La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.

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

INTERIM REPORT 2016

(Stock Code: 06116)


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CONTENTS

CORPORATE INFORMATION

REGISTERED CHINESE NAME
上海拉夏貝爾服飾股份有限公司

ENGLISH NAME
Shanghai La Chapelle Fashion Co., Ltd

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC
Room 3300, Level 3, Block 1
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Xuhui District, Shanghai, PRC

PLACE OF BUSINESS IN HONG KONG
18/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE
www.lachapelle.cn

DIRECTORS
Executive Directors
Mr. Xing Jiaxing *(Chairman)*
Mr. Wang Yong
Mr. Wang Wenke

Non-executive Directors
Mr. Li Jiaqing
Mr. Lu Weiming
Mr. Cao Wenhai
Ms. Wang Haitong
Mr. Luo Bin

Independent Non-executive Directors
Mr. Mao Jianong
Dr. Chen Jieping
Mr. Chen Wei
Mr. Chan, Wing Yuen Hubert

AUDIT COMMITTEE
Dr. Chen Jieping *(Chairman)*
Mr. Cao Wenhai
Mr. Luo Bin
Mr. Mao Jianong
Mr. Chan, Wing Yuen Hubert

NOMINATION COMMITTEE
Mr. Mao Jianong *(Chairman)*
Mr. Xing Jiaxing
Mr. Lu Weiming
Mr. Chen Wei
Mr. Chan, Wing Yuen Hubert

REMUNERATION AND APPRAISAL COMMITTEE
Mr. Chen Wei *(Chairman)*
Mr. Li Jiaqing
Dr. Chen Jieping

BUDGET COMMITTEE
Mr. Wang Yong *(Chairman)*
Ms. Wang Haitong
Mr. Luo Bin
Mr. Lu Weiming
Mr. Li Jiaqing
Dr. Chen Jieping

STRATEGY AND DEVELOPMENT COMMITTEE
Mr. Xing Jiaxing *(Chairman)*
Mr. Wang Yong
Mr. Li Jiaqing
Ms. Wang Haitong
Mr. Luo Bin
Mr. Mao Jianong
Mr. Chen Wei

SUPERVISORS
Ms. Xie Hong *(Chairlady)*
Ms. Yang Lin
Mr. Zhang Xueqing
Mr. Wu Jinying
Mr. Zhang Tao

JOINT COMPANY SECRETARIES
Mr. Mao Jian
Ms. Wong Wai Ling *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES
Mr. Mao Jian
Mr. Wang Yong

LEGAL ADVISERS TO THE COMPANY
Grandall Law Firm (Shanghai) *(as to PRC Law)*
Herbert Smith Freehills *(as to Hong Kong Law)*

AUDITOR
PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian LLP
(Special General Partnership)

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Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS
Bank of Communications Shanghai Zhabei Branch
Bank of China Shanghai Luodian Branch

STOCK CODE
6116


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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Increase/ (decrease)
	RMB'000	RMB'000	%
Financial highlights			
Revenue	**4,809,323**	4,225,688	13.8%
Gross profit	**3,223,548**	2,880,249	11.9%
Operating profit	**394,716**	379,128	4.1%
Profit before income tax	**408,440**	387,187	5.5%
Income tax expense	**(104,733)**	(97,344)	7.6%
Profit for the period	**303,707**	289,843	4.8%
Basic and diluted earnings per share (RMB)	**0.58**	0.55	5.5%
Financial Ratios			
Gross profit margin	**67.0%**	68.2%	
Operating margin	**8.2%**	9.0%	
Profit margin for the period	**6.3%**	6.9%	

The Board has proposed to pay an interim dividend of RMB0.35 (tax inclusive) per share of the Company (the "**Share(s)**") for the six months ended 30 June 2016 (the "**Reporting Period**"), subject to the approval by the shareholders of the Company (the "**Shareholder(s)**") at the extraordinary general meeting of the Company (the "**EGM**") to be held on 11 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2016, the general economy of the PRC shows a trend of slow but steady development. According to the National Bureau of Statistics, total retail sales of consumer goods amounted to RMB15,613.8 billion in the first six months of 2016, representing a year-on-year increase of 10.3%. In the first half of 2016, the national resident consumer price index (CPI) increased by 2.1% as compared to the corresponding period of last year, a rate higher than that of the corresponding period of last year. National disposable income per capita was RMB11,886 for the first half of 2016, representing an increase by 8.7% in nominal terms from the corresponding period of last year, an increase rate lower than the corresponding period of last year. Sales of the apparel industry is yet to show recovery amidst a weak consumer market. According to the statistics of the Nation Commercial Information Center of China, aggregate retail sales of apparel products by the national key large-scale 100 retailers in the PRC decreased by 3.3% during the first six months of 2016 as compared to the corresponding period of last year, a rate 7.0 percentage points lower than the corresponding period of last year. National online retail sales increased by 28.2% in the first half of 2016 as compared to the corresponding period of last year, a growth rate which is 11 percentage points lower than the corresponding period of last year. Electronic commerce still represents an important driving force of retail growth but the impact of online sales on offline sales has been reduced due to the slow-down of the growth of online sales.

The consumer and retail market in the PRC was under the influence of macro-economic factors for the first half of the year. Despite negative growth for large-sized retail companies, consumer spending is anticipated to remain stable due to the festivals, holidays and more active promotional activities in the coming second half of the year.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group's revenue and operating profit reached RMB4,809.3 million and RMB394.7 million respectively, representing an increase of 13.8% and 4.1%, respectively, as compared with the corresponding period of last year. The profit for the period over the first half of 2016 amounted to RMB303.7 million, representing an increase of 4.8% as compared with the corresponding period of last year.

Revenue

The revenue of the Group in the first half of 2016 saw a steady growth, increasing from RMB4,225.7 million in the first half of 2015 to RMB4,809.3 million in the first half of 2016, representing an increase of 13.8%. The growth in revenue was mainly attributable to the continuous expansion of retail network of the Group. The number of retails points of the Group increased from 7,893 as at 31 December 2015 to 8,483 as at 30 June 2016.

Revenue by distribution channel

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

	Six months ended 30 June			
	2016		2015	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Concessionaire counters	**2,957,112**	**61.4%**	2,857,151	67.7%
Standalone retail outlets	**1,455,119**	**30.3%**	1,222,856	28.9%
Online platform	**389,811**	**8.1%**	145,681	3.4%
Franchise/Associate	**7,281**	**0.2%**	—	—
Total	**4,809,323**	**100.0%**	4,225,688	100.0%

The revenue from concessionaire counters increased from RMB2,857.2 million in the first half of 2015 to RMB2,957.1 million in the first half of 2016, representing an increase of 3.5%. The revenue from standalone retail outlets increased from RMB1,222.9 million in the first half of 2015 to RMB1,455.1 million in the first half of 2016, representing an increase of 19.0%. The growth in revenue from concessionaire counters and standalone retail outlets was mainly attributable to the increasing number of new retail points opened in the first six months of 2016. Standalone retail outlets accounted for 30.3% of the total revenue of the Company during the first half of 2016. The online platform recorded a revenue of RMB389.8 million in the first half of 2016, accounting for 8.1% of the total revenue which represents a significant increase from the corresponding period of 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:

	Six months ended 30 June			
	2016		2015	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
La Chapelle	**1,290,633**	**26.8%**	1,443,744	34.1%
Puella	**1,215,592**	**25.3%**	1,195,096	28.3%
7m	**736,830**	**15.3%**	573,942	13.6%
La Babité	**570,394**	**11.9%**	387,381	9.2%
Candie's	**347,222**	**7.2%**	363,179	8.6%
Vougeek/Pote	**201,948**	**4.2%**	181,512	4.3%
La Chapelle Kids	**47,582**	**1.0%**	20,888	0.5%
UlifeStyle	**199,131**	**4.1%**	—	—
MARC ECKŌ	**8,983**	**0.2%**	—	—
OTHER MIX/OTHER CRAZY	**177,916**	**3.7%**	59,946	1.4%
JACK WALK/O.T.R	**13,024**	**0.3%**	—	—
Others	**68**	**0.0%**	—	—
Total	**4,809,323**	**100.0%**	4,225,688	100.0%

In the first half of 2016, La Chapelle and Puella continued to be two of the top brands in terms of their revenue contribution to the Group. Sales from both brands accounted for 52.1% of the Group's total sales, representing a decrease by 10.3 percentage points from 62.4% of the first half of 2015. In particular, revenue from the brand La Chapelle decreased by 10.6% from the corresponding period of 2015 as a result of the decline in revenue contributed by existing stores from the corresponding period of last year and slower growth of new stores. For the first half of 2016, other major ladies' apparel brands of the Group (7m, La Babité, etc.) continued to maintain good growing trend in their revenue, while our men's apparel brands (Vougeek, Pote, MARC ECKŌ), which remain in developmental phase and only accounted for a small share in the total revenue of the Group, experienced increases in revenue in the first half of 2016 as compared to the same period last year. Our brand UlifeStyle, newly launched in 2015, contributed 4.1% of our total revenue.

Revenue by tier of cities

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

	Six months ended 30 June			
	2016		2015	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
First-tier cities	594,242	12.4%	509,128	12.0%
Second-tier cities	1,934,496	40.2%	1,747,307	41.4%
Third-tier cities	1,235,710	25.7%	1,060,029	25.1%
Other cities	1,044,875	21.7%	909,224	21.5%
Total	4,809,323	100.0%	4,225,688	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 "**Prospectus**").

The Group recorded an increase in revenue from all tiers of cities in the first half of 2016, mainly attributable to the expansion of retail network of the Group nationwide. There is no material change in the contribution of each tier of cities to our revenue from the corresponding period of last year.

Revenue by product type

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

	Six months ended 30 June			
	2016		2015	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Tops	3,095,459	64.3%	2,592,288	61.3%
Bottoms	533,586	11.1%	382,536	9.1%
Dresses	1,143,525	23.8%	1,244,834	29.5%
Accessories and others	36,753	0.8%	6,030	0.1%
Total	4,809,323	100.0%	4,225,688	100.0%

In the first half of 2016, sales revenue from our dresses experienced a year-on-year decrease due to relatively higher average rainfall (with the national average rainfall in spring 2016 being the third highest among all corresponding periods in history, according to the China Meteorological Administration) and greater periodical fluctuations in temperature in spring.

Cost of Sales

The cost of sales of the Group increased by 17.9% from RMB1,345.4 million in the first half of 2015 to RMB1,585.8 million in the first half of 2016.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from RMB2,880.2 million in the first half of 2015 to RMB3,223.5 million in the first half of 2016, up by 11.9%, mainly attributable to the growth of revenue as a result of our retail network expansion.

The overall gross profit margin of the Group decreased to 67.0% in the first half of 2016 from 68.2% in the first half of 2015, mainly due to the slight year-on-year decrease in average effective unit selling price of the Company's products in the first half of 2016.

Selling and Marketing Expenses and Administrative Expenses

Selling and marketing expenses in the first half of 2016 amounted to RMB2,665.9 million (the first half of 2015: RMB2,323.9 million), consisting primarily of sales staff salaries and benefits, concession and rental expenses relating to retail points, advertising and promotional expenses, transportation expenses and other expenses relating to selling and marketing activities. Expressed as a percentage, selling and marketing expenses in the first half of 2016 as a percentage of total revenue in the first half of 2016 was 55.4% (the first half of 2015: 55.0%), representing an increase from the share of concessionaire fees and rentals of the relevant retail outlets in our revenue during the corresponding period of last year. Administrative expenses in the first half of 2016 amounted to RMB194.1 million (the first half of 2015: RMB180.0 million), consisting primarily of administrative employee benefit expenses, rental expenses for offices, charges, amortization of the licensing of the Group's computer information system, office utilities expenses and traveling expenses. Expressed as a percentage, administrative expenses as a percentage of total revenue in the first half of 2016 were 4.0% (the first half of 2015: 4.3%).

Other Gains — Net

The Group's other gains amounted to RMB31.2 million (the first half of 2015: RMB2.7 million) in the first half of 2016, mainly due to the financial subsidies received in the first half of 2016.

Finance Costs/Income — Net

Finance costs/income of the Group were a net gain of RMB13.7 million in first half of 2016 (the first half of 2015: net gain of RMB 8.1 million). The increase in the net gain is mainly a result of the year-on-year decrease in interest expenses from borrowing.

Profit before Income Tax

Profit before income tax of the Group increased from RMB387.2 million in the first half of 2015 to RMB408.4 million in the first half of 2016, representing an increase of 5.5%. The increase in the profit before income tax was primarily attributable to the increase in the Group's operating profit by 4.1% from RMB379.1 million in the first half of 2015 to RMB394.7 million in the first half of 2016.

Income Tax Expense

Income tax expense amounted to RMB104.7 million in the first half of 2016 (the first half of 2015: RMB97.3 million). The effective income tax rate in the first half of 2016 was 25.6% (the first half of 2015: 25.1%).

Profit for the period and Net Profit Margin

As a result of the foregoing, profit for the period of the Group in the first half of 2016 amounted to RMB303.7 million, representing an increase by 4.8% from RMB289.8 million in the first half of 2015. In particular, profit for the period attributable to the owner of the Company was RMB284.9 million, representing an increase by 3.1% from RMB276.4 million in the first half of 2015. Net profit margin of the Group was 6.3% in the first half of 2016, compared to 6.9% in the first half of 2015.

Capital Expenditure

Capital expenditure of the Group primarily consisted of the amounts and deposits paid for the purchase of properties, warehouses, equipment, intangible assets and land use right. In the first half of 2016, the capital expenditure incurred by the Company was RMB363.9 million (the first half of 2015: RMB233.2 million).

Cash and Cash Flow

In the first half of 2016, net cash generated from operating activities amounted to a net inflow of RMB169.6 million (first half of 2015: net inflow of RMB436.5 million). The decrease in net cash inflow from operating activities is mainly due to the increase in operating related expenses such as procurement costs, taxation and rentals in the first half of 2016 as compared to the corresponding period of last year.

In the first half of 2016, net cash used in investing activities was RMB375.8 million (the first half of 2015: net cash generated by investing activities of RMB522.4 million). In particular, the cash used in major investment activities in the first half of 2016 was for purchase of properties, warehouses and equipment, among others, while the net cash generated by investing activities in the first half of 2015 included a maturity income for the term deposits of the fund raised by the Company of RMB888.0 million.

In the first half of 2016, net cash used in financing activities was RMB6.0 million (the first half of 2015: net used cash of RMB496.1 million). Cash used in financing activities mainly was dividend paid to the Shareholders of RMB207.9 million. Cash obtained from financing activities during the first half of 2016 mainly comprises bank borrowing of RMB200 million.

As at 30 June 2016, the Group held cash and cash equivalents in the total amount of RMB907.0 million. After deducting bank borrowings of RMB200 million, net cash amounted to RMB707.0 million (31 December 2015: net cash of RMB1,118.4 million).

In the first half of 2016, the average inventory turnover of the Group was 179 days (the first half of 2015: 160 days), and the average receivables turnover was 34 days (the first half of 2015: 39 days). The decrease in our inventory turnover rate is mainly due to the decrease in our sales of dresses as compared to the corresponding period of last year.

The Group's financial position remained solid. As at 30 June 2016, net current assets of the Group amounted to RMB1,781.4 million. Total assets less current liabilities amounted to RMB3,477.2 million, and gearing ratio (the following formula is used in gearing ratio: total liabilities/total assets) was 35.4%.

As the Group carries out its operations in mainland China, most of the transactions are settled in Renminbi. The Group has a portion of term deposits and cash and cash equivalents dominated in Hong Kong dollar. The Group also pays dividends to Shareholders of H Shares in Hong Kong dollar. The Group manages foreign exchange risk by monitoring foreign exchange rates on a regular basis. Please refer to Note 5.1 to the condensed consolidated interim financial statements for details.

Bank loans and other borrowings

As at 30 June 2016, bank borrowings of the Group amounted to RMB200 million (31 December 2015: nil for balance of borrowings), which was credit borrowings repayable within one year.

Pledge of assets

As at 30 June 2016, no properties, warehouses and equipment, land use rights and investment properties were pledged by the Group in respect of any available bank facilities.

Contingent liabilities

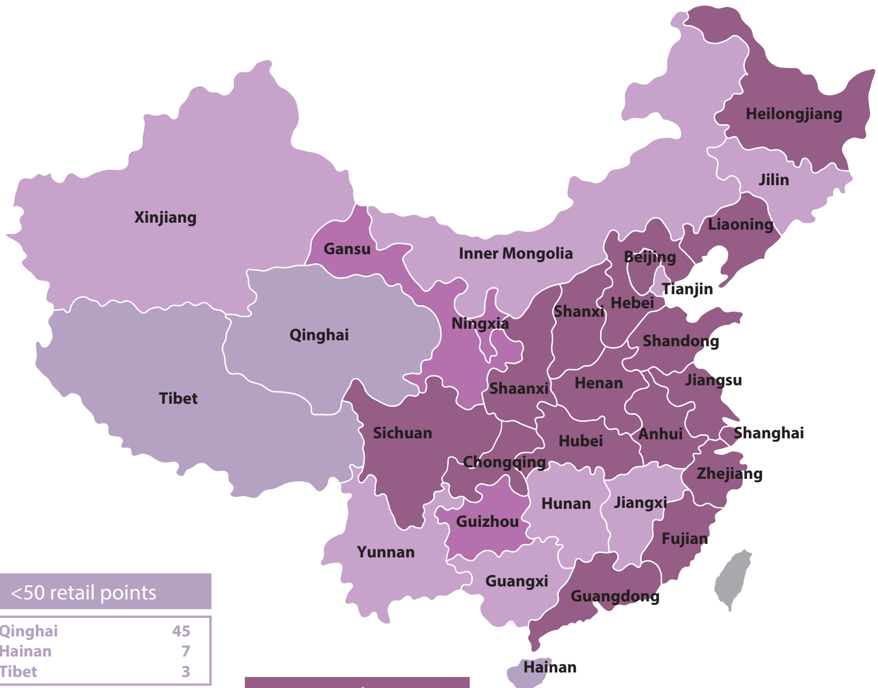
As at 30 June 2016, the Group had no material contingent liabilities.

BUSINESS REVIEW

Retail Network

For the six months ended 30 June 2016, the number of retail points of the Group was 8,483, increasing from 7,893 as at 31 December 2015, which were situated at approximately 2,665 physical locations. The number of retail points was counted on the basis used for that as at 31 December 2015, taking a UlifeStyle department store as a single retail point.

The map below shows the geographical distribution of the Group's retail points in the PRC as at 30 June 2016.



<50 retail points	
Qinghai	45
Hainan	7
Tibet	3

50-100 retail points	
Ningxia	91
Gansu	67
Guizhou	63

101-200 retail points	
Guangxi	180
Xinjiang	178
Inner Mongolia	177
Jiangxi	177
Yunnan	154
Tianjin	130

>200 retail points	
Sichuan	640
Shandong	620
Henan	601
Jiangsu	575
Guangdong	531
Hebei	429
Fujian	424
Liaoning	405
Hubei	383
Shanghai	335
Zhejiang	331
Shaanxi	286
Beijing	273
Hunan	267
Chongqing	250
Anhui	236
Heilongjiang	219
Shanxi	205
Jilin	201

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2016 and as at 31 December 2015 by tier of cities.

	As at 30 June 2016		As at 31 December 2015	
	Number of retail points	**% of total**	Number of retail points	% of total
First-tier cities	**805**	**9.5%**	792	10.0%
Second-tier cities	**3,204**	**37.8%**	2,946	37.3%
Third-tier cities	**2,327**	**27.4%**	2,145	27.2%
Other cities	**2,147**	**25.3%**	2,010	25.5%
Total	**8,483**	**100.0%**	7,893	100.0%

Note: In respect of the classification of the tier of cities, please refer to the Prospectus.

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2016 and as at 31 December 2015 by type of the retail points.

	As at 30 June 2016		As at 31 December 2015	
	Number of retail points	**% of total**	Number of retail points	% of total
Concessionaire counters	**5,726**	**67.5%**	5,588	70.8%
Standalone retail outlets	**2,737**	**32.3%**	2,272	28.8%
Franchise/Associate	**20**	**0.2%**	33	0.4%
Total	**8,483**	**100.0%**	7,893	100.0%

The table below sets out the distribution of the Group's retail points in the PRC as at 30 June 2016 and as at 31 December 2015 by brands.

	As at 30 June 2016		As at 31 December 2015	
	Number of retail points	**% of total**	Number of retail points	% of total
La Chapelle	**1,840**	**21.6%**	1,833	23.2%
Puella	**2,049**	**24.1%**	1,980	25.1%
7m	**1,467**	**17.3%**	1,332	16.9%
La Babité	**1,101**	**13.0%**	930	11.8%
Candie's	**917**	**10.8%**	832	10.5%
Vougeek/Pote	**702**	**8.3%**	533	6.8%
La Chapelle Kids	**226**	**2.7%**	278	3.5%
UlifeStyle	**132**	**1.6%**	99	1.3%
MARC ECKŌ	**23**	**0.3%**	34	0.4%
JACK WALK/O.T.R	**26**	**0.3%**	42	0.5%
Total	**8,483**	**100.0%**	7,893	100.0%

The table below sets out the distribution of the Group's net additional retail points in the PRC in the first half of 2016 by brands.

	For the six months ended 30 June 2016	
	Number of net additional retail points	**% of total**
La Chapelle	**7**	**1.2%**
Puella	**69**	**11.7%**
7m	**135**	**22.9%**
La Babité	**171**	**29.0%**
Candie's	**85**	**14.4%**
Vougeek/Pote	**169**	**28.6%**
La Chapelle Kids	**–52**	**–8.8%**
UlifeStyle	**33**	**5.6%**
MARC ECKŌ	**–11**	**–1.9%**
JACK WALK/O.T.R	**–16**	**–2.7%**
Total	**590**	**100.0%**

The Company had an increase in the number of net additional retail points for all of its ladies' apparel brands, except for La Chapelle Kids, MARC ECKŌ and JACK WALK/O.T.R, in the first half of 2016.

Same store sales

Due to the general slow-down of the economy in the PRC and amidst weak recovery in the consumer market, same store sales for physical stores of the Group for the first half of 2016 decreased by 4.98% as compared to that of the first half of 2015. Same store sales decreased by 0.8% for the first half of 2015 as compared to that first half of 2014 and decreased by 3.2% for the year 2015 as compared to that for the year 2014.

Multi-brand strategy

During the six months ended 30 June 2016, the Group continued to execute its multi-brand strategy. In addition to the wide range of apparel products under the existing ten brands of the Group, namely La Chapelle, Puella, Candie's, Vougeek, 7m, La Babité, La Chapelle Kids, Pote, MARC ECKŌ and UlifeStyle and brands associated with us (namely OTHERMIX, JACK WALK and O.T.R etc.), the Group continues to forge quality lifestyle and is actively looking for opportunities to invest in quality apparel brands and other retail consumer goods.

Joining hands with Ms. Lou Tiehong ("**Ms. Lou**"), founder of a renowned fashion brand, the Group established Guangzhou Xichen Fashion Co., Limited (廣州熙辰服飾有限公司) in February 2016 with the Group's total investment amount of RMB16 million, owning the joint venture as to 80%. The joint venture created the brand "Siastella" which is positioned as more upscale than the current product mix of the Group with a greater emphasis on design and quality which conveys the cosmopolitan chic. Ms. Lou and her team have extensive experience in the industry with proven track record in the industry. The collaboration will make full use of the capabilities of Ms. Lou's team for product R&D and marketing in complement to the strong sales channels and supply chain management skills of the Group. This helps to reinforce the leading position of the Group in the ladies' apparel market of the PRC. The brand has already been launched and is available for sale.

In June 2016, the Group entered into an agreement with Niologie China Limited (北京傲妮商貿有限公司), a premium womenswear company, for the contribution of a total of RMB20 million to own directly as to 16% of Niologie China Limited. Niologie China Limited operates a brand "tanni", a mid- to high-end trendy lifestyle store brand covering ladies' apparels, handbags, footwear, accessories and housewares. The brand "tanni" which we invested in owns a sophisticated team of elites in design, management and marketing for mid-to high-end ladies' apparels. The strongly personalised products are marketed according to the needs of the new generation of consumers for shopping experience. The Group's investment in the brand "tanni" can further diversify its product mix by offering more mid- to high-end products and accelerate the realisation of our strategy of developing multiple brands. The brand "tanni" can also leverage upon the powerful sales channel and supply chain management skills of the Group to size up its scale and increase profitability.

Meanwhile, LaCha Fashion I Limited, a wholly-owned subsidiary of the Company, through acquisition of existing shares and subscription of new shares with a total consideration of US$3.75 million made an investment to TNPI HK Co., Limited ("**TNPI**"), a company which owns the exclusive franchise of operating and managing Segafredo Zanetti Espresso Café ("**Segafredo**") in Korea, the PRC and Hong Kong. In the future, the Group may work with TNPI to set up Segafredo cafés in the retail points of the Group, blending in other lifestyle options including gourmet, fashion style and housewares so that customers can enjoy quality life while shopping. After the completion of the deal, the Group will directly own 20.75% of TNPI. Segafredo is a recognised Italian coffee brand with a strong brand network across the world, with product offerings such as coffee, juice, soft drinks, dessert, Western-style quick meals, red wine and cocktails, etc.

Supply Chain Management

In the first half of 2016, the Group continued its efforts to enhance the response time of its supply chain, product quality improvement and cost management. The Group optimises and upgrades its supply chain coordination (SCM) system to shorten its response time in order to reinforce the synergy between supply and demand sides. Systematic support is provided for sample design development, order production progress, quality control, delivery by suppliers and arrival at warehouse, bill-of-material (BOM) cost control and reconciliation of accounts, forming a business coordination and management mechanism between businesses and suppliers. As for quality and cost control, the Group continues to implement its organisation and planning for strategic sourcing of fabrics and order production as well as its third-party product supervision in order to improve the cost performance of its products. Meanwhile, the Group optimises its supplier structure using service capability and performance in cooperation as criteria, and develops strategic cooperative partners to support the healthy and sustainable growth of the Company's business.

Warehouse and logistics centre

Amid the constant expansion of its retail network nationwide, the Group further expanded warehouse and logistic centres in the first half of this year in order to further enhance its operation efficiency. As of 30 June 2016, significant progress has been made on the construction of warehouse and logistic centres in Tianjin and Taicang Phase II and both projects are estimated to be completed in the second half of 2016. The construction of the warehouse and logistic centre in Chengdu was underway.

Moreover, the Group began using more automated facilities in the first half of the year to improve the efficiency of sorting and locating goods in the warehouse, enhancing the effectiveness of smart warehouse management.

Other infrastructural projects

The construction of the headquarters of the Company located in Minhang District, Shanghai, began in July 2016. The project covers an area of nearly 100,000 square metres and is scheduled for 480 days, envisaged as an integrated modern industry district combining business office functions, conferences and exhibitions and supply chain conglomerates. Upon completion, the Company will be provided with a multi-dimensional operating site with centralised office administration, modern showroom and other industry-specific ancillary functions.

Management information system

To support the expansion of the Group's business and to increase the Group's operation efficiency, the Group launched several new information management systems to improve the management of business operation throughout the business cycle.

In terms of retail management capability, the retail management system platform has been upgraded in order to support the large scale expansion of retail network of the Group and the refined and standardized management of retail points. As a result, O2O inventory sharing for stores and shipping from store have been achieved. In terms of consumer service capability, the Group continued to improve and optimize the services of all channels, and has initiated the construction of an integral platform for online orders and customers, which, upon completion, will allow the Group to have access to and analyze the big data collected from customers on WeChat in order to increase interaction with customers and improve customer loyalty, thereby enhancing our sales. In terms of corporate costs and budgetary control, with the help of the production planning system and the real-time order management system, the Group has further optimized its production cost control operation. In terms of corporate decision-making and analysis, the Group also established a corporate database and decision-making support system to improve the capability of business analysis and the billing system to facilitate the day-to-day management of the business of the Group.

Reform on Employee Incentivising Programme

In the first half of the year, the Group began to adopt a diversified employee incentivising policy to engage them in their work more actively, while optimising the cost of salaries incurred by the Group.

To begin with, the internal organisation structure of the Group was adjusted in the first half of the year. Trial channel setups had begun in certain regions, and a regular structural management was implemented in both our Brand division and Major Region division. As certain business decisions and authorisations were shifted down to the regional management team, the operating efficiency in directly operated regional management was enhanced with a more egalitarian management hierarchy.

Secondly, a multi-level incentive programme was implemented for our store. The partnership system for stores is already in its third version since the pilot system was launched in December 2014. To quantify the performance of the partnership incentive programme with the following four financial criteria, during the first six months of 2016, on a year-on-year basis, the aggregate sales in stores under the partnership incentive programme increased by approximately 7.8%, the aggregate payroll ratio decreased by 0.99%, average salary per head increased by approximately 12.71%, and employee turnover decreased by approximately 1.82%.

Lastly, the employee performance assessment was adjusted as the assessment now covers the entire workforce of the Group. With monthly, half-yearly and yearly assessments, the Group also pegs the performance assessment results of its mid-level and above employees to the operating results of the Company by a percentage of 30%.

Human Resources

As at 30 June 2016, the Group had a total of 35,539 full-time employees (30 June 2015: 30,583 full-time employees). The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff member and team building, as the Group's success is dependent on the contribution of all functional divisions comprising skilled and motivated staff.

O2O business

O2O business operated through Hangzhou Anshe E-Commerce Company Limited ("**Hangzhou Anshe**"), a non wholly-owned subsidiary of the Company, brought a revenue of RMB389.8 million and accounted for 8.1% of the operating revenue of the Group during the first half of the year (6.5% for the year 2015). Our O2O business continues to focus on the enhancement of user experience. In view of the rapid growth in online sales last year and in order to give room for development of individual brands, the Group divides our online store into individual brand stores with more products selling at the same price online as our physical stores. Together with a strengthened delivery and logistical management for our physical stores, there is a significant improvement in terms of the delivery speed of our online sales orders.

Furthermore, cooperation between the Group's O2O business and online platform vendors was strengthened. A strategic cooperation agreement was entered into with Tmall during the period as well as an increment to our marketing efforts for our brands in a bid to boost our operating results.

BUSINESS OUTLOOK

In the short run, as affected by structural market changes and shifts in consumer behaviors, apparel retailers including the Group are still facing certain challenges. That said, the Group will continue to execute various established strategic measures, mainly focusing on the following areas:

- To continue to improve channel structure by increasing the portion of retail points with complementary lifestyle experience;
- To continue to allocate more resources to support new brands, enhancing their competitiveness and raising its contribution to the Company;
- To maintain a steady growth of sales revenue and enhance the influence on brand market;
- To track closely the consumption patterns of the generations born after 1985 and 1990 and increase the portion of O2O sales;
- To continue to invest in relevant brands related to apparels and new forms of lifestyle.

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

As at 30 June 2016, the interests and short positions of the directors (the "**Director(s)**"), supervisors (the "**Supervisor(s)**") and the chief executive of the Company 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 Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to Division 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Model Code**") were as follows:

Long position in the shares of the Company

Name of Director, Supervisor and chief executive	Nature of interest and capacity	Number of shares interested	Approximate percentage of shareholding in the relevant class of shares as at 30 June 2016	Approximate percentage of shareholding in the total issued share capital of the Company at 30 June 2016
Mr. Xing Jiaxing[1]	Beneficial owner, interest in a controlled corporation, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.95%

1 Mr. Xing Jiaxing was the beneficial owner of 141,874,425 domestic shares of the Company (the "**Domestic Share(s)**"), which represent approximately 28.78% of the total issued share capital of the Company as at 30 June 2016. As Mr. Xing Jiaxing holds more than one-third of the equity interest in the registered capital of Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司) ("**Shanghai Hexia**"), he is deemed, pursuant to section 316 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being 45,204,390 Domestic Shares), which represented approximately 9.17% of the total issued share capital of the Company as at 30 June 2016. In addition, Mr. Xing Jiaxing and Shanghai Hexia entered into a new Acting-in-Concert Agreement (the "**New Concert Agreement**") on 9 January 2014. As the New Concert Agreement is an agreement to which section 317 of the SFO applies, Mr. Xing Jiaxing is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being the 45,204,390 Domestic Shares mentioned above), which represents approximately 9.17% of the total issued share capital of the Company as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, so far as is known to any Director, Supervisor or the chief executive of the Company, none of the Directors, Supervisors, or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Division 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the six months ended 30 June 2016, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 30 June 2016, 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	Approximate percentage of shareholding in the relevant class of shares as at 30 June 2016	Approximate percentage of shareholding in the total issued share capital of the Company at 30 June 2016
Shanghai Hexia[1]	Beneficial owner, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.95%
The Goldman Sachs Group Inc[2]	Interest in controlled corporation	18,236,842 Domestic Shares	7.05%	3.69%
LC Fund IV GP Limited[3]	Interest in controlled corporation	62,254,543 H shares	28.98%	12.63%
Gabriel Li[4]	Interest in controlled corporation	21,655,200 H shares	10.08%	4.39%
Lam Lai Ming[4]	Interest in controlled corporation	21,655,200 H shares	10.08%	4.39%
Zhejiang Longsheng Group Co., Ltd[5]	Interest in controlled corporation	20,396,400 H shares	9.49%	4.13%
Senda International Capital Limited	Beneficial owner	16,630,800 H shares	7.74%	3.37%

1 Shanghai Hexia was interested 45,204,390 Domestic Shares, which represented approximately 9.17% of the total issued share capital of the Company as at 30 June 2016. In addition, Shanghai Hexia and Mr. Xing Jiaxing entered into the New Concert Agreement on 9 January 2014, which is an agreement to which section 317 of the SFO applies. As a result, Shanghai Hexia is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Mr. Xing Jiaxing is interested (being the 141,874,425 Domestic Shares, representing approximately 28.78% of the total issued share capital as at 30 June 2016 held by Mr. Xing Jiaxing as at 30 June 2016).

2 The Goldman Sachs Group, Inc is a company listed on the New York Stock Exchange. The Goldman Sachs Group, Inc through its various entities, controls Beijing Broad Street Investment Centre (Limited Partnership) (formerly known as Beijing Goldman Sachs Investment Center (Limited Partnership)), which was beneficially interested in 18,236,842 Domestic Shares and The Goldman Sachs Group, Inc was deemed to be interested in such shares by virtue of the SFO.

3 These H shares of the Company were held by Good Factor Limited, the equity interest of which is owned by LC Fund IV, L.P. as to 55.4%. LC Fund IV, L.P. is controlled by LC Fund IV GP Limited.

4 Mr. Gabriel Li was deemed to be interested in an aggregate of 21,655,200 H shares of the Company by virtue of the SFO. Those interests held through Areo Holdings Limited comprised deemed interests in 20,574,800 H shares of the Company held by Orchid Asia V Group, Limited through its various entities, namely Orchid Asia V Group Management, Limited, Orchid Asia VI GP, Limited, Oavi Holdings, L.P., Orchid Asia VI, L.P. and 1,080,400 H shares of the Company held by Orchid Asia V Co-Investment, Limited. As a spouse of Mr. Gabriel Li, Ms. Lam Lai Ming was deemed to be interested in an aggregate of 21,655,200 H shares of the Company held by Mr. Gabriel Li by virtue of the SFO.

5 These H shares of the Company were held by Senda International Capital Limited and Well Prospering Limited, which holds 16,630,800 and 3,765,600 H shares of the Company, respectively.

Other than as disclosed above, as at 30 June 2016, the Directors have not been notified by any person (not being the Directors, Supervisors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board has proposed the payment of an interim dividend of RMB 0.35 (tax inclusive) per Share for the six months ended 30 June 2016 to the Shareholders whose names appear on the register of members of the Company on 20 October 2016 (the "**2016 Interim Dividend**"). For distribution of 2016 Interim Dividend, dividends on Domestic Shares and unlisted foreign shares ("**Unlisted Foreign Share(s)**") will be paid in Renminbi and dividends on H shares ("**H Share(s)**") will be paid in Hong Kong Dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for five business days immediately prior to the date of EGM). The proposed payment of 2016 Interim Dividend is subject to the approval by the Shareholders at the EGM.

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes the 2016 Interim Dividend to non-resident corporate Shareholders whose names appear on the register of members for H Shares, it is required to withhold and pay corporate income tax on their behalf. The applicable tax rate is generally 10% and can be reduced to 5%, depending on the tax treaties between the PRC and those countries or regions where the non-resident companies reside if certain criteria are met. Any H Shares registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or bodies, will be treated as Shares being held by non-resident corporate Shareholders, and consequently will be subject to the withholding of the corporate income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares. Dividends and other payments payable by the Company to Shareholders of Unlisted Foreign Shares and H Shares shall follow the relevant requirements on foreign exchange stipulated by the PRC.

For details of the dates of closure of H share register of members of the Company and the record dates for both EGM and 2016 Interim Dividend and other relevant information, please refer to the notice of EGM of the Company dated 24 August 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. In the opinion of the Board, the Company has been in compliance with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2016, save as to the deviation from the Code Provision A.2.1.

Code Provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Xing Jiaxing is currently the chairman and chief executive officer of the Company, responsible for the overall management of the Group. The Directors consider that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Directors also believe that the presence of four independent non-executive Directors provides added independence to the Board. Therefore, the Board considers that it is in the best interest of the Group to have Mr. Xing Jiaxing taking up both roles for continuous effective management and business development of the Group.

Save as disclosed above, there has been no deviation from the Code Provisions of the Corporate Governance Code as set forth in the Appendix 14 to the Listing Rules for the six months ended 30 June 2016.

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 to all the Directors and the Supervisors by the Company and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code for the six months ended 30 June 2016.

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

In accordance with Rule 13.51B(1) of the Listing Rules, changes in the personal information regarding Directors and Supervisors are as follows:

- Mr. Lu Weiming, a Director, resigned as the director of Wuxi Xuelang Environmental Technology Co., Ltd. (無錫雪浪環境科技股份有限公司), a company listed on the Shenzhen Stock Exchange, effective from 28 December 2015.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016 and has discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee currently comprises two non-executive Directors, namely Mr. Cao Wenhai and Mr. Luo Bin, and three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Mao Jianong and Mr. Chan, Wing Yuen Hubert.

EVENT AFTER THE REPORTING PERIOD

Pursuant to a resolution of the Board on 22 August 2016, a dividend of RMB0.35 (tax inclusive) per Share for the six months ended 30 June 2016 was proposed by the Board.

APPRECIATION

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

By Order of the Board
Shanghai La Chapelle Fashion Co., Ltd.
Mr. Xing Jiaxing
Chairman

Shanghai, the PRC, 22 August 2016

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,031,321**	875,156
Land use rights	7	**157,380**	155,325
Intangible assets	7	**176,207**	189,019
Deferred income tax assets		**164,139**	168,987
Available-for-sale financial assets		**153,313**	150,000
Other non-current financial assets		**13,437**	—
		1,695,797	1,538,487
Current assets			
Inventories		**1,353,063**	1,756,257
Trade receivables	8	**770,579**	1,044,456
Deposits, prepayments and other receivables	9	**565,023**	411,118
Prepaid current income tax		**534**	—
Available-for-sale financial assets		**4,314**	—
Cash and cash equivalents		**907,012**	1,118,410
		3,600,525	4,330,241
Total assets		**5,296,322**	5,868,728
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	**492,902**	492,902
Other reserves	11	**1,759,625**	1,746,192
Retained earnings		**965,874**	887,949
		3,218,401	3,127,043
Non-controlling interests		**203,598**	182,835
Total equity		**3,421,999**	3,309,878

The notes on page 30 to 48 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**43,559**	44,406
Deferred income tax liabilities		**11,661**	13,167
		55,220	57,573
Current liabilities			
Deferred income		**27,069**	31,095
Trade and bill payables	13	**503,912**	1,228,180
Other payables, accruals and other current liabilities	14	**978,748**	1,062,845
Current income tax liabilities		**109,374**	179,157
Borrowings	12	**200,000**	—
		1,819,103	2,501,277
Total liabilities		**1,874,323**	2,558,850
Total equity and liabilities		**5,296,322**	5,868,728

The notes on page 30 to 48 form an integral part of this condensed consolidated interim financial information.

Approved by the Board of Directors on 22 August 2016.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	(Unaudited) Six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	15	**4,809,323**	4,225,688
Cost of sales		**(1,585,775)**	(1,345,439)
Gross profit		**3,223,548**	2,880,249
Selling and marketing expenses		**(2,665,917)**	(2,323,877)
Administrative expenses		**(194,123)**	(179,979)
Other gains — net	16	**31,208**	2,735
Operating profit		**394,716**	379,128
Finance income		**13,724**	22,993
Finance costs		**—**	(14,934)
Finance income — net	17	**13,724**	8,059
Profit before income tax		**408,440**	387,187
Income tax expense	18	**(104,733)**	(97,344)
Profit for the period		**303,707**	289,843
Other comprehensive income			
Change in value of available-for-sale financial assets		**3,313**	—
Total comprehensive income for the period		**307,020**	289,843
Profit attributable to:			
Owners of the Company		**284,944**	276,351
Non-controlling interests		**18,763**	13,492
Profit for the period		**303,707**	289,843
Total comprehensive income attributable to:			
Owners of the Company		**288,257**	276,351
Non-controlling interests		**18,763**	13,492
Total comprehensive income for the period		**307,020**	289,843
Earnings per share attributable to the owners of the Company during the period (expressed in RMB per share)			
— Basic and diluted earnings per share	19	**0.58**	0.55

The notes on page 30 to 48 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

		(Unaudited)					
		Attributable to owners of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		**492,902**	**1,746,192**	**887,949**	**3,127,043**	**182,835**	**3,309,878**
Total comprehensive income for the period ended 30 June 2016		**—**	**3,313**	**284,944**	**288,257**	**18,763**	**307,020**
Total transactions with owners, recognised directly in equity							
Dividends	20	**—**	**—**	**(207,019)**	**(207,019)**	**—**	**(207,019)**
Non-controlling interests' contributions to the Group		**—**	**—**	**—**	**—**	**2,000**	**2,000**
Contributions from a shareholder by awarding its equity instruments to the employees	11	**—**	**10,120**	**—**	**10,120**	**—**	**10,120**
Total transactions with owners, recognised directly in equity		**—**	**10,120**	**(207,019)**	**(196,899)**	**2,000**	**(194,899)**
Balance at 30 June 2016		**492,902**	**1,759,625**	**965,874**	**3,218,401**	**203,598**	**3,421,999**
Balance at 1 January 2015		503,380	1,805,447	784,481	3,093,308	13,834	3,107,142
Total comprehensive income for the period ended 30 June 2015		—	—	276,351	276,351	13,492	289,843
Total transactions with owners, recognised directly in equity							
Dividends	20	—	—	(302,028)	(302,028)	—	(302,028)
Buy-back of shares	10, 11	(3,559)	(36,004)	—	(39,563)	—	(39,563)
Acquisition of a subsidiary	23	—	—	—	—	98,327	98,327
Contributions from a shareholder by awarding its equity instruments to the employees	11	—	2,012	—	2,012	—	2,012
Total transactions with owners, recognised directly in equity		(3,559)	(33,992)	(302,028)	(339,579)	98,327	(241,252)
Balance at 30 June 2015		499,821	1,771,455	758,804	3,030,080	125,653	3,155,733

The notes on page 30 to 48 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	(Unaudited) Six months ended 30 June 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations		**342,807**	595,943
Interest paid		**(1,474)**	(15,310)
Income tax paid		**(171,708)**	(144,146)
Cash flows from operating activities — net		**169,625**	436,487
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	23	**—**	(106,478)
Prepayments made for a business acquisition		**—**	(35,000)
Prepayment made for acquisition of an associate		**(10,000)**	—
Purchase of property, plant and equipment		**(363,257)**	(221,419)
Proceeds from disposal of property, plant and equipment		**544**	155
Purchase of land use rights		**—**	(24,675)
Decrease in bidding deposit for purchase of land use rights		**—**	17,900
Purchase of intangible assets		**(662)**	(5,041)
Investment income from available-for-sale financial assets		**63**	—
Net purchases of available-for-sale financial assets		**(4,314)**	—
Net decrease of term deposits		**—**	887,954
Interest received from banks		**1,780**	9,027
Cash flows (used in)/from investing activities — net		**(375,846)**	522,423
Cash flows from financing activities			
Non-controlling interests' contributions to the Group		**2,000**	—
Proceeds from borrowings	12	**200,000**	500,000
Repayments of borrowings	12	**—**	(641,266)
Buy-back of shares		**—**	(39,563)
Prepayments for buy-back of shares		**—**	(29,323)
Prepayments for A share listing expense		**(22)**	—
Dividends paid to the Company's shareholders		**(207,949)**	(285,983)
Cash flows used in financing activities — net		**(5,971)**	(496,135)
Net decrease in cash and cash equivalents		**(212,192)**	462,775
Exchange gains on cash and cash equivalents		**794**	—
Cash and cash equivalents at beginning of the period		**1,118,410**	610,607
Cash and cash equivalents at end of the period		**907,012**	1,073,382

The notes on page 30 to 48 form an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION OF THE GROUP

The Company, initially known as Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), was incorporated in the People's Republic of China (the "PRC") on 14 March 2001 as a limited liability company. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities under the Company Law of the PRC and changed its name to Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).

The Group is principally engaged in designing, marketing and selling apparel products in the PRC.

The address of the Company is Room 3300, Block 1, Level 3, 270 Cao Xi Road, Shanghai, the PRC.

The English names of companies mentioned in this interim report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 October 2014 (the "Listing").

The condensed consolidated interim financial information was presented in Renminbi thousand (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 22 August 2016.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New standards and amendments to standards effective for accounting period beginning on or after 1 January 2016 have been adopted by the Group in the interim periods:

- IFRS 14 "Regulatory Deferral Accounts", describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS 14.

- Amendment to IFRS 11 "Acquisitions of interests in joint operation", requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a "business".

- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization", clarify when a method of depreciation or amortisation based on revenue may be appropriate and establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

- Amendment to IAS 27 "Equity method in separate financial statements", allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Some amendments included in Annual Improvements 2014 include changes from the 2012–2014 cycle of the annual improvements project that affect 4 standards, including:

  — Amendment to IFRS 5 "Non-current assets held for sale and discontinued operations", clarifies when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa.

  — Amendment to IFRS 7 "Financial instruments: Disclosures", including amendments to Service contracts and interim financial statements.

  — Amendment to IAS 19 "Employee benefits", clarifies when determining the discount rate for post-employment benefit obligations.

  — Amendment to IAS 34 "Interim financial reporting", clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities: applying the consolidation exception", clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments to IAS 1 "Disclosure initiative", clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the above mentioned new standards and amendments did not result in any significant change to the Group's significant accounting policies and presentation of this condensed consolidated interim financial information.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Amendment to existing standard effective for the accounting period beginning on or after 1 January 2016 but not relevant to the Group:

- Amendments to IAS 16 and IAS 41 "Agriculture: bearer plants".

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

(c) New standards and amendments to standards have been issued but are not effective in 2016 and have not been early adopted by the Group:

- IAS 12, "Income taxes", effective for the accounting period beginning on or after 1 January 2017.
- IAS 7, "Statement of cash flows", effective for the accounting period beginning on or after 1 January 2017.
- IAS 15 "Revenue from Contracts with Customers", effective for the accounting period beginning on or after 1 January 2018.
- IFRS 9 "Financial Instruments" replace the whole of IAS 39, effective for the accounting period beginning on or after 1 January 2018.
- IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture", originally intended to be effective for annual periods beginning on or after 1 January 2016, the effective date has now been deferred/removed.

Management anticipates that the adoption of these new standards, amendments to standards and interpretation to standards will not result in a significant impact on the results and financial position of the Group except for the following:

- IFRS 16 "Leases" provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts, effective for the accounting period beginning on or after 1 January 2019. Early application is permitted if IFRS 15 is also applied. The Group is yet to assess full impact of IFRS 16.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no change in the risk management policies since the year end.

5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

(a) The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENT (CONTINUED)

5.3 Fair value estimation (continued)

(a) (continued)

The following table presents the Group's assets and liabilities that were measured at fair value as at 30 June 2016 and 31 December 2015:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2016				
Available-for-sale financial assets				
Unlisted equity interest	—	—	157,627	157,627

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2015				
Available-for-sale financial assets				
Unlisted equity interest	—	—	150,000	150,000

The Group did not have any financial liabilities that were measured at fair value as at 30 June 2016 and 31 December 2015.

There were no transfers among levels during the six months ended 30 June 2016 and the year of 2015, respectively.

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables;
- Deposits, prepayments and other receivables (except for prepayments);
- Cash and cash equivalents (including term deposits);
- Trade and bill payables;
- Other payables, accruals and other current liabilities (except for staff salaries and welfare payables and accrued taxes other than income tax);
- Borrowings.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENT (CONTINUED)

5.4 Fair value measurements using significant unobservable inputs (Level 3)

At 30 June 2016	Unlisted equity interest RMB'000
Opening balance at 1 January 2016	150,000
Acquisition of unlisted equity interest	4,314
Net gains transfer to equity	3,313
Total unrealised gains for the period included in equity for assets held at the end of the reporting period	157,627

6 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that makes strategic decisions.

The Group is principally engaged in designing, marketing and selling apparel products and 100% of its revenue are derived in the PRC for the six months ended 30 June 2016 and the year of 2015.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the six months ended 30 June 2016 and the year of 2015.

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	(Unaudited)		
	Property, plant and equipment	**Land use rights**	**Intangible assets**
	RMB'000	RMB'000	RMB'000
At 1 January 2016			
Cost	**2,018,464**	**159,160**	**227,914**
Accumulated depreciation/amortization	**(1,143,308)**	**(3,835)**	**(38,895)**
Net book amount	**875,156**	**155,325**	**189,019**
Six months ended 30 June 2016			
Opening net book amount	**875,156**	**155,325**	**189,019**
Additions	**314,448**	**—**	**662**
Transferred from construction in progress to land use rights	**(3,656)**	**3,656**	**—**
Disposals	**(735)**	**—**	**(576)**
Depreciation/amortization	**(153,892)**	**(1,601)**	**(12,898)**
Closing net book amount	**1,031,321**	**157,380**	**176,207**
At 30 June 2016			
Cost	**2,311,137**	**162,816**	**228,000**
Accumulated depreciation/amortization	**(1,279,816)**	**(5,436)**	**(51,793)**
Net book amount	**1,031,321**	**157,380**	**176,207**
At 1 January 2015			
Cost	1,553,252	137,020	53,978
Accumulated depreciation/amortization	(759,461)	(674)	(21,385)
Net book amount	793,791	136,346	32,593
Six months ended 30 June 2015			
Opening net book amount	793,791	136,346	32,593
Additions	96,708	24,675	5,041
Acquisition of a subsidiary (Note 23)	7,326	—	127,519
Disposals	(227)	—	—
Depreciation/amortization	(185,615)	(1,589)	(7,414)
Closing net book amount	711,983	159,432	157,739
At 30 June 2015			
Cost	1,656,077	161,695	186,538
Accumulated depreciation/amortization	(944,094)	(2,263)	(28,799)
Net book amount	711,983	159,432	157,739

8 TRADE RECEIVABLES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Trade receivables (a)	**803,200**	1,074,252
Less: provision for impairment of receivables	**(32,621)**	(29,796)
Trade receivables — net	**770,579**	1,044,456

(a) The aging analysis of trade receivables, before provision for impairment, based on invoice date, as at 30 June 2016 and 31 December 2015 was as follows:

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Trade receivables, gross		
— Within 30 days	**646,923**	901,768
— Over 30 days and within 60 days	**63,884**	78,319
— Over 60 days and within 90 days	**27,485**	29,154
— Over 90 days and within 180 days	**23,844**	26,845
— Over 180 days and within 360 days	**8,786**	15,025
— Over 360 days	**32,278**	23,141
	803,200	1,074,252

The Group's trade receivables are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date. As at 30 June 2016, trade receivables of RMB32,621,000 (31 December 2015: RMB29,796,000) were impaired and fully provided for allowance for impairment. Allowance for impairment of trade receivables has been provided for estimated irrecoverable amounts from the sales of goods.

As at 30 June 2016, trade receivables of RMB33,242,000 (31 December 2015: RMB38,926,000) were past due but not impaired. Based on the past experience, management believes that no additional allowance for impairment is necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit position and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there are no recent history of defaults. The Group does not hold any collateral as security over these debtors.

9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Prepayments for purchases of inventories	**282,455**	224,321
Deposits	**230,426**	174,899
Less: allowance for impairment of deposits	**(3,554)**	(3,415)
Deposits — net	**226,872**	171,484
Receivables from non-controlling interests	**39,601**	721
Staff advances	**7,110**	6,432
Prepayment of listing expenses	**5,634**	5,612
Interest receivable	**1,314**	1,879
Prepaid taxes other than income tax	**939**	—
Others	**1,098**	669
	565,023	411,118

10 SHARE CAPITAL

	(Unaudited) Number of ordinary shares (thousands)	Nominal value of ordinary shares of RMB1.00 each RMB'000
At 1 January 2016 and 30 June 2016	**492,902**	**492,902**
At 1 January 2015	503,380	503,380
Buy-back of shares (a)	(3,559)	(3,559)
At 30 June 2015	499,821	499,821

(a) During the six months ended 30 June 2015, 3,559,000 H shares of a nominal value of RMB3,559,000 were bought back at total consideration of HK$50,160,000 (equivalent to RMB39,563,000). Details refer to Note 11(a)(ii).

11 OTHER RESERVES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Statutory reserve	**224,207**	224,207
Capital reserve (a)	**1,535,418**	1,521,985
Excess of the cash consideration received or paid over the share capital	**1,609,792**	1,609,792
Fair value change of available-for-sale financial assets	**3,313**	—
Buy-back of shares	**(109,568)**	(109,568)
Contributions from a shareholder by awarding its equity instruments to the employees	**31,881**	21,761
	1,759,625	1,746,192

(a) Capital reserve

	Excess of the cash consideration received or paid over the share capital RMB'000	Buy-back of shares RMB'000	(Unaudited) Contributions from a shareholder by awarding its equity instruments to the employees (i) RMB'000	Available-for-sale investment RMB'000	Total RMB'000
At 1 January 2016	**1,609,792**	**(109,568)**	**21,761**	**—**	**1,521,985**
Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司, hereinafter referred to as "Shanghai Hexia") granted its equity instruments to the employees of the Group (i)	**—**	**—**	**10,120**	**—**	**10,120**
Revaluation — gross	**—**	**—**	**—**	**3,313**	**3,313**
At 30 June 2016	**1,609,792**	**(109,568)**	**31,881**	**3,313**	**1,535,418**
At 1 January 2015	1,609,792	—	18,546	—	1,628,338
Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司, hereinafter referred to as "Shanghai Hexia") granted its equity instruments to the employees of the Group (i)	—	—	2,012	—	2,012
Buy-back of shares (ii)	—	(36,004)	—	—	(36,004)
At 30 June 2015	1,609,792	(36,004)	20,558	—	1,594,346

11 OTHER RESERVES (CONTINUED)

(a) Capital reserve (continued)

(i) Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia, a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, operates a series of share-based compensation plans in exchange for employee services to the Group.

As the Group received the benefits associated with the services of these employees, the share-based compensation charges were pushed down to the Group and recorded as an expense in the condensed consolidated interim statement of comprehensive income, with a corresponding contribution from Shanghai Hexia which increased the capital reserve of the Company.

(ii) According to the resolution of 2014 annual general meeting, the directors of the Company are authorised to approve the buy-back of the Company's H shares through The Stock Exchange of Hong Kong Limited, with an aggregate number not exceeding 22,526,800 H shares. During the six months ended 30 June 2015, the Company bought back 3,559,000 H shares through The Stock Exchange of Hong Kong Limited at an aggregated consideration of HK$50,160,000 (equivalent to RMB39,563,000). All of the shares bought back during the period were cancelled and the nominal value of such cancelled shares of RMB3,559,000 was debited to share capital (Note 10(a)). The relevant premium of RMB36,004,000 was paid out from the Company's capital reserve.

12 BORROWINGS

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Current		
Bank borrowings — unsecured	**200,000**	—

Movement in borrowings is analysed as follows:

	(Unaudited) Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At 1 January 2016	**—**	641,266
Additions of borrowings	**200,000**	500,000
Repayments of borrowings	**—**	(641,266)
At 30 June 2016	**200,000**	500,000

13 TRADE AND BILL PAYABLES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Bills payable (a)	**168,248**	342,449
Trade payables (b)	**335,664**	885,731
	503,912	1,228,180

(a) The aging of bills payable was normally 90 days.

(b) As at 30 June 2016 and 31 December 2015, the aging analysis of the trade payables, which were trade in nature, based on the date of the receipts notes was as follows:

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Trade payables		
— Within 30 days	**30,722**	270,883
— Over 30 days and within 60 days	**79,909**	224,241
— Over 60 days and within 90 days	**133,979**	290,204
— Over 90 days and within 180 days	**64,479**	81,098
— Over 180 days and within 360 days	**15,726**	9,464
— Over 360 days	**10,849**	9,841
	335,664	885,731

14 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Payables for purchases of properties, plant and equipment	**262,212**	312,737
Liabilities linked to operating leases	**213,856**	199,656
Staff salaries and welfare payables	**233,212**	267,109
Accrued taxes other than income tax	**118,657**	188,167
Interest payables	**242**	—
Customers' deposits	**43,518**	39,424
Suppliers' deposits	**36,297**	5,394
Other liabilities — contingent consideration (Note 23)	**8,000**	8,000
Advances from customers	**4,354**	2,752
Payables for freight	**33,887**	32,249
Payables for promotion expense	**10,888**	1,372
Other accrued expenses and payables	**13,625**	5,985
	978,748	1,062,845

15 REVENUE

	(Unaudited) Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Retail Points	**4,419,512**	4,080,007
Online Sales	**389,811**	145,681
	4,809,323	4,225,688

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes. The retail points are operated in the form of concessionaire counters and standalone retail outlets. The concessionaire counters are located within department stores. During the six months ended 30 June 2016, for the revenue generated from concessionaire counters, value added taxes are calculated on the basis of the revenue earned from the end customers being net of concessionaire fees charged by the department stores amounting to RMB 803,337,000 (six months ended 30 June 2015: RMB732,298,000). The concessionaire fees are recorded as selling and administrative expenses.

16 OTHER GAINS — NET

	(Unaudited) Six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000
Losses on disposal of property, plant and equipment — net	**(767)**	(72)
Government grants	**31,843**	1,767
Gain on available-for-sales financial assets	**63**	—
Others	**69**	1,040
	31,208	2,735

17 FINANCE INCOME — NET

	(Unaudited) Six months ended 30 June	
	2016 **RMB'000**	2015 RMB'000
Finance income:		
— Exchange gains	**8,236**	5,909
— Interest income derived from bank deposits	**5,488**	17,084
	13,724	22,993
Finance cost:		
— Interest on bank borrowings	**(1,716)**	(14,934)
Less: capitalised interest during the period	**1,716**	—
— Interest expense on bank borrowings	**—**	(14,934)
Finance income — net	**13,724**	8,059

18 INCOME TAX EXPENSES

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax	**101,391**	118,862
Deferred income tax	**3,342**	(21,518)
	104,733	97,344

The income tax provision of the Company and its subsidiaries was calculated at the tax rate of 25% on the estimated assessable profits for the six months ended 30 June 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

19 EARNINGS PER SHARE

(a) Basic earnings per share is calculated by dividing the profit attributable to the equity owners of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit attributable to equity owners of the Company (RMB'000)	**284,944**	276,351
Weighted average number of ordinary shares in issue (thousands of shares)	**492,902**	503,380
Basic earnings per share (RMB per share)	**0.58**	0.55

(b) Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no category of dilutive potential ordinary shares.

20 DIVIDENDS

The dividend of RMB0.42 (tax inclusive) per share in respect of the year ended 31 December 2015, amounting to approximately RMB207,019,000 (tax inclusive) was approved at the 2015 annual general meeting of the Company held on 29 April 2016. It has been reflected as an appropriation of retained earnings for the six months ended 30 June 2016.

The dividend of RMB0.60 (tax inclusive) per share in respect of the year ended 31 December 2014, amounting to approximately RMB302,028,000 (tax inclusive) was approved at the 2014 annual general meeting of the Company held on 5 May 2015. It has been reflected as an appropriation of retained earnings for the six months ended 30 June 2015.

21 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2016 and 2015, and balances arising from related party transactions as at 30 June 2016 and 31 December 2015.

(a) Name and relationship with related parties

Mr. Xing Jiaxing — *Founder and one of the controlling shareholders*

(b) Transactions with related parties

Other than those disclosed in elsewhere in this interim report, during the six months ended 30 June 2016 and 2015, the Group had no other significant transactions with related parties.

(c) Balances with related parties

As at 30 June 2016 and 31 December 2015, the Group had no balances with related parties.

22 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date, but not yet incurred is as follows:

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
Investment	**180,000**	—
Property, plant and equipment	**212,951**	189,192
Intangible Assets	**265**	—
	393,216	189,192

The Group's capital commitments mainly included the contractual obligations relating to the development of warehouse and logistics centre in Taicang, Chengdu, and Tianjin, and the development of administration centre in Shanghai, and the renovation mainly related to retail points, and upgrade and maintenance of Enterprise Resource Planning system.

22 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

As at 30 June 2016 and 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	(Unaudited) 30 June 2016 RMB'000	(Audited) 31 December 2015 RMB'000
No later than 1 year	**750,549**	604,083
Later than 1 year and no later than 5 years	**2,143,348**	1,682,383
Later than 5 years	**757,807**	505,672
	3,651,704	2,792,138

Generally, the Group's operating leases are for terms of two to eight years.

The actual payment in respect of certain operating lease is calculated at a certain percentage of sales of the respective department stores or at the higher of the minimum as noted above and the amounts determined based on a percentage of the sales of the department stores.

23 BUSINESS COMBINATION

On 13 February 2015, the Company entered into two contractual agreements with Hangzhou Anshe and its existing shareholders, namely, Mr. Shen Qinhua, Ms. Cao Qing and Marix Partners China II Hong Kong Limited for the purpose of obtaining 54.05% equity interest of Hangzhou Anshe. Pursuant to the agreements, the Company acquired 45% equity interest from the existing shareholders of Hangzhou Anshe at the consideration of RMB135,000,000. In addition, after the completion of the above equity interest transfer, the Company injected cash of RMB65,000,000 to Hangzhou Anshe as its additional paid-in capital injection. The Company's equity interest in Hangzhou Anshe therefore increased to 54.05% and obtained the control of Hangzhou Anshe on 1 April 2015. Hangzhou Anshe designs, markets and sells apparel products directly to retail customers through third-party online shopping platform.

With this acquisition, the Group aims to enhance its online sales and marketing capabilities and increase its presence in online market. The goodwill of RMB92,339,000 arising from the acquisition is attributable to the unique opportunity for the Group to capitalize on the talents of Hangzhou Anshe to further strengthen the Group's online sales channels and to improve the Group's online sales capabilities. None of the goodwill recognised is expected to be deductible for income tax purposes.

23 BUSINESS COMBINATION (CONTINUED)

The following table summarises the total consideration paid, the fair value of assets acquired and liabilities assumed from Hangzhou Anshe at the acquisition date:

	RMB'000
Consideration:	
— Cash consideration paid to existing shareholders	135,000
— Cash injection	65,000
— Contingent consideration	8,000
Total consideration	208,000
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 7)	7,326
Intangible assets (Note 7)	35,180
Deferred income tax assets	4,405
Inventories	46,141
Trade receivables	5,303
Deposits, prepayments and other receivables	61,556
Cash and cash equivalents	93,522
Deferred income tax liabilities	(11,788)
Trade and bill payables	(18,293)
Other payables, accruals and other current liabilities	(836)
Current income tax liabilities	(8,528)
Total identifiable net assets	213,988
Non-controlling interests	(98,327)
Goodwill (Note 7)	92,339
	208,000

	RMB'000
Cash outflow to acquire Hangzhou Anshe, net of cash acquired	
— cash consideration	200,000
— cash and banks of Hangzhou Anshe at acquisition date	(93,522)
Net cash outflow on acquisition	106,478

23 BUSINESS COMBINATION (CONTINUED)

The contingent consideration arrangement requires the Group to pay cash of RMB8,000,000 to the non-controlling interests of Hangzhou Anshe if the net profit of Hangzhou Anshe for the year ending 31 December 2015 exceeds RMB20,000,000. For the year ended 31 December 2015, the net profit of Hangzhou Anshe was approximately RMB88,453,000.

For the period from 1 April 2015 to 30 June 2015, the revenue of Hangzhou Anshe approximately RMB82,659,000 and net profit of Hangzhou Anshe approximately RMB18,471,000. For the six months ended 30 June 2015 the revenue of Hangzhou Anshe approximately RMB140,993,000 and net profit of Hangzhou Anshe approximately RMB22,252,000.

24 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

(a) Pursuant to a resolution of the Board on 22 August 2016, a dividend of RMB0.35 (tax inclusive) per Share for the six months ended 30 June 2016 was proposed by the Board.