee or commission to which it expects to been title. The amount shall be based on the total amount of consideration received or receivable minus the amount payable The net amount after payment to other related parties is determined.

(XXXII) Contract costs

1. Contract performance costs

The Company recognizes as an asset the cost incurred to perform a contract that does not fall within the scope of other ASBEs other than the revenue standard and that also meets the following conditions as contract performance costs

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

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

(3) The cost is expected to be recovered.

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

2. Contract acquisition costs

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Contract costs (continued)

3. Amortization of contract costs

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

4. Impairment of contract costs

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

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

(XXXIII) Government grants

1. Classification

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

2. Recognition of government grants

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

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

3. Accounting treatment method

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

3. Accounting treatment method (continued)

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

(XXXIV) Deferred tax assets and deferred tax liabilities

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

1. Criteria for recognition of deferred income tax assets

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

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

2. Criteria for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities for unpaid taxable temporary differences between the current and prior periods. However, they do not include:

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

(XXXV) Lease

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

1. Splitting of leased and non-leased portions

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

2. Consolidation of lease contracts

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

3. Accounting treatment of the Company as a lessee

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

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

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

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

(2) The accounting policies for right-of-use assets and lease liabilities are detailed in Note III/(XXIII) and (XXX).

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

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

(1) Classification of leases (continued)

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

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

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

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

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

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

(2) Accounting for finance leases

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

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

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

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

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

(3) Accounting for operating leases

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXVI) Termination of business

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

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

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

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

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

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

(XXXVII) Repurchase of the shares

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXVIII) Distribution of profits

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

(XXXIX) Debt restructuring

1. Recording debt restructuring obligations as debtor

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIX) Debt restructuring (continued)

2. Recording debt restructuring obligations as a creditor

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIX) Fair value measurement

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

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

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

(XL) 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. Level 2 inputs are inputs other than Level 1 inputs that are observable for the relevant asset or liability; and Level 3 inputs are unobservable inputs for the relevant asset or liability.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

1. Judgments

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

(1) Business model

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

(2) Contractual cash flow characteristics

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

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

The lease term is the period during which the Company has the right to use the leased assets and is irrevocable. If there is an option to renew the lease and it is reasonably certain that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Company'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 Company's exercise of the renewal option, including anticipated changes in facts and circumstances between the commencement of the lease term and the date of exercise of the option. The Company believes that the lease term includes the period covered by the renewal option because it is reasonably certain that the Company will exercise the renewal option due to the conditions associated with the exercise of the option and the probability of satisfying the relevant conditions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

1. Judgments (continued)

(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, taking into account all reasonable and substantiated information, including forward-looking information. In making these judgments and estimates, the Company inferred expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the impairment, and the impairment made may not equal the actual amount of future impairment losses.

(2) Impairment of goodwill

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

(3) The fair value of an unlisted equity investment

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

(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) Impairment of inventories

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

(6) Estimated useful lives and estimated net residual values of 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

(8) Long-term impairment losses

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

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

(XLI) 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 October 25, 2023.	(2)

(All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Changes in significant accounting policies and accounting estimates (continued)

1. Change in accounting policy (continued)

(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 accounting treatment in prior years and 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" 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.

IV. TAXATION

(I) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate	Note
Value added tax ("VAT")	Products (commodity) sales income	13%	
	Real estate lease income	9%	
	Other taxable service income	6%	
	Simplified value-added tax calculation method	5%,3%, 1%	
City maintenance and construction tax	Paid Transfer Tax	7%, 5%, 1%	
Enterprise income tax	Taxable income	25%	
Property tax	Calculate and pay at 70% of the original value of the real estate (or rental income).	1.2%,12%	

IV. TAXATION (CONTINUED)

(II) Tax incentives and basis:

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

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

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

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

V. NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts are in RMB thousands if not otherwise stated, the closing balances are as of 31 December 2023, and the opening balances are as of 31 December 2022, and closing balances are as of 1 January 2023. the closing balances of previous period are 31 December 2023.)

(I) Monetary funds

Items	Closing balance	Opening balance
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

Details of restricted cash are listed as below:

Items	Closing balance	Opening balance
Bank deposits temporarily sealed or frozen due to the judicial order	**8,288**	64,186
Total	**8,288**	64,186

Description of monetary funds: The ending amount of monetary funds decreased by RMB50,308 thousand, the reduction ratio is 50%, compared with the beginning amount. The main reason is that the company entered into judicial procedures this year and the funds of the company's restricted account were transferred to the administrator account opened by the bankruptcy administrator.

(II) Accounts receivable

1. Classified disclosure on aging

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

Aging	Closing balance	Opening balance
Within 90 days	**8,083**	24,536
90 days to 1 year	**30,841**	23,303
1 to 2 years	**18,099**	43,884
2 to 3 years	**35,187**	70,432
3 years above	**1,488,169**	311,453
Sub-total	**1,580,379**	473,608
Less: impairment for bad debts	**1,571,126**	431,028
Total	**9,253**	42,580

Note: The reason for the discontinuity of the aging schedule more than 3 years in this period is that Taicang Laxia, Laxia Xiuxian and Shanghai Nuoxing have entered bankruptcy procedures and are no longer included in the scope of merger. The accounts receivable of the company to the above companies within the remaining scope of merger at the end of the period cannot be offset.

(All amounts in RMB'000 unless otherwise stated)

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

(II) Accounts receivable (continued)

2. Disclosures by bad debt allowance accrual method

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

Continued:

	Opening balance				
	Book balance		Bad debt allowance		
Items	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable subjected to accrual for expected credit losses on individual basis	426,310	90	426,310	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	47,298	10	4,718	10	42,580
Including: Accrual of aging for bad debts on portfolio	47,298	10	4,718	10	42,580
Total	473,608	100	431,028	91	42,580

(All amounts in RMB'000 unless otherwise stated)

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

(II) Accounts receivable (continued)

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

Items	Closing balance			
	Book balance	Bad debt allowance	Proportion (%)	Reason
Hongche Industrial (Shanghai) Co., Ltd.	**4,284**	**4,284**	**100**	**Note 1**
Shanghai Weile Fashion Co., Ltd.	**263,527**	**263,527**	**100**	**Note 2**
La Chapelle Fashion (Taicang) Co., Ltd.	**787,557**	**787,557**	**100**	**Note 3**
Shanghai La Chapelle Casual Fashion Co., Ltd.	**372,285**	**372,285**	**100**	**Note 4**
Accounts receivables from shopping malls	**142,522**	**142,522**	**100**	**Note 5**
total	**1,570,175**	**1,570,175**	**100**	

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

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

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

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

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

(All amounts in RMB'000 unless otherwise stated)

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

(II) Accounts receivable (continued)

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

1) Bad debt accrual on portfolio basis

Aging	Closing balance Carrying amount	Bad debt allowance	Proportion (%)
Within 90 days	**7,602**	**140**	**2**
90 days to 1 year	**1,438**	**83**	**6**
1 to 2 years	**315**	**94**	**30**
2 to 3 years	**539**	**324**	**60**
3 years above	**310**	**310**	**100**
Total	**10,204**	**951**	**9**

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

Items	Opening balance	Changes Accrual	Recovered or reversed	Written off	Other changes	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 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**

6. Actual write-off of accounts receivable during the reporting period

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

(All amounts in RMB'000 unless otherwise stated)

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

(II) Accounts receivable (continued)

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

Name of company	Closing balance	Percentage of total accounts receivable balance (%)	Accrual for bad debts allowance
La Chapelle Fashion (Taicang) Co., Ltd.	787,562	50	787,562
Shanghai La Chapelle Casual Fashion Co., Ltd.	372,285	24	372,285
Shanghai Weile Fashion Co., Ltd.	263,527	17	263,527
Shanghai Feiliang Information Technology Co., Ltd	17,377	1	17,377
Shanghai Fenghui Electronic Business Co., Ltd	16,066	1	16,066
Total	1,456,817	93	1,456,817

8. There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period.

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

10. The balance of accounts receivable at the end of the period increased by RMB1,106,771 thousand yuan compared with the balance of accounts receivable at the beginning of the period, with an increase rate of 234%. The balance of bad debt reserve of accounts receivable at the end of the period increased by RMB1,140,098 yuan compared with the balance of bad debt reserve of accounts receivable at the beginning of the period, with an increase rate of 265%, mainly because Taicang Laxia, Laxia Xiuxian and Shanghai Nuoxing are no longer included in the scope of consolidation. At the end of the period, the company's accounts receivable to the above companies within the scope of the consolidation fail to offset.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

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

(III) Prepayment

1. Prepayment classified by aging

	Closing balance		Opening balance	
Aging	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 1 year	**1,472**	**100**	4,200	84
1 to 2 years	**–**	**–**	804	16
Total	**1,472**	**100**	5,004	100

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

Name of company	**Closing balance**	**Percentage of total prepayments (%)**
Total amount of the top five prepayment	823	56

(IV) Other receivables

1. Disclosure based on aging

Aging	**Closing balance**	Opening balance
Within 1 year	**15,134**	50,551
1 to 2 years	**33,174**	49,123
2 to 3 years	**37,257**	144,373
3 years above	**762,204**	419,696
Sub-total	**847,769**	663,743
Less: bad debt impairment	**842,300**	652,445
Total	**5,469**	11,298

Note: The reason for the discontinuity of account age of more than 3 years in the current period is that Shanghai Nuoxing and Laxia Taicang are no longer included in the scope of consolidation, and the company fails to offset other receivables of the above companies within the remaining scope of consolidation at the end of the period.

(All amounts in RMB'000 unless otherwise stated)

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

(IV) Other receivables (continued)

2. Classified by characteristic

Nature	Closing balance	Opening balance
Deposits and security deposits	64,535	58,143
Refund of service charge expenses	–	9,778
Employee reserve fund	104	1,798
Property rental fees	3,759	7,822
Current accounts receivable	776,263	578,679
Others	3,108	7,523
Total	847,769	663,743

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

	Closing balance			Opening balance		
Items	Carrying amount	Bad debt allowance	Book value	Carrying amount	Bad debt allowance	Book value
Stage I	7,360	3,121	4,239	14,025	2,794	11,231
Stage II	489	195	294	193	126	67
Stage III	839,920	838,984	936	649,525	649,525	–
Total	847,769	842,300	5,469	663,743	652,445	11,298

4. Details of allowance for bad debts of other receivables

Bad debts allowance	Stage I Expected credit loss in the next 12 months	Stage II Expected credit loss for the entire lifetime (no credit impairment occurred)	Stage III Expected credit loss for the entire lifetime (credit impairment occurred)	Total
Opening balance	2,794	126	649,525	652,445
Opening balance during the period that:	–	–	–	–
– transferred to stage II	–	–	–	–
– transferred to stage III	–	–	–	–
– reversed to stage II	–	–	–	–
– reversed to stage I	–	–	–	–
Accrual in the current period	2,275	69	–	2,344
Reversal in the current period	–	–	(6,713)	(6,713)
Charge-off in the current period	–	–	(198)	(198)
Other changes resulted from the Changes of scope of consolidation	1,948	–	196,370	194,422
Closing balance	3,121	195	838,984	842,300

(All amounts in RMB'000 unless otherwise stated)

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

(IV) Other receivables (continued)

5. Actual write-off of accounts receivable during the reporting period

Item	Write-off amount
Actual write-off of accounts receivable	2,308

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

Name of company	Closing balance	Aging	Percentage of the closing balance of other receivables (%)	Closing balance of accrual for bad debts
Shanghai Weile	270,303	Within 1 year	32	270,303
Shanghai Nuoxing	213,456	Within 1 year and above 1 year	25	213,456
Shanghai Leou	146,686	Within 1 year and above 1 year	17	146,017
LACHA FASHION LIMITED	39,577	Above 2 years	5	39,577
Taicang Laxia	14,335	Within 1 year and above 1 year	2	14,335
Total	684,357		81	683,688

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

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

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

10. The balance of other receivables at the end of the period increased by RMB184,026 thousand, or 28%, compared with the beginning of the period, and the balance of bad debt provision for other receivables at the end of the period increased by RMB189,855 thousand, or 29%, compared with the beginning of the period, as well as the reasons for the discontinuous ageing of the accounts were mainly due to the fact that Shanghai Nuoxing and Taicang Laxia were no longer included in the scope of consolidation and had entered into bankruptcy proceedings, and the remaining scope of consolidation was not fully provisioned for other receivables by companies within the scope of consolidation at the end of the period.

(All amounts in RMB'000 unless otherwise stated)

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

(V) Inventories

1. Classification of inventories

	Closing Balance			Opening Balance		
Items	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Raw materials	980	–	980	980	–	980
Finished goods	98,011	62,728	35,283	142,635	107,803	34,832
Low value consumables	2,594	–	2,594	2,887	–	2,887
Total	101,585	62,728	38,857	146,502	107,803	38,699

2. Allowance for impairment of inventories

Items	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Accrual	Others	Reversal	Write off	Others	
Finished goods	107,803	8,678	–	–	53,753	–	62,728
Total	107,803	8,678	–	–	53,753	–	62,728

Notes for inventory impairment: 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.

(VI) Non-current asset due within a year

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

(All amounts in RMB'000 unless otherwise stated)

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

(VI) Non-current asset due within a year (continued)

Description of non-current assets due within one year: In 2017, the Company provided a loan to Shanghai Jiuwo Garment Co., Ltd. for a total amount of RMB6,500 thousand with an interest rate of 5.22%, which was extended for 2 years after maturity on 30 November 2018, with an interest rate of 5.77% during the extension period and will mature on 30 November 2020. As of 30 June 2022, the principal and interest of the borrowing were not recovered, therefore, the Company made full impairment of the principal and interest of the above borrowing.

(VII) Other current assets

(1) Details of other current assets

Item	Closing balance	Opening balance
Input tax to be certified/withholding credits	**13,446**	30,507
Prepaid tax presented at the net amount	**7,456**	7,366
Borrowing to related parties (Note 1)	**47,869**	47,869
Entrusted loan (Note 2)	**42,400**	42,400
Long-term investments expected to be disposed (Note 3)	**413,057**	298,057
Cost of returns receivable	**589**	13
Administrator's bank account	**68,508**	–
Others	**592**	1,767
Subtotal	**593,917**	427,979
Less: impairment loss	**510,691**	395,691
Total	**83,226**	32,288

Notes of other current assets:

1. As of 31 December 2023, the Company had provided loans totaling RMB40,000 thousand (2018: RMB32,500 thousand, 2019: RMB7,000 thousand, 2020: RMB500 thousand) to Hongche Industrial at a borrowing rate of 6%. Due to the poor operating conditions of the enterprise and liquidity problems, the Company considers that the current assets are difficult to recover and therefore fully accrued impairment.

(All amounts in RMB'000 unless otherwise stated)

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

(VI) Non-current asset due within a year (continued)

(1) Details of other current assets (continued)

2. As of 31 December 2023, the Company had provided loans totaling RMB37,400 thousand (2017: RMB5,000 thousand, 2018: RMB27,000 thousand, 2019: RMB5,400 thousand) to Xingji Industrial (Shanghai) Company Limited ("Xingji Industrial") with interest rates ranging from 5.22% to 5.66%. Since Xingji Industrial is no longer apart of the consolidation, and the Company could hardly recover the amount, the Company accrued a full impairment of this loan.

   The Company also provided loans totaling RMB5,000 thousand to Chengdu Biku Technology Co., Ltd. at an interest rate of 6%, for which the Company accrued full amount of impairment.

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

(VIII) Long-term equity investment

			Increase/decrease during the year								
Investee company	Opening balance	Opening impairment	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	Share of other comprehensive income	Changes in other equities	Cash dividends declared	Accrual for impairment	Closing balance	Balance of impairment
1. Associated Enterprises											
Tibet Baoxin Equity Investment Partnership (Limited Partnership) ("Tibet Baoxin")	113,036	9,483	-	-	(15,107)	-	-	-	1,134	97,929	10,617
(Hereinafter referred to as "Hongche Industrial")	39,251	39,251	-	-	-	-	-	-	-	39,251	39,251
Beijing Ao'ni Trade Co. (hereinafter referred to as "Beijing Aoni")	15,105	12,396	-	-	(2,829)	-	2,445	-	2,325	14,721	14,721
Shanghai Yishan Clothing Co. (hereinafter referred to as "Shanghai Yishan") (Note 1)	-	-	-	-	-	-	-	-	-	-	-
Total	167,392	61,130	-	-	(17,936)	-	2,445	-	3,459	151,902	64,589

Note on long-term equity investment: As of 31 December 2023, Shanghai Yishan has not yet commenced business activities.

(All amounts in RMB'000 unless otherwise stated)

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

(IX) Other equity instrument investment

1. Other equity instrument investment

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

2. Details of equity instrument investment not for trading

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

3. Other particulars of equity instrument investments

(1) In 2017, the Company subscribed 1,075 thousand shares of Beijing Mingtong to the Company's directed issue through the National Equities Exchange and Quotations, and the Company contributed RMB15,000 thousand, with a shareholding ratio of 3.75%. In 2019, the Company completed the change of equity interest in the additional 1,075 thousand shares of equity investment in Beijing Mingtong, and therefore added RMB15,002 thousand of investment in other equity instruments in the year, changing the shareholding ratio to 7.07%. The Company considered that the financial asset was not held for the purpose of selling in the short term and was not a trading equity instrument, i.e., at initial recognition, the Company chose to designate the equity investment as a financial asset measured at fair value with changes included in other comprehensive income and presented as an investment in other equity instruments investments. The fair value of this equity instrument as of 31 December 2023, was RMB0 thousand.

(All amounts in RMB'000 unless otherwise stated)

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

(IX) Other equity instrument investment (continued)

3. Other particulars of equity instrument investments (continued)

(2) In July 2017, the Company entered into an equity transfer agreement with Shanghai Oxygen Culture Communication Company Limited ("Oxygen Culture") to acquire 9.07% equity interest in Shanghai Bolatu Information Technology Company Limited held by Oxygen Culture for RMB13,606 thousand. In March 2018, Shanghai Bolatu Information Technology Company Limited completed the industrial and commercial information change registration for the above-mentioned equity. The Company chose to designate the equity investment as a financial asset measured at fair value with changes included in other comprehensive income and presented as other equity instrument investments. The fair value of this equity instrument as of 31 December 2023, was zero.

(X) Other non-current financial assets

Item	**Closing balance**	Opening balance
Financial assets at fair value through profit or loss	**96,727**	92,208
Including: Ningbo Langshengqianhui Investment Partnership (limited partnership)	**30,612**	22,540
Nantong Xunming Fund Partnership (limited partnership)	**56,521**	56,557
Hangzhou Smart Investment Equity Investment Partnership (limited partnership)	**9,594**	13,111
Total	**96,727**	92,208

Notes of other non-current financial assets:

(1) The Company entered into a written agreement on "Limited Partnership Agreement of Ningbo Lanshengqianhui Investment Partnership (Limited Partnership)" with relevant parties in November 2017, which provides for the Company's contribution of RMB26,000 thousand, representing 5.2% of the total contributed capital, and the Company contributed a total of RMB18,200 thousand in 2017 in paid-up installments, which the Company considered The Company considered that the financial assets were not held for the purpose of selling in the short term and were not liquid financial assets, and presented them as other non-current financial assets.

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

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

(All amounts in RMB'000 unless otherwise stated)

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

(XI) Fixed asset

1. Fixed asset details

Item	Properties and plants	Machinery equipment	Motor vehicles	Office and electric equipment	Total
I. Original cost					
1. Opening balance	702,388	56,787	1,760	39,551	800,486
2. Increases in the current year	536	–	–	504	1,040
Purchase	536	–	–	504	1,040
3. Decreases in the current year	558,574	49,763	338	11,974	620,648
Disposal or retirement	128,712	921	–	2,352	131,985
Changes of scope of consolidation	429,862	48,842	338	9,622	488,663
4. Closing balance	144,350	7,024	1,422	28,081	180,878
II. Accumulated depreciation					
1. Opening balance	188,800	48,149	1,550	35,731	274,230
2. Increases in the current year	14,376	398	278	653	15,705
Accrual for the period	14,376	398	278	653	15,705
3. Decreases in the current period	167,313	42,216	477	10,024	220,030
Disposal or retirement	26,880	880	–	2,263	30,023
Changes of scope of consolidation	140,433	41,336	477	7,761	190,007
4. Closing balance	35,863	6,331	1,351	26,360	69,905
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	108,487	693	71	1,721	110,972
2. Opening balance	513,587	8,639	209	3,821	526,256

(All amounts in RMB'000 unless otherwise stated)

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

(XI) Fixed asset (continued)

2. Fixed assets leased out through operating leases

Item	Closing carrying amount
Tianjin logistics center	**38,535**
Total	**38,535**

3. Other particulars of fixed asset

As of 31 December 2023, the Company obtained a short-term loan of RMB198,000 thousand from Everbright Bank by pledging the real estate located at No. 24, Xinghua Fourth Branch Road, Dasi Town, Xiqing District, Tianjin, China, under the Jin (2018) Xiqing District Real Estate Right No. 1016982, as detailed in Note V/(XVIII) "Short-term borrowings". The above assets was seized by the People's Court of Xuhui District, Shanghai on 23 December 2020 due to the impact of litigation.

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

(XII) Construction in progress

1. Details of construction in progress

	Closing balance			Opening balance		
Project	**Carrying amount**	**Impairment allowance**	**Book value**	Carrying amount	Impairment allowance	Book value
Tianjin logistics center	**89,804**	**21,936**	**67,868**	89,804	20,026	69,778
Total	**89,804**	**21,936**	**67,868**	89,804	20,026	69,778

(All amounts in RMB'000 unless otherwise stated)

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

(XII) Construction in progress (continued)

2. Movement in significant construction in progress

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

Continued:

Project	Budget (ten thousand yuan)	Completion percentage (%)	Project progress (%)	Accumulative capitalization of borrowings	Including: interest of capitalized borrowing costs	interest rate of capitalized borrowing costs(%)	Sources of funds
Tianjin logistics center	142,000	63	69	–	–	–	Loans and own fund
Total	142,000	63	69	–	–	–	

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

Project	Opening balance	Accrual	**Closing balance**	Reason
Tianjin logistics center	20,026	1,910	**21,936**	Influenced by the operating conditions
Total	20,026	1,910	**21,936**	

4. Other notes on construction in progress

As of 31 December 2023, the Company's construction in progress with restricted ownership or use rights is described in Note V/(LIV).

(All amounts in RMB'000 unless otherwise stated)

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

(XIII) Right-of-use assets

Items	Properties and plants	Total
I. Original cost		
1. Opening balance	42,381	42,381
2. Increases	9,686	9,686
Leased stores	9,686	9,686
3. Decreases	36,394	36,394
Disposal of stores	36,394	36,394
4. Closing balance	15,673	15,673
II. Accumulated depreciation		
1. Opening balance	5,954	5,954
2. Increases	5,224	5,224
Accrual for the period	5,224	5,224
3. decreases	4,493	4,493
Disposal of stores	4,493	4,493
4. Closing balance	6,685	6,685
III. Accrual for impairment		
1. Opening balance	–	–
2. Increases	–	–
3. Decreases	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance	8,988	8,988
2. Opening balance	36,427	36,427

Other notes on right-of-use assets: The decrease of RMB27,439 thousand, or 75%, in the book value of right-of-use assets at the end of the period as compared with the book value at the beginning of the period was mainly due to the fact that the bankruptcy administrator of Shanghai Weile had re-entered into a lease agreement with the Company for the No. 4 Building of La Chapelle's headquarter base located in Wujing Town, Minhang District, Shanghai, and the Company no longer recognized the same as an asset of right-of-use.

(All amounts in RMB'000 unless otherwise stated)

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

(XIV) Intangible assets

1. Details of intangible assets

Items	Trademarks	Purchased software	Land use right	Total
I. Original cost				
1. Opening balance	2,310	96,460	103,799	202,569
2. Increases	–	–	–	–
3. Decreases	–	4,321	61,685	66,006
Disposal	–	–	20,421	20,421
Changes of scope of consolidation	–	4,321	41,264	45,585
4. Closing balance	2,310	92,139	42,114	136,563
II. Accumulated amortization				
1. Opening balance	1,140	89,423	17,015	107,578
2. Increases	4	3,370	1,289	4,663
Accrual for the period	4	3,370	1,289	4,663
3. Decreases	–	4,310	10,590	14,900
Disposal	–	–	3,318	3,318
Changes of scope of consolidation	–	4,310	7,272	11,582
4. Closing balance	1,144	88,483	7,714	97,341
III. Accrual for impairment				
1. Opening balance	1,155	2,712	–	3,867
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	1,155	2,712	–	3,867
IV. Book value				
1. Closing balance	11	944	34,400	35,355
2. Opening balance	15	4,325	86,784	91,125

2. Description of intangible assets

(1) As of 31 December 2023, the Company has no land use rights with outstanding title certificates.

(2) As of 31 December 2023, the Company's intangible assets with restricted ownership or use rights are described in Note V/(LIV).

(3) The net book value of intangible assets – land use rights at the end of the period decreased by RMB52,384 thousand, or 60%, compared with that at the beginning of the period, which was mainly attributable to the fact that Taicang Laxia was no longer included in the scope of consolidation and the property and land belonging to Chengdu Lewei were forcibly auctioned by the court during the period.

(All amounts in RMB'000 unless otherwise stated)

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

(XV) Long-term prepaid expenses

Items	Opening balance	Additions	Amortization	Other decreases	Closing balance
Leasehold improvement	4,028	3,122	4,717	14	**2,419**
Total	4,028	3,122	4,717	14	**2,419**

(XVI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets before offsetting

	Closing balance		Opening balance	
Items	**Taxable temporary difference**	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Provision for impairment of assets	**13,332**	**3,333**	7,451	1,863
Lease liabilities	**8,457**	**2,114**	36,427	9,107
Total	**21,789**	**5,447**	43,878	10,970

2. Deferred tax liabilities before offsetting

	Closing balance		Opening balance	
Items	**Taxable temporary difference**	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of financial instruments	**12,801**	**3,200**	7,451	1,863
Right of use assets	**8,988**	**2,247**	36,427	9,107
Total	**21,789**	**5,447**	43,878	10,970

(All amounts in RMB'000 unless otherwise stated)

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

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

3. Offsets deferred income tax assets and liabilities

Items	Offsetting deferred tax liabilities and assets	Closing balance of deferred tax assets or liabilities after offsetting	Deferred tax assets and liabilities offset at beginning of period	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	**5,447**	**–**	10,970	–
Deferred tax liabilities	**5,447**	**–**	10,970	–

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

Items	Closing balance	Opening balance
Deductible temporary differences	**3,072,789**	1,664,538
Deductible losses	**2,355,513**	2,923,838
Total	**5,428,302**	4,588,376

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

Year	Closing balance	Opening balance	Note
2023	**–**	142,873	
2024	**670,587**	741,639	
2025	**543,287**	1,509,004	
2026	**192,756**	232,269	
2027	**525,906**	298,053	
2028	**422,977**	–	
Total	**2,355,513**	2,923,838	

(All amounts in RMB'000 unless otherwise stated)

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

(XVII) Allowance for impairment of assets

Items	Opening balance	Accrual	Decreases: Reversal	Decreases: Write-offs/ write-offs	Re-classification	Other changes resulted from the Changes of scope of consolidation	Closing balance
Bad debt allowance for accounts receivable	431,028	43,652	53,641	2,110	–	1,152,197	**1,571,126**
Bad debt allowance for other receivables	652,445	2,344	6,713	198	–	194,422	**842,300**
Allowance for impairment of inventories	107,803	8,678	–	53,753	–	–	**62,728**
Allowance for impairment of non-current assets due within one year	7,547	–	–	–	–	–	**7,547**
Bad debt Allowance for other current assets	395,691	6,760	–	–	–	108,240	**510,691**
Allowance for impairment of long-term equity investments	61,130	3,459	–	–	–	–	**64,589**
Allowance for impairment of construction in progress	20,026	1,910	–	–	–	–	**21,936**
Allowance for impairment of intangible assets	3,867	–	–	–	–	–	**3,867**
Total	1,679,537	66,803	60,354	56,061	–	1,454,859	**3,084,784**

(All amounts in RMB'000 unless otherwise stated)

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

(XVIII) Short-term borrowings

1. Classification of short-term borrowings

Items	Closing balance	Opening balance
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**473,598**	543,748
Mortgage, pledge, and guaranteed loan	**550,000**	550,000
Total	**1,077,598**	1,147,748

Notes to the classification of short-term borrowings:

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

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

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

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

(All amounts in RMB'000 unless otherwise stated)

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

(XVIII) Short-term borrowings (continued)

1. Classification of short-term borrowings (continued)

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

The short-term loans totaling RMB332,400 thousand (278,400 thousand in mortgage and guarantee loans and 54,000 thousand in guaranteed loans) with Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch were transferred by Bank of Communications, Ltd. Shanghai Branch to China Huarong Asset Management Co, Ltd.

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

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

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

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

(All amounts in RMB'000 unless otherwise stated)

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

(XIX) Accounts payable

Items	Closing balance	Opening balance
Payable for procurement	**1,121,143**	893,963
Total	**1,121,143**	893,963

(XX) Advance from customers

1. Details of advance from customers

Items	Closing balance	Opening balance
Rent in advance	**782**	267
Total	**782**	267

(XXI) Contract liabilities

1. Details of contract liabilities

Items	Closing balance	Opening balance
Receipt of goods in advance	**5,170**	4,408
Total	**5,170**	4,408

(XXII) Payroll payable

1. Details of payroll payables

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term payroll	8,561	49,862	51,214	**7,209**
Retirement benefits – defined contribution plans	151	5,884	6,035	**–**
Termination benefits	1,851	6,024	3,868	**4,007**
Total	10,563	61,770	61,117	**11,216**

(All amounts in RMB'000 unless otherwise stated)

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

(XXII) Payroll payable (continued)

2. Details of short-term payroll

Items	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Wages or salaries, bonuses, allowances, and subsidies	7,422	43,704	45,090	**6,036**
Social insurance	137	3,614	3,737	**14**
Including: Medical insurance	137	3,149	3,286	**–**
Others	–	465	451	**14**
Housing fund	–	2,298	2,238	**60**
Other social insurance	1,002	246	149	**1,099**
Total	8,561	49,862	51,214	**7,209**

3. Details of defined contribution plan

Items	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Basic pension insurance premium	145	5,701	5,846	**–**
Unemployment Insurance premium	6	182	188	**–**
Total	151	5,883	6,034	**–**

(XXIII) Taxes Payable

Item of taxes	Closing balance	Opening balance
Value added tax	**88,292**	103,897
Corporate income tax	**34,497**	63,920
Personal income tax	**139**	189
City maintenance and construction tax	**5,707**	14,036
Education fee surcharge	**4,382**	10,310
Others	**1,158**	8,676
Total	**134,175**	201,028

Other note on taxes payable: The closing balance of taxes payable decreased by RMB66,853 thousand compared with the opening balance, representing a decrease of 33%, which is mainly because Shanghai Nuoxing and Laxia Taicang were no longer included in the scope of consolidation.

(All amounts in RMB'000 unless otherwise stated)

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

(XXIV) Other payables

Items	**Closing balance**	Opening balance
Interests payable	**372,204**	288,683
Other payables	**710,249**	670,249
Total	**1,082,453**	958,932

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

1. Interest payable

Items	**Closing balance**	Opening balance
Interest payable of short-term borrowings	**372,204**	288,683
Total	**372,204**	288,683

Details of significant interest expired but unpaid:

Names of borrowing company	**Overdue amount**	Reason
China Huarong Asset Management Company Limited, Shanghai Pilot Free Trade Zone Branch	86,439	Difficulties in capital turnover
CITIC Bank Limited Shanghai Taifu Plaza Sub-branch	10,894	Difficulties in capital turnover
Shanghai Branch of China Everbright Bank Co.	23,382	Difficulties in capital turnover
Urumqi Siping Road Technology Sub-branch of Bank of Urumqi Co.	251,489	Difficulties in capital turnover
Total	372,204	

(All amounts in RMB'000 unless otherwise stated)

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

(XXIV) Other payables (continued)

2. Other payables

(1) Other receivables presented by characteristic

Nature	Closing balance	Opening balance
Payables for construction and decoration of department stores	**96,611**	142,223
Suppliers' deposits	**35,392**	42,762
Vendors' deposit	**12,383**	17,555
Payables for logistic expense	**3,059**	3,607
Payable for posts props and store promotion	**3,031**	4,883
Payables for rental fees	**61,236**	96,565
Litigation defaults, fees, and interests	**227,783**	111,973
Loans from the third parties	**2,700**	2,900
Payable for e-commerce	**6,122**	3,597
Consulting fees	**609**	7,800
Payables for software purchase	**818**	2,819
Estimated expenditures	**9,005**	8,699
Tax overdue payments	**33,011**	34,669
Others	**11,048**	11,728
External related parties	**187,441**	178,469
Deposit of reorganisation investment	**20,000**	–
Total	**710,249**	670,249

(XXV) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	**3,219**	10,348
Total	**3,219**	10,348

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

(XXVI) Other current liabilities

Items	Closing balance	Opening balance
VAT amounts reclassified pending	**488**	578
Total	**488**	578

(All amounts in RMB'000 unless otherwise stated)

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

(XXVII) Lease liabilities

Remaining lease term	Closing balance	Opening balance
Less than 1 year	**3,563**	12,040
1 to 2 years	**2,722**	9,399
2 to 3 years	**2,418**	8,574
3 to 4 years	**394**	8,591
4 to 5 years	**–**	2,448
Subtotal of total lease payments	**9,097**	41,052
Less: Unrecognized financing costs	**640**	4,031
Sub-total of present value of lease payments	**8,457**	37,021
Less: lease liabilities due within one year	**3,219**	10,348
Total	**5,238**	26,673

Interest expense on lease liabilities of RMB485 thousand was occurred during the period.

(XXVIII) Estimated liability

Item	Closing balance	Opening balance	Reason
Estimate returns of goods	**877**	34	Product Returns
Pending litigation	**838**	57,335	Litigation Matters
Borrowings from Gemstone Advantage (current name: Gemstone Advantage Limited)	**475,160**	407,225	Accrual of guarantee obligations of Haitong International Consulting Co.
Penalty for delayed completion of works	**–**	4,879	Delayed completion defaults
Total	**476,875**	469,473	

(XXIX) Other non-current liabilities

Items	Closing balance	Opening balance
Asset-related government grants	**4,500**	5,242
Others	**–**	177
Total	**4,500**	5,419

(All amounts in RMB'000 unless otherwise stated)

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

(XXIX) Other non-current liabilities (continued)

1. Asset-related government grants

Items	Opening balance	Amount of subsidy increased	Recognized in other profit or loss in the current period	Other changes	Closing balance	Asset/revenue related
Subsidy of Tianjin logistic program	4,800	–	300	–	**4,500**	Asset related
Subsidy of Taicang logistic program	442	–	4	438	**–**	Asset related
Total	5,242	–	304	438	**4,500**	

2. Other liability items

Items	Opening balance	Amount of subsidy increased	Amount of offsetting costs in the current period	Other changes	Closing balance	Asset/revenue related
Decoration subsidy (Note)	177	–	177	–	**–**	Revenue related
Total	177	–	177	–	**–**	–

Note: The decoration subsidy is a store renovation subsidy for shopping malls, which was amortized against selling expenses of RMB177 thousand during the period.

(XXX) Share capital

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

Changes in share capital:

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

(All amounts in RMB'000 unless otherwise stated)

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

(XXXI) Capital surplus

Items	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share premium (equity premium)	1,864,243	–	–	**1,864,243**
Other capital surplus	46,563	2,445	–	**49,008**
Total	1,910,806	2,445	–	**1,913,251**

Note on capital surplus: The increase of capital surplus during the period was the additional investment by shareholder towards Beijing Aoni Trading Company Limited, and the Company recognized the proportion of total capital surplus as long-term investment increase.

(XXXII) Treasury share

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

Notes of treasury shares: As of 31 December 2023, the Company has repurchased a total of 3,573,200 A shares by way of centralized competitive bidding transactions, which have accounted for 0.65% of the total share capital of the Company and 1.07% of the A share capital of the Company, with the highest transaction price of RMB6.15 per share and the lowest transaction price of RMB4.14 per share, and the amount used for the repurchase was RMB20,010 thousand (excluding transaction costs).

(All amounts in RMB'000 unless otherwise stated)

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

(XXXIII) Other comprehensive income

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

(XXXIV) Surplus reserve

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

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

(XXXV) Undistributed profit

Items	Closing balance	Opening balance
Undistributed profits at the beginning of year (before adjustments)	**(5,147,499)**	(4,075,526)
Adjustments of the beginning balance	**–**	–
Undistributed profits at the beginning of year (after adjustments)	**(5,147,499)**	(4,075,526)
Add: Net profit attributable to shareholders of the Company	**(737,450)**	(1,071,973)
Less: appropriation to statutory surplus reserve	**–**	–
Add: Losses recovery from surplus reserve	**–**	–
Undistributed profits at the end of the period	**(5,884,949)**	(5,147,499)

(XXXVI) Revenue and cost of sales

1. Revenue and cost of sale

	Current period's amount		Previous period's amount	
Items	Revenue	Cost	Revenue	Cost
Principal business	**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

2. Income derived from contracts

Contract classifications	Current period's amount	Previous period's amount
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

(All amounts in RMB'000 unless otherwise stated)

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

(XXXVII) Taxes and surcharge

Categories	Current period's amount	Previous period's amount
City maintenance and construction tax	**(4,778)**	626
Educational surcharge	**(3,038)**	363
Others	**2,565**	11,212
Total	**(5,251)**	12,201

Note of taxes and surcharges: The negative amounts of city maintenance and construction tax and education surcharge for the current period were due to the reversal of surcharges not needed to be paid by subsidiaries that had been deregistered.

(XXXVIII) Selling and distribution expenses

Categories	Current period's amount	Previous period's amount
Employee benefits expenses	**28,227**	28,809
Depreciation of right of use assets	**3,638**	3,435
Amortization of long-term prepaid expenses	**3,730**	4,886
Department store expenses	**41,627**	6,739
E-commerce expenses	**3,608**	234
Utilities expenses	**2,011**	2,333
Logistic expenses	**880**	1,025
Depreciation of fixed assets	**9,247**	29,640
Marketing expense	**2,163**	861
Low value consumables	**255**	398
Refurbishment and maintenance expenses	**1,153**	934
Travelling and communication expenses	**868**	218
Amortization of intangible assets	**11**	173
Office expenses	**1,440**	228
Design and consulting expenses	**2,191**	1,158
Others	**1,757**	108
Total	**102,806**	81,179

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

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

(XXXIX) Administrative expense

Categories	Current period's amount	Previous period's amount
Employee benefits expenses	**53,432**	41,131
Depreciation of fixed assets	**1,182**	39,588
Consulting expenses	**16,924**	25,121
Amortization of intangible assets	**4,114**	5,844
Rental fees	**5,007**	833
Utilities expenses	**3,956**	4,245
Office expenses	**3,978**	4,916
Travelling and communication expenses	**1,485**	519
Depreciation of right of use assets	**1,778**	1,291
Logistic expenses	**525**	204
Refurbishment and maintenance expenses	**135**	508
Low value consumables	**206**	360
Amortization of long-term prepaid expenses	**62**	76
Others	**1,010**	4,411
Total	**93,794**	129,047

(XL) Financial expenses

Categories	Current period's amount	Previous period's amount
Interest expenses	**88,604**	182,103
Less: Interest income	**626**	1,495
Bank charges	**178**	163
Financing fees and others	**485**	932
Total	**88,641**	181,703

(All amounts in RMB'000 unless otherwise stated)

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

(XLI) Other income

1. Details of other income

Source of other income	Current period's amount	Previous period's amount
Governmental grants relating to daily operational activities	**1,191**	2,837
Gains from debt restructuring	**271**	14,853
Total	**1,462**	17,690

2. Governmental grants recognized in other income

Categories	Current period's amount	Previous period's amount	Related to assets/revenue
Transferred from amortization of deferred income in asset class	**304**	337	Related to assets
Enterprise support policy	**887**	2,500	Related to revenue
Total	**1,191**	2,837	

(XLII) Investment income

1. Details of investment income

Categories	Current period's amount	Previous period's amount
Income from long-term equity investments accounted for by the equity method	**(17,936)**	(38,342)
Gain or loss on debt restructuring (Note)	**9,054**	5,246
Gain or loss on change in scope of consolidation	**(381,155)**	(596,449)
Total	**(390,037)**	(629,545)

2. Note of investment income

As of 31 December 2023, the Company had investment income of RMB9,054 thousand from negotiations with some suppliers by way of debt forgiveness during the period.

(All amounts in RMB'000 unless otherwise stated)

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

(XLIII) Gain on fair value changes

Source of gain on fair value changes	Current period's amount	Previous period's amount
Other non-current financial assets	**4,907**	(9,433)
Total	**4,907**	(9,433)

(XLIV) Credit impairment losses

Categories	Current period's amount	Previous period's amount
Bad debt losses of accounts receivables	**9,989**	(15,018)
Bad debt losses of other receivables	**4,369**	(12,872)
Total	**14,358**	(27,890)

(XLV) Asset impairment loss

Categories	Current period's amount	Previous period's amount
Loss on impairment of inventories	**(8,678)**	(17,635)
Impairment of construction in progress	**(1,910)**	(5,222)
Impairment of long-term equity investments	**(3,459)**	–
Others	**(6,760)**	280
Total	**(20,807)**	(22,577)

(All amounts in RMB'000 unless otherwise stated)

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

(XLVI) Gain on disposals of assets

Categories	Current period's amount	Previous period's amount
Losses on disposal of fixed assets	**(28,935)**	(2,404)
Gains on disposal of right of use assets	**463**	186
Total	**(28,472)**	(2,218)

(XLVII) Non-operating income

Categories	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation income	**123**	517	123
Others	**377**	1,305	377
Total	**500**	1,822	500

(XLVIII) Non-operating expenses

Categories	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation for closing stores	**3,805**	4,801	3,805
Compensation for litigation	**168,735**	102,122	168,735
Loss on obsolescence of non-current assets	**25**	56	25
Loss on disposal of current assets	**–**	17	–
Penalties	**25**	385	25
Tax late payment	**3,190**	21,601	3,190
Others	**119**	5,041	119
Total	**175,899**	134,023	175,899

(All amounts in RMB'000 unless otherwise stated)

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

(XLIX) Income tax expenses

1. Table of income tax expenses

Items	**Current period's amount**	Previous period's amount
Current income tax expense	**2,479**	1,660
Deferred income tax expense	**–**	(2,110)
Total	**2,479**	(450)

2. Reconciliation between total profit and income tax expenses

Items	**Current period's amount**
Total profit	**(750,831)**
Income tax expense at statutory/applicable tax rates	**(187,707)**
Effect of different tax rates applied to subsidiaries	**–**
Effect of adjusting income tax of prior periods	**(2,993)**
Effect of non-taxable income	**(3,257)**
Effect of non-deductible costs, expenses and losses	**798**
Effect of deductible losses on the use of unrecognized deferred tax assets in prior periods	**(2,653)**
Effect of deductible temporary differences or deductible losses on deferred tax assets not recognized in the current period	**198,291**
Income tax expense	**2,479**

(All amounts in RMB'000 unless otherwise stated)

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

(L) Earnings per share

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

Specific calculations of basic and diluted earnings per share are as follows:

Item	2023	2022
Earnings:		
Net income for the period attributable to ordinary shareholders of the Company	**(737,450)**	(1,071,973)
Shares:		
Weighted average number of ordinary shares of the Company outstanding	**544,098**	544,098
Basic earnings per share and diluted earnings per share	**(1.36)**	(1.97)

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

(LI) Cost classified by characteristic

Item	2023	2022
Consumption of inventory	**39,278**	61,761
Employee benefits expenses	**81,659**	69,940
Depreciation of right of use assets	**5,416**	4,726
Amortization of long-term prepaid expenses	**3,792**	4,961
Department store expenses/Rental fees	**46,634**	7,572
Utilities expenses	**5,967**	6,578
E-commerce expenses	**3,608**	234
Logistic expenses	**1,405**	1,229
Depreciation of fixed assets	**10,429**	69,229
Consulting expenses	**19,115**	26,279
Marketing expense	**2,163**	861
Low value consumables	**461**	758
Office expenses	**5,418**	5,144
Travelling and communication expenses	**2,353**	737
Amortization of intangible assets	**4,125**	6,017
Renovation and maintenance costs	**1,288**	1,442
Others	**2,767**	4,519
Total	**235,878**	271,987

(All amounts in RMB'000 unless otherwise stated)

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

(LII) Notes to the consolidated cash flow statement

1. Cash received relating to other operating activities

Categories	Current period's incurrence	Previous period's incurred
Deposits from sales party	4,475	1,141
Interest income	567	1,495
Non-operating income	–	333
Government grants	15	251
Others	12,382	9,503
Receipt of employee reserve funds	182	740
Total	17,621	13,463

2. Cash paid relating to other operating activities

Categories	Current period's amount	Previous period's amount
Utilities, electricity and department store expenses	34,227	46,322
Consulting expense	14,631	21,202
Repayment of deposit and security deposit	128	983
Payout expenses	–	8
Bank charges	90	163
Bank deposits temporarily sealed or frozen due to judicial order	6,524	8,243
Transactions	5,000	–
Others	2,578	4,528
Total	63,178	81,449

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

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

3. Cash payments related to investing activities

Categories	Current period's amount	Previous period's amount
Cash outflows for loss of control of subsidiaries	**218**	573
Total	**218**	573

4. Cash payment related to financing activities

Categories	Current period's amount	Previous period's amount
Finance lease rental payments	**2,776**	2,315
Total	**2,776**	2,315

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

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

(LIII) Supplementary information of cash flow statement

1. Supplementary information of cash flow statement

Categories	Current period's amount	Previous period's amount
1. Reconciliation net loss to cash flows from operating activities		
Net Profit	**(753,310)**	(1,073,774)
Add: Credit impairment losses	**(14,358)**	27,890
Asset impairment allowance	**20,807**	22,577
Depreciation of fixed assets, oil and gas assets, productive biological assets	**15,705**	81,297
Depreciation of right of use assets	**5,224**	5,863
Amortization of intangible assets	**4,663**	7,133
Amortization of long-term prepaid expenses	**4,717**	3,214
Loss on disposal of fixed assets, intangible assets and other long-lived assets (Gains are recorded with a "-" sign)	**28,472**	2,218
Loss on scrapping of fixed assets (gain is recorded with a "-" sign)	**25**	56
Losses on changes in fair value (gains are recorded with a "-" sign)	**(4,907)**	9,433
Financial expenses (gains are recorded with a "-" sign)	**88,604**	183,035
Loss on investments (gain is presented with a "-" sign)	**17,936**	629,545
Decrease in deferred income tax assets (increase is shown by "-")	**–**	–
Increase in deferred income tax liabilities (decrease is presented with a "-" sign)	**–**	(2,110)
Decrease in deferred income	**919**	480
Decrease in inventories (increase is shown by "-")	**44,292**	179,056
Decrease in operating receivables (increase by "-")	**35,819**	(94,133)
Increase in operating payables (decrease is presented with a "-" sign)	**513,428**	2,243
Others	**–**	–
Net cash flows from operating activities	**8,036**	(15,977)
2. Significant investing and financing activities not involving cash received and paid		
Debt transfers to capital	**–**	–
Corporate convertible bond due within one year	**–**	–
Financing leased in financial assets	**–**	–
3. Net change in cash and cash equivalents		
Closing balance of cash	**41,642**	36,052
Less: Opening balance of cash	**36,052**	61,356
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase amount of cash and cash equivalents	**5,590**	(25,304)

(All amounts in RMB'000 unless otherwise stated)

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

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

2. Cash outflows related to leases

Total cash outflows relating to leases for the period amounted to RMB11,683 thousand (previous period: RMB2,315 thousand).

3. Cash and cash equivalents

Categories	**Closing balance**	Opening balance
I. Cash	**41,642**	36,052
Including: Cash on hand	**15**	27
Cash at bank that can be readily drawn on demand	**41,627**	36,025
Other monetary funds that can be readily used	**–**	–
II. Cash equivalents		
Including: Bond investment due within three months	**–**	–
III. Closing balance of cash and cash equivalents	**41,642**	36,052
Including: restricted cash and cash equivalents used by the company or the subsidiaries of the Group	**–**	–

(LIV) Assets with restricted ownership or use right

Categories	**Balance**	Reason for restriction
Monetary Funds	**8,288**	Judicial Freeze
Fixed assets	**108,487**	Seizure and loan collateral
Construction in progress	**67,868**	Loan collateral
Intangible assets	**34,400**	Seizure and loan collateral
Total	**219,043**	

(LV) Foreign currency monetary items

1. Foreign currency monetary items

Categories	**Foreign currency balance at the end of the period**	**Translation rate**	**Closing balance in RMB**
Currency funds	–		2
Of which: Hong Kong Dollars	–	0.9062	1
Of which: US Dollars	–	7.0827	1
Estimated liabilities			
Of which: Euros	60,336	7.8592	474,160

(All amounts in RMB'000 unless otherwise stated)

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

(LVI) Government grants

1. Government grants for liabilities subjects

Account	Opening balance	New grants for the period	Included in non-operating income for the period	Included in other gains for the period	Charged to costs during the period	Add: Other changes	Closing balance	Asset-related/ revenue-related
Other non-current liabilities	**5,242**	–	–	304	–	(438)	4,500	Asset-related
Total	**5,242**	–	–	304	–	(438)	4,500	

2. Government grants recognized in profit or loss

Items	Account	Current period	Last period	Asset-related/ revenue-related
Transfer in from amortization of asset-based deferred revenue	Other gains	304	337	Asset-related
Taxes and surcharges refunded	Other gains	887	2,500	revenue-related
Total		1,191	2,837	

VI. LEASE

(I) Disclosure as lessee

The Company's right-of-use assets, lease liabilities and total cash outflows related to leases are detailed in Note V/(XIII), (XXVII) and (LIII). The Company, as a lessee, is recognized in profit or loss as follows:

Item	2023	2022
Interest on lease liabilities	**485**	932
Lease payments not included in the measurement of the lease liabilities	**1,360**	425
Variable lease payments not included in the measurement of the lease liabilities	**566**	–

(All amounts in RMB'000 unless otherwise stated)

VI. LEASE (CONTINUED)

(I) Disclosure as lessee (continued)

Additional information on the Company as lessee is set forth below:

1. Leasing activities

Many of the Company's real estate leases contain variable lease payments tied to the sales volume of the leased stores. Where possible, the Company uses these clauses to match lease payments to stores that generate more cash flow. For individual stores, up to 100% of the lease payments can be based on variable payment terms, and a wide range of sales percentages are used. In some cases, the variable payment terms also include annual payment floors and caps.

2. Potential future cash outflows not included in the measurement of the lease liability

Lease payments and terms as of 31 December 2023 are summarized below:

Categories	Store numbers	Fixed payment	Variable payment	Total payment
Only fixed payment	7	498	–	498
Variable payment without minimum floor	–	–	–	–
Variable payment with minimum floor	10	296	566	862
Total	17	794	566	1,360

(II) Disclosure as lessor

1. Information relating to operating leases

Gains related to operating leases are shown below:

Item	Leasing revenue	of which: not recognized in lease income relating to variable lease payments
La Chapelle Headquarter Buildings	3,737	–
Taicang Logistics Center	1,768	–
Chengdu Logistics Center	614	–
Tianjin Logistics Center	3,289	–
Total	9,408	–

VII. CHANGES IN CONSOLIDATION SCOPE

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

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

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

(IV) Change in scope of consolidation for other reasons

Name of subsidiary	Reasons of changes
Shanghai Nuoxing	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
Laxia Xiuxian	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
Anhui Xinshang	Taken over by court-appointed insolvency administrator and no longer included in the scope of the consolidation
Taicang Laxia	Taken over by court-appointed reorganisation administrator and no longer included in the scope of the consolidation
Taicang Xiawei Storage	Due to the take-over of the wholly-owned subsidiary Taicang Laxia by the reorganisation administrator, it is no longer included in the scope of the consolidated financial statements
Taicang Jiashang Storage	Due to the take-over of the wholly-owned subsidiary Taicang Laxia by the reorganisation administrator, it is no longer included in the scope of the consolidated financial statements

(All amounts in RMB'000 unless otherwise stated)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in other subsidiaries

1. Structure of the Group

Name of subsidiaries	Main business site	Place of registration	Nature of business	Percentage of shareholding (%)		Means of acquirement
				Direct	Indirect	
Chongqing Lewei	Chongqing	Chongqing	Production and sales of apparel products	100	–	Established by investment
Beijing Laxia	Beijing	Beijing	Production and sales of apparel products	100	–	Established by investment
Chengdu Laxia	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Langhe	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Shanghai Xiawei	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Tianjin Laxia	Tianjin	Tianjin	Sales of apparel products	100	–	Established by investment
Chengdu Lewei	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Chongan	Shanghai	Shanghai	Sales of apparel products	85	–	Established by investment
Shanghai Youshi	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Fujian Lewei	Pucheng	Pucheng	Sales of apparel products	100	–	Established by investment
Enterprise Management	Shanghai	Shanghai	Investment	100	–	Established by investment
Shanghai Jiatuo	Shanghai	Shanghai	IT technology	100	–	Established by investment
Laxia Nafu	Shanghai	Shanghai	Sales of apparel products	65	–	Established by investment
Guangzhou Xichen	Guangzhou	Guangzhou	Sales of apparel products	60	–	Acquired by combination
Xinjiang Tongrong	Urumqi	Urumqi	Apparel technology	95	5	Established by investment
Shanghai Pinxi	Shanghai	Shanghai	Design and sales of apparel products	–	100	Established by investment
Taicang Chongan	Taicang	Taicang	Garment Sales	100	–	Established by investment
Taicang Xiawei Storage	Taicang	Taicang	Warehousing services	–	100	Established by investment
Shanghai Geraopu	Shanghai	Shanghai	Garment sales	–	100	Established by investment
Aixi Culture	Shanghai	Shanghai	Entertainment broker	–	100	Established by investment
Shanghai Puaila	Shanghai	Shanghai	Garment sales	–	80	Established by investment

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in Joint Ventures and Associates

1. Significant joint ventures and associates

Name of associates	Main business region	Place of registration	Characteristic of business	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
Tibet Baoxin	Tibet	Tibet	Asset management	60	–	Equity method
Hongche Industrial	Shanghai	Shanghai	Design and sales of apparel products	36	–	Equity method
Beijing Aoni	Beijing	Beijing	Wholesale and retail	12.70	–	Equity method
Shanghai Yishan	Shanghai	Shanghai	Wholesale and retail	30	–	Equity method

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

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

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

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

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

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

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

(I) Credit risk

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

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

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

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

(I) Credit risk (continued)

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

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

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

As of 31 December 2023, the carrying amounts of the relevant assets and the expected credit impairment losses were as follows:

Aging	Carrying amount	Impairment accrued
Accounts receivable	1,580,379	1,571,126
Prepayment	1,472	–
Other receivables	847,769	842,300
Total	2,429,620	2,413,426

(All amounts in RMB'000 unless otherwise stated)

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

(II) Liquidity risk

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

As of 31 December 2023, the Company's financial liabilities and off-balance sheet guarantee items are presented as undiscounted contractual cash flows by remaining contractual maturity as follows:

	Closing balance					
Items	**Immediate repayment**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5 years above**	**Total**
Short-term borrowings	1,077,598	–	–	–	–	1,077,598
Accounts payable	1,121,143	–	–	–	–	1,121,143
Other payables	1,082,453	–	–	–	–	1,082,453
Total	3,281,194	–	–	–	–	3,281,194

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

(III) Market risk

1. Exchange rate risk

The Company's principal operations are in the PRC and its principal business is denominated in RMB. The finance department of the Company's head office is responsible for monitoring the size of the Company's foreign currency transactions and foreign currency assets and liabilities to minimize its exposure to foreign exchange risk; for this purpose, the Company may enter forward foreign exchange contracts or currency swap contracts for the purpose of hedging its foreign exchange risk. The Company has not entered any forward foreign exchange contracts or currency swap contracts in the period of January to December 2023 and the year 2022.

As of 31 December 2023, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company that have been translated into RMB are listed below:

Projects	**30 June 2022** **RMB in thousand**	31 December 2021 RMB in thousand
Hong Kong Dollar Items		
Currency funds	**1**	2
US Dollar Items		
Currency funds	**1**	–
Euro items		
Estimated liabilities	**474,160**	406,225

As of 31 December 2023, the Company recognized foreign currency assets of RMB2,000 (all bank deposits in foreign currencies), representing approximately 0% of the asset items, and foreign currency liabilities of RMB474,160 thousand, representing approximately 12% of the liability items, which did not involve foreign currency owner's equity items. For each class of the Company's financial assets and liabilities in Hong Kong dollars, United States dollar, and euros, if the RMB had appreciated or depreciated by 10% against the Hong Kong dollar, United States dollar, or the euro, with other factors remaining unchanged, the Company would have decreased or increased its net profit by approximately RMB47,416 thousand (approximately RMB40,623 thousand in 2022).

2. Interest rate risk

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

In the period from January to December 2023, the Company has no floating rate interest bearing debt.

X. FAIR VALUE

(I) Financial instruments measured at fair value

The Company presents the carrying value of financial asset instruments measured at fair value on 31 December 2023, by the three levels of fair value. The classification of fair value in the three levels is based on the lowest of the three levels to which each significant input used in measuring fair value belongs. The three levels are defined as follows.

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

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

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

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

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

1. Persistent fair value measurement

	Closing fair value			
Items	**Level 1**	**Level 2**	**Level 3**	**Total**
Other equity instrument investment	–	–	–	–
Other non-current financial assets	–	–	96,727	96,727
Total assets	–	–	96,727	96,727

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

1. Description of fair value valuation

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

X. FAIR VALUE (CONTINUED)

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

1. Description of fair value valuation (continued)

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

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

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

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

2. Unobservable input value information

Items	Fair value at end of period	Valuation techniques	Unobservable inputs	Range interval
Equity instrument investment: Beijing Mingtongsiji Technology Co.	–	Comparative Approach for Listed Companies	–	–
Equity instrument investment: Shanghai Bolatu Information Technology Co.	–	Net Asset Approach	–	–
Other non-current financial assets: Ningbo Lanshengqianhui Investment Partnership (Limited Partnership)	30,612	Asset-based Approach	–	–
Other non-current financial assets: Hangzhou Zhitou Equity Investment Partnership (Limited Partnership)	9,594	Asset-based Approach	–	–
Other non-current financial assets: Nantong Xunming Fund Partnership (Limited Partnership)	56,521	Asset-based Approach	–	–
Total	96,727	–	–	–

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

As of 31 December 2023, the shareholding structure of the Company was relatively diversified, with the shareholding ratio of the highest shareholder not exceeding 30%. There was no controlling shareholder who could control the general meeting and the board of directors, nor was there any common control, and the Company had no actual controller.

As of 31 December 2023, the shareholdings of shareholders holding more than 10% of the shares were as follows:

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

Shanghai Wensheng Asset Management Company Limited indirectly holds 100% share of Shanghai Qijin Enterprise Management Partnership (Limited Partnership), and Wensheng Asset and Shanghai Qijin constitute parties acting in concert. As of 31 December 2023, Shanghai Qijin and Wensheng Assets held a total of 106,800,000 Domestic shares of the Company, representing 19.5% of the total share capital of the Company, and was the largest shareholder of the Company.

(II) The general information of the subsidiaries is set out in Note VIII/(I) Equity in major subsidiaries.

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Joint ventures and associates of the Company

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

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

Name of joint venture or associate	Relationship with the Group
Hongche Industrial	Associates

(IV) Information on other related parties

Name of other related parties	Relationship of other related parties with the Company
LACHA FASHION I LIMITED	Subsidiary that lost control in 2020 and that is currently taken over by Gemstone Advantage Limited
Hexia Investment	Former controlling shareholder's person in concert (whose shares was auctioned in 2021)
Shanghai Weile	Subsidiary that lost control in 2022
Shanghai Leou	Subsidiary that lost control in 2022
Qixin Property management	Subsidiary of Shanghai Weile that lost control in 2022
Yixin Retail	Subsidiary traded in 2022
Shanghai Nuoxing	Subsidiary that lost control in 2023
Laxia Xiuxian	Subsidiary that lost control in 2023
Anhui Xinshang	Subsidiary that lost control in 2023
Taicang Laxia	Subsidiary that lost control in 2023
Taicang Jiashang Storage	Subsidiary of the subsidiary that lost control in 2023
Taicang Xiawei Storage	Subsidiary of the subsidiary that lost control in 2023

(V) Related party transactions

1. For the subsidiaries which are controlled by the Company and counted into the consolidated financial statements, the internal and parent company transactions have been offset.

2. Related party leases

(1) The Company as a lessee

		Lease payment		Interest expense on lease liabilities		Increased right-to-use assets	
Lessor	Types of leased assets	Current period	Last period	Current period	Last period	Current period	Last period
Shanghai Weile	Buildings	5,762	5,476	–	581	(33,397)	33,397
Taicang Laxia	Buildings	4,001	9,959	270	–	7,597	–
Total		9,763	15,435	270	581	(25,800)	33,397

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

2. Related party leases (continued)

(1) The Company as a lessee (continued)

Notes of related leases:

In 2018, Shanghai Weile, the former wholly-owned subsidiary, entered into a lease agreement with the Company to lease Building No.4 of the headquarters to the Company for the period from 01 April 2018 to 31 March 2027. In 2022, Shanghai Weile entered into bankruptcy and liquidation procedures on August 9 due to its inability to repay the creditors' debts. On 28 July 2023, Shanghai Weile's administrators and the Company converted the original lease agreement into a temporary use of premises agreement.

In 2021, Taicang Laxia, the former wholly-owned subsidiary, entered into a lease agreement with the Company to lease the first and second floors of Phase I and the mezzanine floor of Phase I (archive room) of Taicang Logistics Center to the Company for the period from 1 January 2021 to 31 December 2026. In 2023, Taicang Laxia entered into bankruptcy and reorganization proceedings on February 10 due to its inability to repay the creditors' debts as they fall due and Taicang Laxia is no longer included in the scope of consolidation. The administrator of Taicang Laxia entered into a supplemental lease agreement with the Company to renegotiate the area and unit price of the lease.

3. Related party guarantees

(1) The Company as the guarantor

Secured party	Amount of guarantee	Start date of guarantee	Expiry date of guarantee	Whether the guarantee has been fulfilled
Shanghai Weile	347,777	29 August 2018	10 November 2025	No
Total	347,777			

In August 2018, Bank of Communications Co., Ltd, Shanghai Zhabei Branch ("Bank of Communications") entered into a Fixed Asset Loan Agreement with Shanghai Weile, with a loan amount of RMB347,777 thousand and the loan term from 15 August 2018 to 10 November 2023 On 29 August 2018, the Company entered into a Guarantee Contract with Bank of Communications to provide a guarantee for the loan, which covers the amount of the principal and interest, compound interest, penalty interest, default damages, liquidated damages, and expenses for the realization of the claim. The term of the guarantee starts from the date of expiration of the performance period of the debt and counts up to two years after the date of expiration of the main contracts.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

3. Related party guarantees (continued)

(1) The Company as the guarantor (continued)

The loan was assigned to China Huarong Asset Management Company Limited Shanghai Pilot Free Trade Zone Branch in December 2020 by Bank of Communications Company Limited Shanghai Branch.

(2) The Company as guarantee

Guarantor	Guaranteed amount (in thousand)	Date of commencement	Date of maturity	Whether the guarantee has been fulfilled
Xing Jiaxing	88,000	30 April 2020	30 April 2021	No
Xing Jiaxing	40,000	24 June 2020	24 June 2021	No
Xing Jiaxing	70,000	24 June 2020	24 June 2021	No
Xing Jiaxing	400,000	11 September 2019	10 September 2022	No
Xing Jiaxing	200,000	25 November 2019	25 November 2022	No
Xing Jiaxing	150,000	19 October 2018	2 January 2022	No
Xing Jiaxing	550,000	26 November 2019	26 November 2023	No
Shanghai Weile	88,000	30 April 2020	30 April 2021	No
Shanghai Weile	40,000	24 June 2020	24 June 2021	No
Shanghai Weile	70,000	24 June 2020	24 June 2021	No
Shanghai Weile	400,000	11 September 2019	10 September 2022	No
Shanghai Weile	200,000	25 November 2019	25 November 2022	No
Shanghai Weile	225,000	1 September 2019	31 August 2022	No
Shanghai Weile	150,000	19 October 2018	31 August 2022	No
Taicang Laxia	200,000	25 November 2019	25 November 2022	No
Taicang Laxia	225,000	1 September 2019	31 August 2022	No
Taicang Laxia	150,000	19 October 2018	2 January 2022	No
Total	3,246,000			

Note of related guarantees:

Mr. Xing Jiaxing, the former controller, provided guarantees for the Company in the aggregate amount of RMB1,498,000 thousand, and as of 31 December 2023, none of these guarantees had been fulfilled and RMB1,498,000 thousand had been entered into litigation proceedings.

Shanghai Weile, a former subsidiary, provided guarantees to the Company amounting to RMB1,173,000 thousand in aggregate, and as of 31 December 2023, none of these guarantees had been fulfilled and RMB1,173,000 thousand had been entered into litigation proceedings.

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

3. Related party guarantees (continued)

(2) The Company as guarantee (continued)

Taicang Laxia, a former subsidiary, provided guarantees to the Company amounting to RMB575,000 thousand in aggregate, and as of 31 December 2023, none of these guarantees had been fulfilled and RMB575,000 thousand had been entered into litigation proceedings.

4. Funds lending with related party

(1) Lending of funds to related parties

Related parties	Amount lending	Description
Hongche Industrial	40,000	Expired
Total	40,000	

5. Key management payroll and remuneration

Items	Current Period	Last period
Key management payroll and remuneration	**5,412**	5,388

6. Directors' and supervisors' remuneration and interests

(1) List of appointments during the reporting period

Year 2023	Election process	Position	Starting time	Starting time during current period	Newly assigned during current period	Resigned during current period	Ending time during current period	Whether the business pays salaries
I. Directors								
Zhao Jinwen	2020 Annual General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Director, chairman	2021/6/10	2023/1/1			2023/12/31	Yes
Zhang Ying	2021 First Extraordinary General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Director, president	2021/1/11	2023/1/1			2023/12/31	Yes
Zhu Fengwei	2023 Second Extraordinary General Meeting of Shareholders	Director	2023/4/17	2023/4/17	2023/4/17		2023/12/31	Yes

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

6. Directors' and supervisors' remuneration and interests (continued)

(1) List of appointments during the reporting period (continued)

Year 2023	Election process	Position	Starting time	Starting time during current period	Newly assigned during current period	Resigned during current period	Ending time during current period	Whether the business pays salaries
Wang Yan	2022 Second Extraordinary General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Director	2022/12/30	2023/1/1			2023/12/31	Yes
Yang Heng	2021 Third Extraordinary General Meeting of Shareholders	Director	2021/7/6	2023/1/1		2023/4/17	2023/4/17	No
Xing Jiangze	2020 Second Extraordinary General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Independent Director	2020/5/8	2023/1/1			2023/12/31	Yes
Chow Yue Hwa Jade	2020 Annual General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Independent Director	2021/6/10	2023/1/1			2023/12/31	Yes
Zhu Xiaozhe	2020 Second Extraordinary General Meeting of Shareholders	Independent Director	2020/5/8	2023/1/1		2023/4/17	2023/4/17	Yes
Yang Linyan	2023 Second Extraordinary General Meeting of Shareholders	Independent Director	2023/4/17	2023/4/17	2023/4/17		2023/12/31	Yes
II. Supervisor								
Sun Bin	Staff Congress held on 15 January 2021 and 17 April 2023	Supervisor	2021/1/15	2023/1/1			2023/12/31	Yes
Gu Zhenguang	2021 Second Extraordinary General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Supervisor	2021/2/22	2023/1/1			2023/12/31	Yes
Wang Jiajie	Staff Congress held on 10 June 2021 and 17 April 2023	Supervisor	2021/6/10	2023/1/1			2023/12/31	Yes

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

6. Directors' and supervisors' remuneration and interests (continued)

(1) List of appointments during the reporting period (continued)

Continued:

Year 2022	Election process	Position	Starting time	Starting time during current period	Newly assigned during current period	Resigned during current period	Ending time during current period	Whether the business pays salaries
I. Directors								
Zhao Jinwen	2020 Annual General Meeting of Shareholders	Director, chairman	2021/6/10	2022/1/1			2022/12/31	Yes
Zhang Ying	2021 First Extraordinary General Meeting of Shareholders	Director, president	2021/1/11	2022/1/1			2022/12/31	Yes
Zhang Xin	2020 General Meeting of Shareholders	Director	2021/6/10	2022/1/1		2022/4/20		Yes
Yang Heng	2021 Third Extraordinary General Meeting of Shareholders	Director	2021/7/6	2022/1/1			2022/12/31	No
Xing Jiangze	2020 Second Extraordinary General Meeting of Shareholders	Independent Director	2020/5/8	2022/1/1			2022/12/31	Yes
Chow Yue Hwa Jade	2020 General Meeting of Shareholders	Independent Director	2021/6/10	2022/1/1			2022/12/31	Yes
Zhu Xiaozhe	2020 Second Extraordinary General Meeting of Shareholders	Independent Director	2020/5/8	2022/1/1			2022/12/31	Yes
Fu Feng	2021 General Meeting of Shareholders	Director	2022/6/29		2022/6/29	2022/12/1		No
Wang Yan	2022 Second Extraordinary General Meeting of Shareholders	Director	2022/12/30		2022/12/30		2022/12/31	Yes
II. Supervisor								
Sun Bin	Staff Congress held on 15 January 2021 and 17 April 2023	Supervisor	2021/1/15	2022/1/1			2022/12/31	Yes
Gu Zhenguang	2021 Second Extraordinary General Meeting of Shareholders, 2023 Second Extraordinary General Meeting of Shareholders	Supervisor	2021/2/22	2022/1/1			2022/12/31	Yes
Wang Jiajie	Staff Congress held on 10 June 2021 and 17 April 2023	Supervisor	2021/6/10	2022/1/1			2022/12/31	Yes

Note: Zhao Jinwen was appointed on April 20, 2022 as Chairman of the Board of Directors.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

6. Directors' and supervisors' remuneration and interests (continued)

(2) Remuneration of Directors, Supervisors and Chief Executive Officer

Year 2023	Remuneration	Salaries and allowances	Pension scheme contributions	Bonus	Other allowances and benefits	Remuneration for other services rendered in connection with the management of the Company or a subsidiary	Share-based payments	Total
I. Executive Directors								
Zhao Jinwen	600	-	-	-	-	-	-	600
Zhang Ying	-	1,846	68	-	-	-	-	1,914
Zhu Fengwei	-	734	49	-	-	-	-	782
II. Non-Executive Directors								
Yang Heng	-	-	-	-	-	-	-	-
Wang Yan	200	-	-	-	-	-	-	200
III. Independent Directors								
Xing Jiangze	200	-	-	-	-	-	-	200
Chow Yue Hwa Jade	200	-	-	-	-	-	-	200
Yang Linyan	141	-	-	-	-	-	-	141
Zhu Xiaozhe	59	-	-	-	-	-	-	59
IV. Supervisors								
Sun Bin	-	234	19	-	-	-	-	253
Gu Zhenguang	-	525	61	-	-	-	-	586
Wang Jiajie	-	497	58	-	-	-	-	555
Total	1,400	3,836	255	-	-	-	-	5,491

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

6. Directors' and supervisors' remuneration and interests (continued)

(2) Remuneration of Directors, Supervisors and Chief Executive Officer (continued)

Continued:

2022	Remuneration	Salaries and allowances	Pension scheme contributions	Bonus	Other allowances and benefits	Remuneration for other services rendered in connection with the management of the Company or a subsidiary	Share-based payments	Total
I. Executive Directors								
Zhao Jinwen	420	–	–	–	–	–	–	420
Zhang Ying	–	1,933	63	–	–	–	–	1,996
Zhang Xin	180	–	–	–	–	–	–	180
II. Non-Executive Directors								
Yang Heng	–	–	–	–	–	–	–	–
Fu Feng	–	–	–	–	–	–	–	–
Wang Yan	–	–	–	–	–	–	–	–
III. Independent Directors				–				
Xing Jiangze	200	–	–	–	–	–	–	200
Chow Yue Hwa Jade	200	–	–	–	–	–	–	200
Zhu Xiaozhe	200	–	–	–	–	–	–	200
IV. Supervisors				–	–	–	–	
Sun Bin	–	208	17	–	–	–	–	225
Gu Zhenguang	–	510	58	–	–	–	–	568
Wang Jiajie	–	464	48	–	–	–	–	512
Total	1,200	3,115	186	–	–	–	–	4,501

(3) Retirement benefits for directors

The Company does not have retirement benefits for its directors. The Company only contributes to the state-mandated pension plan for its directors who are based in the PRC.

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

6. Directors' and supervisors' remuneration and interests (continued)

(4) Termination benefits for directors

The Company does not have any termination benefits for directors.

(5) Consideration paid to third parties for obtaining the services of directors

In 2023, there was no consideration paid by the Company to third parties for obtaining the services of directors (Fiscal 2022: None).

(6) There were no loans, similar loans and other transactions made by the Company to directors, legal entities controlled by directors and related parties of directors in 2023 (Fiscal 2022: None).

(7) The top five highest paid members of the Company in fiscal 2023 include 2 member of the Board of Directors (Fiscal 2022: 1 member), whose remuneration details are shown in Note XI/(V)/6/(2). Details of the remuneration of the remaining 3 (FY2022: 4) non-directors with the highest paid employees are set out below:

Items	**2023**	2022
Salaries, bonuses, and allowances	**1,554**	2,279
Included: bonus	**–**	–
Pensions	**204**	242
Provident fund, medical insurance and other social insurance	**226**	273
Total	**1,984**	2,794

Salary range:

Items	**2023**	2022
HKD0 to HKD1,000,000 (equivalent to approximately RMB0 to RMB858,000)	**3**	3
HKD1,000,000 to HKD1,500,000 (equivalent to approximately RMB858,000 to RMB1,287,000)	**–**	1
Total	**3**	4

(All amounts in RMB'000 unless otherwise stated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

7. Receivables and payables of related party

(1) Receivables from related parties of the Company

Items	Related party	**Closing balance**		Opening balance	
		Carrying amount	**Bad debt allowance**	Carrying amount	Bad debt allowance
Accounts receivable					
	Hongche Industrial	**4,284**	**4,284**	4,284	4,284
	Shanghai Weile	**263,527**	**263,527**	263,527	263,527
	Taicang Laxia	**787,562**	**787,562**	–	–
	Laxia Xiuxian	**372,285**	**372,285**	–	–
Other receivables					
	LACHA FASHION I LIMITED	**117,024**	**117,024**	117,017	117,017
	Hexia Investment	**–**	**–**	10,797	10,797
	Hongche Industrial	**660**	**660**	1,458	1,458
	Shanghai Weile	**270,303**	**270,303**	270,325	270,325
	Shanghai Leou	**146,686**	**146,017**	144,532	144,532
	Qixin Property Management	**1,200**	**1,200**	11,200	11,200
	Taicang Laxia	**14,335**	**14,335**	–	–
	Taicang Xiawei Storage	**7**	**7**	–	–
	Shanghai Nuoxing	**213,456**	**213,456**	–	–
	Laxia Xiuxian	**293**	**293**	–	–
Other current assets					
	Hongche Industrial	**47,869**	**47,869**	47,869	47,869

(2) Payables to related parties of the Company

Items	Related party	**Closing balance**	Opening balance
Accounts payable			
	Shanghai Leou	**193,579**	194,297
	Shanghai Nuoxing	**362,831**	–
Other payables			
	LACHA FASHION I LIMITED	**14**	14
	Shanghai Weile	**134,755**	142,500
	Shanghai Leou	**23,333**	25,913
	Qixin Property Management	**56**	10,056
	Laxia Xiuxian	**230**	–
	Shanghai Nuoxing	**18,378**	–
	Taicang Laxia	**7,299**	–

(All amounts in RMB'000 unless otherwise stated)

XII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

There are no material commitments of the Company that require disclosure

(II) Significant contingencies existing at the balance sheet date

1. Contingencies arising from pending litigation or arbitration and their financial impact

(1) The Company as a defendant

a. Litigation matters in which judgments are unexecuted

Serial number	Case type	Case number	Amount involved
1	Service contract disputes	4	4,659
2	Manufacturing contract disputes	96	605,691
3	Construction contract disputes	6	253,281
4	Financial loan contract disputes	4	1,591,180
5	Labor disputes	2	315
6	Trading contract disputes	74	436,617
7	Bill claiming disputes	21	10,884
8	Carriage contract disputes	6	6,546
9	Copyright infringement disputes	2	720
10	Decoration contract disputes	8	2,862
11	Leasing contract disputes	25	31,838
12	Leasing Contract disputes	1	130
	Total	249	2,944,722

As of 31 December 2023, the Company had a total of 249 litigation cases with judgments unexecuted, total amount is RMB2,944,722 thousand. The interest of overdue has been calculated as of 31 December 2023. Thereafter, interest for the period of late payment is credited to the corresponding accounting period.

(All amounts in RMB'000 unless otherwise stated)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. Contingencies arising from pending litigation or arbitration and their financial impact (continued)

(1) The Company as a defendant (continued)

b. Unadjudicated litigation matters

Deadline	31 December 2023		As of the audit report date (29 April 2024) Amount involved			
Judgment Status	Pending Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Construction contract disputes	1	32,387	1	32,387	–	–
Trademark transfer contract disputes	1	119	1	119	–	–
Leasing contract disputes	1	992	1	992	–	–
Total	3	33,498	3	33,498	–	–

As of 31 December 2023, the total number of cases in which the Company was a defendant and had not been adjudicated was 3 cases amounting to RMB33,498 thousand.

(2) Company as plaintiff party

a. Litigation matters which judgments are overdue but unexecuted

Serial number	Case type	Case number	Amount involved
1	Contractual disputes	10	21,011
2	Other contract disputes	2	3,632
3	Trademark rights assignment contract disputes	3	11,052
4	Leasing contract disputes	1	166
	Total	16	35,861

As of 31 December 2023, the total number of unexecuted cases in which the Company was the plaintiff and in which judgment had been rendered was 16, amounting to RMB35,861 thousand.

(All amounts in RMB'000 unless otherwise stated)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

1. Contingencies arising from pending litigation or arbitration and their financial impact (continued)

(2) Company as plaintiff party (continued)

b. Unjudged litigation matters

Serial number	Case type	Case number	Amount involved
1	Contractual disputes	2	4,222
2	Trademark use right contract disputes	3	4,321
3	Lease contract disputes	1	326
	Total	6	8,869

As of 31 December 2023, the total number of cases in which the Company was the plaintiff and in which judgment was not rendered was 6 cases involving RMB8,869 thousand.

2. On 19 July 2022, the Company received a decision letter from the People's Court of Taicang, Jiangsu Province on the commencement of the pre-reorganisation of Taicang Laxia, a wholly-owned subsidiary, appointing Jiangsu Xintianlun Law Firm as the provisional administrator. On 10 February 2023, the Taicang Court decided to accept the bankruptcy reorganization case of the debtor Lacha Taicang and appointed Jiangsu Xintianlun Law Firm as the administrator. As of 31 December 2023, the pre-reorganization proceedings of Taicang Laxia had not been completed. Therefore, the impact on the Company is uncertain pending the final results of the pre-reorganization.

3. On 25 February 2020, FASHION I, a subsidiary of the Company, was taken over by Gemstone Advantage Limited (current name: Gemstone Advantage Limited, former name: HTI ADVISORY COMPANY LIMITED) due to default in repayment of loans and the Company was unable to exercise any control or influence over it and has effectively lost control over it. As a result, the Company has lost control of FASHION I and its subsidiaries APPAREL I, APPAREL II and Naf Naf SAS.

Naf Naf SAS, a former wholly owned subsidiary of the Company, was unable to repay the amounts owed to suppliers and the local government, and on 15 May 2020, judicial restructuring proceedings were formally initiated by a local French court decision and a judicial administrator was appointed to assist in all or part of the business operations of Naf Naf SAS. On 19 June 2020, the local French court ruled in favor of the disposal of certain assets and liabilities of Naf Naf SAS, including intangible assets, fixed assets, inventories, employee accrued rights, leases, franchise agreements, etc. (excluding monetary funds, accounts receivable, accounts payable, bank loans, etc.) for a price of approximately 8,232,700 Euro, and the judicial reorganization proceedings of Naf Naf SAS were transferred to judicial liquidation proceedings. The proceeds of the sale will be included in the judicial liquidation process to pay off its debts. As of 30 June 2022, the above-mentioned liquidation of Naf Naf SAS is not yet complete, but the impact on the Company is uncertain pending the final outcome of the liquidation as the Company is unable to obtain further information in relation to the liquidation of Naf Naf SAS.

(All amounts in RMB'000 unless otherwise stated)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Significant contingencies existing at the balance sheet date (continued)

4. Contingencies arising from the provision of external debt guarantees and their financial impact

Serial number	Secured party	Subject matter	Amount	Presented under
1	LACHA FASHION I LIMITED	Borrowing Guarantee	EUR37,400	Estimated liabilities
	Total		EUR37,400	

As of 31 December 2023, other than the above-mentioned guarantees, there were no guarantees provided by the Company for other related parties and non-related party units.

Except for the existence of the above contingencies, there were no other material contingencies of the Company as of 31 December 2023, that should be disclosed but were not disclosed.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

(I) Effects of new litigation or arbitration

(1) The Company as defendant

Deadline	29 April 2024		29 April 2024			
Judgment Status	Pending and Judged Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Manufacturing disputes	1	399	–	–	1	399
Housing rental agreement	3	1,157	3	1,157	–	–
Total	4	1,556	3	1,157	1	399

The total number of cases in which the Company was added as a defendant from 4 January 2024 to the date of the audit report was 1, involving a total amount of RMB1,556 thousand.

(II) Description of other events after the balance sheet date

Except for the above-mentioned post-balance sheet events, the Company has no other material post-balance sheet events that should be disclosed but were not disclosed as of the date of approval of the financial report.

(All amounts in RMB'000 unless otherwise stated)

XIV.QUALITATIVE AND QUANTITATIVE DISCLOSURES RELATED TO LEASING

(I) Disclosures as a lessee:

Many of the Company's real estate leases contain variable lease payment terms that are tied to the sales volume of the stores being leased. Where possible, the Company uses these terms to match lease payments to the stores that generate more cash flow. For individual stores, up to 100% of the lease payments can be based on variable payment terms and a wide range of sales ratios are used. In some cases, the variable payment terms also include annual payment floors and caps.

As of 31 December 2023, the lease payments and terms are summarized below:

Category	Number of stores	Fixed Payment Amount	Variable payment amount	Total payment amount
Only fixed payment	7	498	–	498
Variable payment without minimum floor	–	–	–	–
Variable payment with minimum floor	10	296	566	862
Total	17	794	566	1,360

(II) Disclosures as lessor:

The Company uses some of its buildings and structures for leasing, and according to the lease contract, the rent is subject to annual adjustment based on market rental conditions. the Company generated revenues of RMB9,408 thousand in the period of January to December 2023 due to the leasing of buildings and structures, see Note VI. the leased-out buildings and structures are not accounted for as investment properties because they cannot be separated and measured separately.

XV. OTHER SIGNIFICANT EVENTS

(I) The Company is under bankruptcy reorganisation procedures

The Company received the Civil Ruling (2023) Hu 03 Po No. 64 from Shanghai Third Intermediate Court on 6 February 2023, which ruled to accept the bankruptcy liquidation case of La Chapelle company on 2 February 2023 and appointed Beijing King & Wood Mallesons Law Firm Shanghai Branch as the administrator. The creditors' declaration of debts was completed by 8 May 2023, and the first creditors' meeting will be held on 24 May 2023.

The administrator of the Company submitted an application for reorganization to the Shanghai Third Intermediate Court on 29 August 2023, requesting the court to rule that the Company enter into bankruptcy reorganisation proceedings, and the Shanghai Third Intermediate Court decided to accept the application of the reorganisation of the Company (No. of Decision Judgment: (2023) Hu 03 Po No. 54) on 12 September 2023, and as at the date of this audit report, the Company is still in the stage of confirming the debts declared by the creditors and verifying the assets.

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Equity freezes in subsidiaries

Up to now, the equity interests of 5 subsidiaries of the Company have been frozen as a result of the Company's involvement in litigation cases and other impacts, involving a total execution amount of approximately RMB435 million. The freezing of the equity interests of the Company's subsidiaries dose not have any substantial impact on the normal operation of the Company and its subsidiaries, but there is a risk that the equity interests of the subsidiaries may be judicially disposed of due to the above matters.

(III) Subsidiary filing for bankruptcy reorganisation and liquidation

On 19 July 2022, Taicang Laxia received the Decision Letter (2022) Su 0585 Po Shen No. 29 and one of the Decision Letters (2022) Su 0585 Po Shen No. 29 from the Taicang Court, in which the Taicang Court decided to commence the pre-reorganization of Taicang Laxia and appointed a provisional administrator. On 10 February 2023, the Taicang Court ruled to accept the case of bankruptcy reorganization of Taicang Laxia submitted by its creditor, Taicang Laxia, and appointed Jiangsu Xintianlun Law Firm as the administrator. The first creditors' meeting was held on 25 April 2023. As at the date of this audit report, Taicang Laxia is still in the stage of filing claims and asset verification the bankruptcy reorganisation procedures

The Company received the Civil Ruling (2023) Hu 03 Po No. 534 from Shanghai Third Intermediate Court on 8 August 2023. Shanghai Third Intermediate Court ruled on 28 July 2023 that it accepted the case of bankruptcy liquidation of Laxia Xiuxian, a wholly-owned subsidiary, and appointed Beijing King & Wood Mallesons Law Firm, Shanghai Branch, as the administrator. Laxia Xiuxian was taken over by the administrator on 23 August 2023 and the first creditors' meeting was held on 4 December 2023. Laxia Xiuxian entered into bankruptcy and liquidation proceedings, and there may be a risk that the Company's equity investment in Laxia Xiuxian and other receivables may not be recovered.

On 8 February 2023, the Company received the Civil Ruling (2023) Hu 03 Po No. 70 from Shanghai Third Intermediate Court, which ruled on 7 February 2023 that it accepted the bankruptcy and liquidation of Shanghai Nuoxing, a wholly-owned subsidiary, and appointed Beijing King & Wood Mallesons Law Firm, Shanghai Branch, as the administrator. the first meeting of creditors was convened on 25 April 2023. Shanghai Nuoxing entered into bankruptcy and liquidation proceedings, and there may be a risk that the Company's equity investment in Shanghai Nuoxing and other receivables may not be recovered.

Due to disputes with other shareholders, Anhui Xinshang, the controlling subsidiary, was filed for bankruptcy and liquidation by the Company, and was taken over by the court-appointed bankruptcy liquidation administrator on 27 February 2023, and was removed from the scope of consolidation. on 25 May 2023, one of the civil rulings (2023) Wan 0826 Qiangqing No. 2 of the People's Court of Susong County, Anhui Province, ruled on the liquidation plan prepared by the administrator of Anhui Xinshang. On 31 May 2023, the court ruled on the liquidation report of the liquidation group and the termination of the compulsory liquidation proceedings of Anhui Xinshang. As of 31 December 2023, the Company has now received all of the liquidation payments agreed upon in the liquidation agreement.

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(IV) Deregistered of repurchased shares

The Company held the First Extraordinary General Meeting of 2023, the First Meeting of Domestic Shares of 2023 and the First Meeting of H Shares of 2023 on 13 January 2023 to consider and approve the resolution on the deregistered of the repurchased shares and reduction of the registered capital as well as the amendment of the Company's Articles of Association. The Company intends to cancel all of the 3,573,200 domestic shares in the special securities account for repurchase (the Company repurchased an aggregate of 3,573,200 domestic shares in FY2020 through centralized bidding transactions) and reduce the registered capital of the Company accordingly as of 31 December 2023. No shares have been canceled yet.

(V) Appropriation of funds

In 2021, through internal investigation of the Company, it was discovered that Shanghai Hexia Investment Co., Ltd.* (上海合夏投資有限公司), a person acting in concert with the former de facto controller of the Company, has accumulatively appropriated RMB9.5 million from the Company. This fund appropriation matter did not fulfill the decision-making process of La Chapelle's shareholders' general meeting and board of directors. In 2022, the Company filed a lawsuit to the Shanghai Xuhui District People's Court in relation to this matter, and on 27 September, the Shanghai Xuhui District People's Court ruled that: "Shanghai Xiang'an Information Technology Company Limited, Shanghai Hexia Investment Company Limited, Mr. Xing Jiaxing returned the principal amount of the Company's loan amounting to RMB9,500,000 and reimbursement to La Chapelle Company for the loss of interest on fund occupation calculated on the basis of the one-year loan market quotation rate standard announced by the National Interbank Offered Rate Center from 18 September 2021 to the date of actual repayment based on the amount of RMB9,500,000".In 2023, the enforcement of the repayment of RMB144 thousand was enforced, and the remaining fund occupation was not fully repaid as of 31 December 2023.

(VI) Division Information

The Company determines operating segments based on its internal organizational structure, management requirements, and internal reporting system. An operating segment of the Company is a component that also meets the following conditions.

(1) The component is capable of generating revenues and incurring expenses in the ordinary course of its activities.

(2) Management is able to regularly evaluate the operating results of the component in order to decide to allocate resources to it and evaluate its performance.

(3) It is possible to obtain accounting information related to the financial position, results of operations and cash flows of the component.

(All amounts in RMB'000 unless otherwise stated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

(VI) Division Information (continued)

The Company determines its reportable segments on the basis of operating segments. An operating segment is determined to be a reportable segment if one of the following conditions is met.

(1) The segment revenue of that operating segment represents 10% or more of the total revenue of all segments.

(2) The absolute amount of segment profit (loss) of that segment represents 10% or more of the greater of the aggregate profit of all profitable segments or the absolute amount of the aggregate loss of all loss-making segments.

The Company has a single business, mainly the sale of apparel, brand-integrated services and leasing of some buildings in the country. Management manages this business as a whole and evaluates operating results, therefore, no segment information is presented in these financial statements.

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

1. Accounts receivable disclosed based on aging

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

Aging	**Closing balance**	Opening balance
Within 90 days	**1,075,268**	2,272,263
90 days to 1 year	**29,017**	6,324
1 to 2 years	**9,081**	34,083
2 to 3 years	**30,970**	44,385
3 years above	**1,423,007**	258,326
Sub-total	**2,567,343**	2,615,381
Less: allowance for bad debt	**2,234,466**	1,140,047
Total	**332,877**	1,475,334

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

2. Disclosed based on classification of accrual method for bad debts

	Closing balance				
	Carrying amount		Allowance for bad debt		
Categories	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Carrying amount**
Accounts receivable with a single accrual for expected credit losses	**2,230,767**	**87**	**2,230,767**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**336,576**	**13**	**3,699**	**1**	**332,877**
Including: credit risk characteristics combined with allowance for bad debts	**336,576**	**13**	**3,699**	**1**	**332,877**
Total	**2,567,343**	**100**	**2,234,466**	**87**	**332,877**

Continued:

	Opening balance				
	Carrying amount		Allowance for bad debt		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,124,018	43	1,124,018	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	1,491,363	57	16,029	1	1,475,334
Including: credit risk characteristics combined with allowance for bad debts	1,491,363	57	16,029	1	1,475,334
Total	2,615,381	100	1,140,047	44	1,475,334

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

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

	Closing balance			
Name of company	**Carrying amount**	**Allowance for bad debt**	**Carrying amount**	**Reason**
Hongche Industrial	4,284	4,284	100	Note (1)
Accounts receivables from shopping malls	63,996	63,996	100	Note (2)
Shanghai Weile	263,527	263,527	100	Note (3)
Taicang Laxia	787,557	787,557	100	Note (4)
Laxia Xiuxian	372,285	372,285	100	Note (5)
Tianjin Laxia	292,316	292,316	100	Note (6)
Chengdu Lewei	150,645	150,645	100	
Shanghai Youshi	289,330	289,330	100	
Chongqing Lewei	6,827	6,827	100	
Total	2,230,767	2,230,767		

(1) The Company's receivable from an unconsolidated related party, Hongche Industrial, amounting to RMB4,284 thousand was fully provided for as the Company considered the receivable to be uncollectible due to the poor operating condition of the enterprise and the existence of liquidity problems.

(2) The receivables from shopping malls for which a separate provision for bad debts was made were all due to the poor operating conditions of the shopping malls and the existence of liquidity problems, and some of the shopping malls were in a state of closure, and the Company considered the receivables to be difficult to collect, and therefore a full provision for bad debts was made.

(3) On 9 August 2022, Shanghai Weile, a wholly-owned subsidiary of the Company, was taken over by a court-appointed bankruptcy liquidation administrator due to insolvency. The Company expected that it would be difficult to collect the receivables from it, and therefore a full provision for bad debts was made.

(4) On 10 February 2023, Taicang Laxia, a wholly-owned subsidiary of the Company, was ruled by the Taicang Court to undergo bankruptcy and reorganization due to insolvency and Jiangsu Xintianlun Law Firm was appointed as the administrator, the Company expected that it would be difficult to collect its receivables, therefore, a full provision for bad debts was made.

(5) On 28 July 2023, Laxia Xiuxian, a wholly-owned subsidiary of the Company, was ruled by the court to enter into bankruptcy and liquidation due to insolvency and appointed Beijing King & Wood Mallesons Law Firm, Shanghai Branch as the administrator. on 23 August 2023, Laxia Xiuxian was taken over by the administrator, and the Company expects that it will be difficult to recover its receivables, therefore, the full amount of provision for bad debts was made.

(6) The corresponding subsidiaries of the Company currently have negative net assets, or their operations cease substantially. The Company expects that it will be difficult to collect the receivables from them and therefore full provision for bad debts has been made.

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

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

(1) Accrual on portfolio basis

	Closing balance		
Aging	**Carrying amount**	**Allowance for bad debt**	**Accrual ratio (%)**
Within 90 days	336,144	3,364	1
90 days to 1 year	43	2	5
1 to 2 years	4	1	30
2 to 3 years	133	80	60
3 years above	252	252	100
Total	336,576	3,699	1

5. Details of Accrual, recovery and reversal for bad debt in the current period

		Changes in the current period				
Category	**Opening balance**	**accrual**	**Recovery or reversal**	**Write-off**	**Other changes**	**Closing balance**
Accounts receivable subjected to accrual for expected credit losses on individual basis	1,124,018	1,106,826	–	(77)	–	2,230,767
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	16,029	(12,330)	–	–	–	3,699
Including: credit risk characteristics combined with allowance for bad debts	16,029	(12,330)	–	–	–	3,699
Toral	1,140,047	1,094,496	–	(77)	–	2,234,466

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(I) Accounts receivable (continued)

6. Actual account receivable written-off in the current period

Item	Amount
Actual account receivable written-off	77

7. Details of the top five of accounts receivable at the end of the period

Name of company	Closing balance	As a percentage of the closing balance of accounts receivable (%)	Bad debt Allowance
La Chapelle Fashion (Taicang) Co., Ltd.	787,557	31	787,557
Shanghai La Chapelle Casual Fashion Co., Ltd.	372,285	15	372,285
La Chapelle Fashion (Tianjin) Co., Ltd.	292,316	11	292,316
Shanghai Youshi Fashion Co., Ltd.	289,330	11	289,330
Shanghai Weile Fashion Co., Ltd.	263,527	10	263,527
Total	2,005,016	78	2,005,016

8. There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period

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

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables

1. Disclosure of other receivables by aging

Aging	**Closing balance**	Opening balance
Within 1 year	**1,996,648**	495,289
1 to 2 years	**20,906**	14,094
2 to 3 years	**260**	1,173
3 years above	**35,364**	33,214
Subtotal	**2,053,178**	543,770
Minus: Provision for bad debt	**1,382,659**	244,498
Total	**670,519**	299,272

2. Classified by characteristic

Nature	**Closing balance**	Opening balance
Accounts receivable due from subsidiaries	**1,177,998**	40,810
Deposits and security deposits	**33,979**	16,652
Refund of service charge expenses	**–**	9,778
Employee reserve fund	**1**	52
Property rental fees	**1,413**	2,534
Uncollectible prepayments	**–**	30,482
Receivables for off-balance-sheet subsidiaries	**433,801**	428,370
Others	**405,986**	15,092
Total	**2,053,178**	543,770

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables (continued)

3. Presented by three stages of impairment for financial asset

Item	Closing balance Carrying amount	 Allowance for bad debt	 Book value	Opening balance Carrying amount	 Allowance for bad debt	 Book value
Stage 1	**259,087**	**4,711**	**254,376**	303,422	4,150	299,272
Stage 2	**–**	**–**	**–**	23	23	–
Stage 3	**1,794,091**	**1,377,948**	**416,143**	240,325	240,325	–
Total	**2,053,178**	**1,382,659**	**670,519**	543,770	244,498	299,272

4. Details of bad debt allowance for other receivables

Bad debt allowance	**Stage 1** **12-month expected credit losses**	**Stage 2** **Lifetime expected credit losses (no credit impairment occurred)**	**Stage 3** **Lifetime expected credit losses (credit impairment occurred)**	**Total**
Opening balance	4,150	23	240,325	244,498
The balance at the beginning of the current period	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	–	–	–	–
– Reverse to stage 2	–	–	–	–
– Reverse to stage 1	23	(23)	–	–
Accrual	538	–	1,137,768	1,138,306
Reversal	–	–	–	–
Write-off	–	–	145	145
Other changes	–	–	–	–
Closing balance	4,711	–	1,377,948	1,382,659

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(II) Other receivables (continued)

5. Actual write-off of other receivables in this reporting period

Item	Amount
Actual other receivables written-off	145

6. The top five other receivables by party in arrears at the end of the period

Name of company	Nature of payment	Closing balance	Ageing	As a percentage of the ending balance of other receivables (%)	Impairment for bad debts Closing balance
Xinjiang Tongrong Fashion Co., Ltd.	Subsidiary receivables	726,148	Above 3 years	35	726,148
Shanghai Weile Fashion Co., Ltd.	Subsidiary receivables	416,143	Within 1 year	20	–
LaCha Fashion I Limited	Subsidiary receivables	393,019	Above 3 years	19	393,019
Shanghai Pinxi Technology Co., Ltd.	Subsidiary receivables	134,612	Within 1 year, above 1 year	7	1,346
Guangzhou Xichen Clothing Co., Ltd.	Subsidiary receivables	112,722	Above 1 year	5	112,722
Total		1,782,644		86	1,233,235

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

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

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

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments

Characteristic	Closing balance Carrying amount	Closing balance Impairment allowance	Closing balance Book value	Opening balance Carrying amount	Opening balance Impairment allowance	Opening balance Book value
Investment in subsidiaries	**878,250**	**427,730**	**450,520**	988,250	406,230	582,020
Total	**878,250**	**427,730**	**450,520**	988,250	406,230	582,020

1. Investment in subsidiaries

Investee	Opening balance	Addition in the current period	Decrease in the current period	Closing balance	Impairment in the current period	Balance of impairment
Laxia Xiuxian	5,000	–	5,000	–	5,000	–
Chongqing Lewei	500	–	–	500	500	500
Beijing Laxia	500	–	–	500	500	500
Chengdu Laxia	500	–	–	500	500	500
Shanghai Langhe	5,000	–	–	5,000	–	5,000
Shanghai Xiawei	5,000	–	–	5,000	–	–
Taicang Laxia	95,000	–	95,000	–	95,000	–
Tianjin Laxia	10,000	–	–	10,000	–	–
Chengdu Lewei	10,000	–	–	10,000	10,000	10,000
Shanghai Chong'an	12,750	–	–	12,750	–	12,750
Shanghai Youshi	20,000	–	–	20,000	20,000	20,000
Fujian Lewei	10,000	–	–	10,000	–	–
Enterprise Management	800,000	–	–	800,000	–	375,480
Shanghai Nuoxing	10,000	–	10,000	–	–	–
Shanghai Jiatuo	1,000	–	–	1,000	–	–
Laxia Nafu	3,000	–	–	3,000	–	3,000
Total	988,250	–	110,000	878,250	131,500	427,730

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(III) Long-term equity investments (continued)

2. Investments in associates and joint ventures

Investee	Opening balance	Changes in the current period Additional investment	Disinvestment	Return on investment under equity method	Adjustment in other comprehensive profit or loss
I. Associated companies:					
Shanghai Yishan	–				–
Total	–				–

Continued:

Investee	Changes in the current period Changes in other equity	Declare payment of cash dividends or profits	Impairment	Other	Closing balance	Balance of impairment
I. Associated companies:						
Shanghai Yishan	–	–	–	–	–	–
Total	–	–	–	–	–	–

3. Notes to long-term equity investments

As of 31 December 2023, Shanghai Yishan has not yet start business activities.

(All amounts in RMB'000 unless otherwise stated)

XVI. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

(IV) Revenue and cost of sales

1. Revenue, cost of sales

	Current period incurrence		Prior period incurred	
Item	**Revenue**	**Cost**	Revenue	Cost
Main business	**23,229**	**7,218**	73,343	22,844
Other business	**4,036**	**2,574**	7,678	3,182
Total	**27,265**	**9,792**	81,021	26,026

2. Income derived from contracts:

Contract classifications	**Current period incurrence**	Prior period incurred
1. Category of products		
Apparel	**9,596**	51,132
Brand integrated services	**13,633**	22,211
Lease	**3,742**	5,541
Others	**294**	2,137
2. Classified by business areas		
Domestic	**27,265**	81,021
Overseas	**–**	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	**9,890**	53,269
Transferred at a point over time	**17,375**	27,752
Total	**27,265**	81,021

(V) Investment income

Item	**Current period incurrence**	Prior period incurred
Investment gains/(losses) from debt restructuring	**7,140**	4,190
Subsidiary deregistered gains/losses	**754**	–
Total	**7,894**	4,190

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB'000 unless otherwise stated)

XVII. SUPPLEMENTARY INFORMATION

(I) Summary of non-current profit or loss

Items	Current Period Incurrence	Prior Period Incurred
Gains and Loss from disposal of non-current assets	**(28,472)**	(2,218)
Government grants included in current profit or loss (except those closely related to the business of the enterprise and enjoyed in a fixed or quantitative manner in accordance with national uniform standards)	**1,191**	2,836
Gains and losses on debt restructuring	**9,479**	20,090
Capital occupation fees	**195**	351
Investment gains arising from the disposal of subsidiaries	**(399,090)**	(596,449)
Gains or losses from changes in fair value	**4,907**	(9,433)
Non-operating income and expenses other than those mentioned above	**(175,399)**	(170,534)
Less: Income tax effect	**–**	–
Effect of minority interests (after tax)	**(5)**	(2,183)
Total	**(587,184)**	(753,174)

(II) Return on net assets and earnings per share

Profit during the reporting period	Weighted average return rate on net assets (%)	Earnings per share: Basic earnings per share	Earnings per share: Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	–	(1.36)	(1.36)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	–	(0.28)	(0.28)