La Chapelle

Xinjiang La Chapelle Fashion Co., Ltd.

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

INTERIM REPORT 2022

(Stock Code: 06116)

La Chapelle

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CORPORATE INFORMATION

REGISTERED CHINESE NAME

新疆拉夏貝爾服飾股份有限公司

ENGLISH NAME

Xinjiang La Chapelle Fashion Co., Ltd.

HEADQUARTERS

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

REGISTERED OFFICE IN THE PRC

Room 1402, Unit 1,
Building D, Friendship International (Grand Residence),
No. 198 South Youhao Road,
Sayibak District, Urumqi, 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)*

Non-executive Directors

Mr. Fu Feng
Mr. Yang Heng

Independent Non-executive Directors

Mr. Xing Jiangze
Ms. Chow Yue Hwa Jade
Mr. Zhu Xiaozhe

AUDIT COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Mr. Yang Heng
Ms. Chow Yue Hwa Jade

NOMINATION COMMITTEE

Mr. Zhu Xiaozhe *(Chairman)*
Ms. Zhang Ying
Mr. Xing Jiangze

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Xing Jiangze *(Chairman)*
Mr. Zhao Jinwen
Mr. Zhu Xiaozhe

BUDGET COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Zhao Jinwen *(Chairman)*
Ms. Zhang Ying
Mr. Fu Feng
Mr. Yang Heng
Ms. Chow Yue Hwa Jade
Mr. Zhu Xiaozhe

SUPERVISORS

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jinwen (appointed on 20 April 2022)
Mr. Zhang Xin (appointed on 10 June 2021,
and resigned with effect from 20 April 2022)
Ms. Wong Wai Ling

LEGAL ADVISERS

Grandall Law Firm (Shanghai) *(as to PRC Law)*
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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

FINANCIAL REVIEW

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

Revenue

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

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

Revenue by distribution channel

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

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

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

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

Revenue by brand

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

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

Notes:

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

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

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

Revenue by tier of cities

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

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

Note:

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

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

Revenue by product type

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

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

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

In the first half of 2022, revenue of the Group from sales recorded a decrease across tops, bottoms, and dresses, which was partly attributable to the year-on-year decrease in the number of existing stores of the Group, the impact of epidemic, and the decrease in product purchases during the Reporting Period. In respect of the revenue contribution of each product type as compared with the same period of last year, revenue contribution from sales of tops decreased by 5.8 percentage points, that from sales of bottoms increased by 0.3 percentage point and that from sales of dresses decreased by 2.6 percentage points.

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Selling and Distribution Expenses and General and Administrative Expenses

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

Asset Impairment Loss

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

Credit Impairment Loss

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

Investment Income

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

Other Income – Net

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

Finance Expenses/Income – Net

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

Loss before Income Tax

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

Income Tax Expense

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

Net Loss and Net Loss Margin for the Reporting Period

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

Capital Expenditure

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

Cash and Cash Flow

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

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

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

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

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

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

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

Bank loans and other borrowings

As at 30 June 2022, bank borrowings of the Group amounted to RMB1,496.5 million (31 December 2021: RMB1,497.0 million for balance of borrowings), which was mainly mortgage, pledge and guarantee loans due within one year. The annual interest rates of the above borrowings range from 4.55% to 7.00%.

Pledge of assets

(a) As at 30 June 2022, houses and buildings with a book value of RMB1,446.3 million (31 December 2021: RMB1,493.5 million) were pledged to secure bank borrowings.

(b) As at 30 June 2022, construction in progress with a book value of RMB75.0 million (31 December 2021: RMB75.0 million) was pledged to secure bank borrowings.

(c) As at 30 June 2022, the land use right with a book value of RMB142.4 million (31 December 2021: RMB144.1 million) was pledged to secure bank borrowings; the amortization amount of the land use right in the first half of 2022 was RMB1.7 million (the first half of 2021: RMB1.7 million).

Total equity attributable to shareholders of the Company

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

CONTINGENT LIABILITIES

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 HTI Advisory Company Limited (海通國際諮詢有限公司) for a loan of EUR37.4million 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, HTI Advisory Company Limited 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. HTI Advisory Company Limited has commenced proceedings in order that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan. This dispute is still under legal proceedings. For details, please refer to the Company's announcement dated 25 September 2020.

As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB365.2 million was accrued.

In August 2022, the Company received the "Civil Decision" The First of (2020) Hu 01 Min Chu No. 251* ((2020) 滬01民初251號之一《民事裁定書》) from the Shanghai No. 1 Intermediate People's Court and noted that HTI Advisory Company Limited withdrew the lawsuit. For details, please refer to the announcement of the Company dated 31 August 2022.

BUSINESS REVIEW

Retail Network

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

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

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

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

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

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

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

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

Notes:

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

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

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

	As at 30 June 2022	
	Number of Net retail points open/ (closure)	**Percentage of total (%)**
La Chapelle	**(25)**	**50.0**
Puella	**(9)**	**18.0**
7 Modifier	**(12)**	**24.0**
La Babité	**(3)**	**6.0**
Candie's	**(3)**	**6.0**
USHGEE	**–**	**–**
Menswear	**–**	**–**
8ém	**–**	**–**
Other brands	**2**	**(4.0)**
Total	**(50)**	**100.0**

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

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

FUTURE OUTLOOK

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

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

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

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

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

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

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

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

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

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 2022, 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

For the six months ended 30 June 2022, 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 2022, 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[6,7]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2022	Approximate percentage shareholding in the total issued Shares at 30 June 2022
Shanghai Qijin Enterprise Management Partnership LLP* (上海其錦企業管理合夥企業(有限合夥))[1]	Beneficial owner	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Lijin Asset Management Co., Ltd. *(杭州文盛勵錦資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Hangzhou Wensheng Xiangwen Asset Management Co., Ltd. *(杭州文盛祥文資產管理有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
Shanghai Wensheng Asset Management Co., Ltd. * (上海文盛資產管理股份有限公司)[1]	Interest in controlled corporation	85,200,000 Domestic Shares (L)	25.59%	15.56%
	Beneficial owner	21,600,000 Domestic Shares (L)	6.49%	3.94%

Name of Shareholder	Nature of interest and capacity	Number of Shares interested[6,7]	Approximate percentage shareholding in the relevant class of Shares as at 30 June 2022	Approximate percentage shareholding in the total issued Shares at 30 June 2022
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)[1,2]	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] (盛達國際資本有限公司)	Beneficial owner	16,630,800 H Shares (L)	7.74%	3.04%

Notes:

1. As disclosed in the announcements of the Company dated 12 July 2020, 16 July 2020, 17 August 2020, 24 September 2020 and 10 November 2020, a total of 187,078,815 A Shares (comprising 141,874,425 A Shares held by Mr. Xing Jiaxing ("**Mr. Xing**") and 45,204,390 A Shares held by Shanghai Hexia Investment Co., Ltd. ("**Shanghai Hexia**")), which represented 34.16% of the total issued share capital of the Company and 56.20% of the total A Share capital of the Company as at 31 December 2020, are subject to freezing order as Mr. Xing and Shanghai Hexia did not repurchase such respective A Shares pledged by them respectively to Haitong Securities Co., Ltd. ("**Haitong Securities**") and CITIC Securities Company Limited ("**CITIC Securities**"), or adopt security measures, as a result of which Haitong Securities and CITIC Securities applied to the Shanghai Financial Court for freezing order over such A Shares. The Shanghai Financial Court issued the Enforcement Ruling (2020) Hu 74 Zhi one of No. 216 and (2020) Hu 74 Zhi one of No. 425 *《(執行裁定書》(2020) 滬74執216號之一、(2020) 滬74執425號之一), pursuant to which the Shanghai Financial Court proposed to auction or sell the Pledged Shares.

As disclosed in the announcement of the Company dated 31 January 2021, the Shanghai Financial Court issued the Notice of Judicial Disposal of Shares (2020) Hu 74 Zhi No. 425 *《(司法處置股票公告》(2020) 滬74執425號), pursuant to which the Shanghai Financial Court made a ruling for the compulsory auction of the 141,600,000 A Shares held by Mr. Xing.

As disclosed in the announcement of the Company dated 1 March 2021, the Shanghai Financial Court issued the Notice of Judicial Disposal of Shares (2020) Hu 74 Zhi No. 216 *《(司法處置股票公告》(2020) 滬74執216號), pursuant to which the Shanghai Financial Court made a ruling for the compulsory auction of the 45,200,000 A Shares held by Shanghai Hexia.

As disclosed in the announcements of the Company dated 7 March 2021, 22 March 2021, 23 March 2021, 25 March 2021, 28 March 2021, 16 April 2021, 21 April 2021, 28 April 2021 and 29 April 2021, the Shanghai Financial Court auctioned the 141,600,000 A Shares held by Mr. Xing successfully on the Judicial Execution Platform; the Company received the execution rulings from Shanghai Wensheng Asset Management Co., Ltd. ("**Shanghai Wensheng**") and Shanghai Qijin Enterprise Management Partnership LLP. ("**Shanghai Qijin**") in respect of 61,600,000 A Shares bid by them; the Company received another execution ruling from Mr. Xing in respect of 80,000,000 A Shares bid by three other successful bidders who failed to complete their corresponding transaction; the transfers in respect of 61,600,000 A Shares held by Mr. Xing was completed; the Shanghai Financial Court auctioned the 45,200,000 A Shares held by Shanghai Hexia; the Company received a notice of forced auction in respect of the 80,000,000 A Shares held by Mr. Xing from the Shanghai Financial Court; the Shanghai Financial Court successfully auctioned the 80,000,000 A Shares held by Mr. Xing on 16 April 2021; the Company received an execution ruling from Shanghai Qijin in respect of the 45,200,000 A Shares held by Shanghai Hexia; the transfer in respect of 45,200,000 of the A Shares held was completed; and the Company received an execution ruling from the Shanghai Financial Court in respect of the 80,000,000 A Shares held by Mr. Xing; the transfer in respect of 80,000,000 of the A Shares held by Mr. Xing was completed. As a result of the aforesaid change in shareholding, Shanghai Hexia individually has ceased to be a substantial shareholder of the Company since 21 April 2021, and Shanghai Hexia and Mr. Xing have collectively ceased to be a substantial shareholder of the Company since 29 April 2021.

Shanghai Wensheng was beneficially interested in 21,600,000 A Shares and deemed to be interested in 85,200,000 A 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 A 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.

7. On 24 May 2022, the Company's A Shares was delisted by the Shanghai Stock Exchange. The Company's Domestic Shares have been listed in the National Equities Exchange and Quotations since 22 July 2022.

Other than as disclosed above, as at 30 June 2022, the Directors have not been notified by any person (not being the Directors, Supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

CORPORATE GOVERNANCE

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

Mr. Zhang Xin tendered his resignation as the executive Director with effect from 20 April 2022. Mr. Zhao Jinwen was re-designated as executive Director from non-executive Director with effect from 20 April 2022.

Mr. Fu Feng was appointed as non-executive Director with effect from 29 June 2022.

Ms. Zhang Ying obtained EMBA degree from Xiamen University in June 2022.

Mr. Zhu Xiaozhe served as an independent-director of Horizon Holdings Group Inc* (地平線控股(蘇州)股份有限公司) from January 2021 to July 2022, and he has been a director of Anhui Jiren Pharmaceutical Co., Ltd.* (安徽濟人藥業股份有限公司) since March 2022.

Save as disclosed above, in accordance with Rule 13.51B(1) of the Listing Rules, there is no change in the information regarding Directors and Supervisors, which are the consistent with the information set out in the 2021 annual report.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

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

EVENTS AFTER REPORTING PERIOD

As at the latest practicable date before printing this report (i.e. 20 September 2022), the events after reporting period are as follows.

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

(2) In July 2022, Shanghai Weile received the relevant enforcement notice from the Shanghai No. 1 Intermediate People's Court in relation to the dispute over a construction contract between Shanghai Construction No. 2 (Group) Co., Ltd.* (上海建工二建集團有限公司) and Shanghai Weile. According to the "Enforcement Notice" (2022) Hu 01 Zhi No. 864* ((2022) 滬01執864號《執行通知書》) and the "Property Reporting Order" (2021) Hu 01 Zhi No. 864* ((2022) 滬01執864 號《財產報告令》), the said case has entered into the stage of application for enforcement. For details, please refer to the announcement of the Company dated 22 July 2022.

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

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

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

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

(5) In August 2022, the Company received the "Civil Decision" The First of (2020) Hu 01 Min Chu No. 251* ((2020) 滬01民初251號之一《民事裁定書》) from the Shanghai No. 1 Intermediate People's Court, noted that HTI ADVISORY COMPANY LIMITED has withdrawn the lawsuit against the Company, Shanghai Weile, Shanghai Xiawei Fashion Co., Ltd.* (上海夏微服飾有限公司) and Shanghai La Chapelle Enterprise Management Co., Ltd. (上海拉夏企業管理有限公司), and Xing Jiaxing* (邢加興). For details, please refer to the announcement of the Company dated 31 August 2022.

(6) As a result of the Group's involvement in litigation and arbitration cases, some of the Group's bank accounts have been frozen. As at 31 August 2022, an aggregate of 113 bank accounts of the Group have been frozen, involving an aggregate frozen amount of approximately RMB63 million. As at 31 August 2022, as a result of factors such as the Group's involvement in litigation cases, the Company's equity interest in 12 of its subsidiaries have been frozen, involving an aggregate frozen amount of approximately RMB222 million. The freezing of the Company's equity interest mentioned above has not substantively affected the normal operation of the Company and the relevant subsidiaries. However, there is a risk that the equity interest may be judicially disposed of. The Company will proactively communicate with the relevant courts and creditors in order to properly resolve the freezing of the equity interest and maintain the stability of the Company's business. For details, please refer to the announcement of the Company dated 1 September 2022.

As at 31 August 2022, as a result of the Company's involvement in a total of 11 litigation cases arising from disputes such as disputes over loan agreements and construction agreements, 2 real properties of the Company (with an aggregate book value of approximately RMB334 million as at 31 July 2022) have been seized. The seizure has caused restriction to rights and there is a risk that the real properties may be judicially auctioned for debt repayment. The Company will proactively coordinate with the relevant parties, properly handle the seizures, and actively negotiate with the applicants for such seizures so that the rights restrictions can be lifted and the real properties involved can return to normal conditions as soon as possible. For details, please refer to the announcement dated 1 September 2022.

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

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

APPRECIATION

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

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

Shanghai, the PRC, 27 September 2022

Interim Consolidated Balance Sheet

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

Assets	Note VI	Closing Balance	Opening Balance
Current assets:			
Monetary Funds	(I)	**157,074**	167,456
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(II)	**70,313**	88,718
Accounts receivable financing		**–**	–
Prepayments	(III)	**7,785**	11,050
Other receivables	(IV)	**43,724**	53,453
Inventories	(V)	**34,730**	60,865
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year	(VI)	**–**	–
Other current assets	(VII)	**20,655**	26,544
Total current assets		**334,281**	408,086
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(VIII)	**142,343**	144,603
Other equity instruments investment	(IX)	**2,580**	2,580
Other non-current financial assets	(X)	**100,672**	101,641
Investment properties		**–**	–
Fixed assets	(XI)	**1,462,661**	1,516,195
Construction in progress	(XII)	**75,710**	75,000
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets	(XIII)	**4,219**	3,837
Intangible assets	(XIV)	**148,664**	152,674
Development expenditure		**–**	–
Goodwill	(XV)	**–**	–
Long-term prepaid expenses	(XVI)	**2,664**	2,247
Deferred tax assets	(XVII)	**–**	–
Other non-current assets	(XVIII)	**–**	–
Total non-current assets		**1,939,513**	1,998,777
Total assets		**2,273,794**	2,406,863

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

Interim Consolidated Balance Sheet

As at 30 June 2022
(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note VI	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	(XX)	**1,148,746**	1,149,220
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable	(XXI)	**813,993**	826,501
Advance from customers	(XXII)	**2,007**	10,851
Contract liabilities	(XXIII)	**10,468**	20,395
Payroll Payable	(XXIV)	**8,193**	9,833
Tax payable	(XXV)	**215,423**	203,777
Other payables	(XXVI)	**971,825**	914,134
Held-for-sale liabilities		**–**	–
Non-current liability due within one year	(XXVII)	**350,848**	349,910
Other current liabilities	(XXVIII)	**916**	1,874
Total current liabilities		**3,522,419**	3,486,495
Non-current liabilities:			
Long-term borrowings	(XXIX)	**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities	(XXX)	**1,400**	1,897
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities	(XXXI)	**431,726**	420,032
Deferred income		**–**	–
Deferred tax liabilities	(XVII)	**2,110**	2,110
Other non-current liabilities	(XXXII)	**5,625**	5,899
Total non-current liabilities		**440,861**	429,938
Total liabilities		**3,963,280**	3,916,433

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

Interim Consolidated Balance Sheet

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note VI	Closing Balance	Opening Balance
Equity:			
Share capital	(XXXIII)	**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus	(XXXIV)	**1,910,806**	1,910,806
Less: Treasury share	(XXXV)	**20,010**	20,010
Other comprehensive income	(XXXVI)	**(41,026)**	(41,026)
Special reserves		**–**	–
Surplus reserve	(XXXVII)	**246,788**	246,788
Undistributed profits	(XXXVIII)	**(4,253,175)**	(4,075,526)
Equity attributable to Shareholders of the Company		**(1,608,945)**	(1,431,296)
Non-controlling interests		**(80,541)**	(78,274)
Total equity		**(1,689,486)**	(1,509,570)
Total liabilities and equity		**2,273,794**	2,406,863

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

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

Interim Company Balance Sheet

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

Assets	Note XVI	Closing Balance	Opening Balance
Current assets:			
Monetary Funds		**53,033**	57,883
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	(I)	**2,531,466**	2,528,297
Accounts receivable financing		**–**	–
Prepayments		**2,709**	4,741
Other receivables	(II)	**257,937**	271,235
Inventories		**26,783**	51,536
Contract assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within a year		**–**	–
Other current assets		**1,872**	5,611
Total current assets		**2,873,800**	2,919,303
Non-current assets:			
Debt investments		**–**	–
Other debt investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	(III)	**642,420**	642,420
Other equity instruments investment		**–**	–
Other non-current financial assets		**31,663**	31,846
Investment properties		**–**	–
Fixed assets		**4,707**	5,705
Construction in progress		**–**	–
Productive biological assets		**–**	–
Oil and Gas assets		**–**	–
Right-of-use assets		**–**	–
Intangible assets		**6,163**	8,396
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term prepaid expenses		**15,746**	18,052
Deferred tax assets		**–**	–
Other non-current assets		**–**	–
Total non-current assets		**700,699**	706,419
Total assets		**3,574,499**	3,625,722

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

Interim Company Balance Sheet

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XVI	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		**599,220**	599,220
Financial liabilities held for trading		**–**	–
Derivative financial liabilities		**–**	–
Notes payable		**–**	–
Accounts payable		**1,059,160**	1,090,911
Advance from customers		**88**	1,734
Contract liabilities		**383**	1,281
Payroll payable		**1,381**	1,219
Tax payables		**97,758**	96,249
Other payables		**1,269,526**	1,220,338
Held-for-sale liabilities		**–**	–
Non-current liability due within a year		**–**	–
Other current liabilities		**57**	166
Total current liabilities		**3,027,573**	3,011,118
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Lease liabilities		**–**	–
Long-term payables		**–**	–
Long-term payroll payable		**–**	–
Estimated liabilities		**47,732**	47,739
Deferred income		**–**	–
Deferred tax liabilities		**–**	–
Other non-current liabilities		**–**	–
Total non-current liabilities		**47,732**	47,739
Total liabilities		**3,075,305**	3,058,857

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

(All amounts in RMB'000 unless otherwise stated)

Liability and Equity	Note XVI	Closing Balance	Opening Balance
Equity:			
Share capital		**547,672**	547,672
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual debt		**–**	–
Capital surplus		**1,897,270**	1,897,270
Less: Treasury share		**20,010**	20,010
Other comprehensive income		**–**	–
Special reserves		**–**	–
Surplus reserve		**246,788**	246,788
Undistributed profits		**(2,172,526)**	(2,104,855)
Total equity		**499,194**	566,865
Total liabilities and equity		**3,574,499**	3,625,722

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

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

Interim Consolidated Income Statements

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

Items	Note VI	For the six months ended 30 June 2022	2021
1. Revenue	(XXXIX)	**112,584**	277,887
Less: Costs of sales	(XXXIX)	**33,102**	116,924
Taxes and surcharges	(XL)	**8,560**	12,431
Selling and distribution expenses	(XLI)	**43,522**	170,625
Administrative expenses	(XLII)	**52,319**	81,304
Research and development expenses		**–**	–
Finance expenses	(XLIII)	**80,131**	97,317
Including: Interest expenses		**80,617**	104,821
Interest income		**698**	7,711
Add: Other income	(XLIV)	**10,444**	62,506
Investment income	(XLV)	**523**	3,390
Including: Investment income from associates and joint ventures		**(2,260)**	(4,599)
Derecognition of financial assets at amortized cost		**–**	–
Gain/(Loss) from net exposure hedging		**–**	–
Gain/(Loss) on fair value changes	(XLVI)	**(969)**	–
Credit impairment losses	(XLVII)	**(15,487)**	(22,765)
Asset impairment losses	(XLVIII)	**(18,006)**	(93,486)
Gain/(Loss) on disposal of assets	(XLIX)	**(846)**	14,179
2. Operating profit		**(129,391)**	(236,890)
Add: Non-operating income	(L)	**1,043**	526
Less: Non-operating expenses	(LI)	**49,929**	6,473
3. Profit before tax		**(178,277)**	(242,837)
Less: Income tax expenses	(LII)	**1,639**	(6,996)
4. Net profit		**(179,916)**	(235,841)
I. Classified by continuity of operations			
Net profit from continuing operations		**(179,916)**	(235,841)
Net profit from discontinuing operations		**–**	–
II. Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		**(177,649)**	(236,947)
Net profit attributable to non-controlling interests		**(2,267)**	1,106

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

(All amounts in RMB'000 unless otherwise stated)

		For the six months ended 30 June	
Items	Note VI	**2022**	2021
5. Other comprehensive income, net of tax		**–**	–
Other comprehensive income after tax attributable to parent company		**–**	–
I. Items of other comprehensive income that cannot be reclassified into profit and loss			
i. Changes in fair value of investments in equity instruments		**–**	–
II. Items of other comprehensive income reclassified to profit or loss		**–**	–
i. Translation differences on translation of foreign currency financial statement		**–**	–
Other comprehensive income attributable to non-controlling interests after tax		**–**	–
6. Total comprehensive income		**(179,916)**	(235,841)
Attributable to shareholders of the company		**(177,649)**	(236,947)
Attributable to non-controlling interests	(XXXIX)	**(2,267)**	1,106
7. Earnings per share			
I. Basic earnings per share		**(0.33)**	(0.44)
II. Diluted earnings per share		**(0.33)**	(0.44)

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

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

Interim Company Income Statements

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

Items	Note XVI	For the six months ended 30 June 2022	2021
1. Revenue	(IV)	**35,832**	142,281
Less: Costs of sales	(IV)	**11,010**	102,994
Taxes and surcharges		**166**	3,571
Selling and distribution expenses		**3,156**	35,254
Administrative expenses		**15,253**	20,282
Research and development expenses		**–**	–
Finance expenses		**33,967**	33,175
Including: Interest expenses		**34,351**	22,603
Interest income		**395**	8,272
Add: Other income		**6,702**	54,761
Investment income	(V)	**2,679**	3,931
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		**(183)**	–
Credit impairment losses		**(8,774)**	(23,676)
Asset impairment losses		**(17,718)**	(85,231)
Gain/(Loss) on disposal of assets		**(97)**	128
2. Operating profit		**(45,111)**	(103,082)
Add: Non-operating income		**190**	2
Less: Non-operating expenses		**22,529**	6,211
3. Profit before tax		**(67,450)**	(109,291)
Less: Income tax expenses		**221**	130
4. Net profit		**(67,671)**	(109,421)
i. Net profit from continuing operations		**(67,671)**	(109,421)
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		**(67,671)**	(109,421)

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)

Interim Consolidated Cash Flow Statements

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

Items	Note VI	For the six months ended 30 June 2022	2021
1. Cash flows from operating activities:			
Cash received from sales of products or rendering of services		**82,846**	307,302
Tax and surcharge refunds		**6,704**	–
Cash received relating to other operating activities	(LVI)	**8,032**	41,298
Total cash inflows from operating activities		**97,582**	348,600
Cash paid for goods and services		**23,025**	115,096
Cash paid to and for employees		**39,331**	102,341
Taxes and surcharges paid		**6,894**	21,107
Other cash payments related to operating activities	(LVI)	**21,858**	89,150
Total cash outflows from operating activities		**91,108**	327,694
Net cash flows from operating activities		**6,474**	20,906
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		**–**	2,214
Net cash received from disposal of subsidiaries and other business units		**–**	15,124
Cash received relating to other investing activities		**–**	
Total cash inflows from investing activities		**–**	17,338
Cash paid for fixed assets, intangible assets, and other long-term assets		**3,084**	6,852
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		**3,084**	6,852
Net cash flows from investing activities		**(3,084)**	10,486

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

Interim Consolidated Cash Flow Statements

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

			For the six months ended 30 June	
Items		Note VI	**2022**	2021
3.	**Cash flows from financing activities:**			
	Cash received from investments by others		**–**	–
	Including: Cash received by subsidiaries from non-controlling investors		**–**	–
	Cash received from borrowings		**–**	–
	Other cash receipts related to other financing activities		**–**	–
	Total cash inflows from financing activities		**–**	–
	Cash repayments of borrowings		**–**	6,500
	Cash payments for distribution of dividends, profits or interest expenses		**–**	3,557
	Including: Dividends or profit paid by subsidiaries to non-controlling investors		**–**	–
	Other cash payments related to financing activities		**748**	8,806
	Total cash outflows from financing activities		**748**	18,863
	Net cash flows from financing activities		**(748)**	(18,863)
4.	**Effect of changes in foreign exchange rates on cash and cash equivalents**		**–**	–
5.	**Net increase in cash and cash equivalents**		**2,642**	12,529
	Add: Opening balance of cash and cash equivalents		**61,356**	24,319
6.	**Closing balance of cash and cash equivalents**		**63,998**	36,848

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)

Interim Company Cash Flow Statements

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

Items	Note XVI	For the six months ended 30 June 2022	2021
1. Cash flows from operating activities:			
Cash received from sales of products or rendering of services		**350**	82,457
Tax and surcharge refunds		**–**	–
Cash received relating to other operating activities		**42**	17,199
Total cash inflows from operating activities		**392**	99,656
Cash paid for goods and services		**–**	8,026
Cash paid to and for employees		**–**	17,226
Taxes and surcharges paid		**–**	6,452
Other cash payments related to operating activities		**364**	70,014
Total cash outflows from operating activities		**364**	101,718
Net cash flows from operating activities		**28**	(2,062)
2. Cash flows from investing activities:			
Cash received from return on investments		**–**	–
Cash received from gain on investments		**–**	–
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**–**	728
Net cash received from disposal of subsidiaries and other business units		**–**	15,124
Cash received relating to other investing activities		**–**	–
Total cash inflows from investing activities		**–**	15,852
Cash paid for fixed assets, intangible assets, and other long-term assets		**–**	2,232
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		**–**	2,232
Net cash flows from investing activities		**–**	13,620

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

Interim Company Cash Flow Statements

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

Items	Note XVI	For the six months ended 30 June 2022	2021
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		**–**	6,500
Cash payments for distribution of dividends, profits or interest expenses		**–**	4,573
Other cash payments related to financing activities		**–**	215
Total cash outflows from financing activities		**–**	11,288
Net cash flows from financing activities		**–**	(11,288)
4. Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	–
5. Net increase in cash and cash equivalents		**28**	270
Add: Opening balance of cash and cash equivalents		**18**	10
6. Closing balance of cash and cash equivalents		**46**	280

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

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

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

	2022											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Other	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	-	-	-	-	-	-	-	-	-	(177,649)	(2,267)	(179,916)
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(177,649)	(2,267)	(179,916)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-

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

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

Items	2022											
	Equity attributable to parent company											
		Other equity instruments										
	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,910,806**	**20,010**	**(41,026)**	**-**	**246,788**	**(4,253,175)**	**(80,541)**	**(1,689,486)**

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)

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

	2021											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Other	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	(38,866)	–	246,788	(3,254,246)	(78,792)	(686,648)
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	(38,866)	–	246,788	(3,254,246)	(78,792)	(686,648)
3. Increase/decrease for current year	–	–	–	–	–	–		–	–	(236,947)	1,106	(235,841)
I. Total comprehensive income	–	–	–	–	–	–		–	–	(236,947)	1,106	(235,841)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–		
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–		
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–	–

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

Interim Consolidated Statement of Changes in Shareholders' Equity

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

	2021											
	Equity attributable to parent company											
		Other equity instruments										
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Non-controlling interests	Total equity
IV. Transfers within owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	–	–
4. Closing balance of current year	547,672	–	–	–	1,910,806	20,010	(38,866)	–	246,788	(3,491,193)	(77,686)	(922,489)

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

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

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

Items	2022										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Other	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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(67,671)**	**(67,671)**
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	(67,671)	(67,671)
II. Shareholders invest and reduce capital	-	-	-	-	-	-	-	-	-	-	-
i. Common stock contributed/ paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	-	-	-	-	-	-	-
iv. Others	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-

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

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2022

(All amounts in RMB'000 unless otherwise stated)

	2022										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-
i. Capital surplus transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-
4. Closing balance of current year	**547,672**	**-**	**-**	**-**	**1,897,270**	**20,010**	**-**	**-**	**246,788**	**(2,172,526)**	**499,194**

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)

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

Items	2021										
		Other equity instruments									
	Share capital	Preferred stock	Perpetual debt	Other	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	(1,755,416)	916,304
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	(1,755,416)	916,304
3. Increase/decrease for current year	–	–	–	–	–	–	–	–	–	(109,421)	(109,421)
I. Total comprehensive income	–	–	–	–	–	–	–	–	–	(109,421)	(109,421)
II. Shareholders invest and reduce capital	–	–	–	–	–	–	–	–	–	–	–
i. Common stock contributed/paid-in capital by shareholders/owners	–	–	–	–	–	–	–	–	–	–	–
ii. Capital contributed by other equity instruments holders	–	–	–	–	–	–	–	–	–	–	–
iii. Share-based payments to owners' equity	–	–	–	–	–	–	–	–	–	–	–
iv. Others	–	–	–	–	–	–	–	–	–	–	–
III. Profits distribution	–	–	–	–	–	–	–	–	–	–	–
i. Appropriation of surplus reserve	–	–	–	–	–	–	–	–	–	–	–
ii. Distribution to owners	–	–	–	–	–	–	–	–	–	–	–
iii. Others	–	–	–	–	–	–	–	–	–	–	–

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

Interim Company Statement of Changes in Shareholders' Equity

January 1 to June 30 2022
(All amounts in RMB'000 unless otherwise stated)

	2021										
		Other equity instruments									
Items	Share capital	Preferred stock	Perpetual debt	Other	Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total equity
IV. Transfers within owners' equity	–	–	–	–	–	–	–	–	–	–	–
i. Capital surplus transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
ii. Surplus reserve transferred to paid-in capital	–	–	–	–	–	–	–	–	–	–	–
iii. Use of surplus reserve to cover previous losses	–	–	–	–	–	–	–	–	–	–	–
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
v. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–
vi. Others	–	–	–	–	–	–	–	–	–	–	–
V. Special reserves	–	–	–	–	–	–	–	–	–	–	–
i. Appropriated during current year	–	–	–	–	–	–	–	–	–	–	–
ii. Used during current year	–	–	–	–	–	–	–	–	–	–	–
VI. Others	–	–	–	–	–	–	–	–	–	–	–
4. Closing balance of current year	547,672	–	–	–	1,897,270	20,010	–	–	246,788	(1,864,837)	806,883

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)

I GENERAL INFORMATION

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

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

As of 30 June 2022, the Company accumulatively issued 547,761.6 thousand 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, South Lianhua 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.

Industry: During the reporting period, the Company was a diversified group integrating apparel products and leasing.

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

(III) Approval of Financial Statements for Reporting

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

(All amounts in RMB'000 unless otherwise stated)

II SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The total number of subsidiaries in the scope of consolidated financial statements for the period is 28, including:

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai La Chapelle Casual Fashion Co., Ltd. ("LaCha Xiuxian")	Wholly-owned subsidiary	First	100	100
Candie's Shanghai Fashion co., Ltd. ("Shanghai Le'ou")	Controlling subsidiary	First	65	65
Chongqing Lewei Fashion Co., Ltd. ("Chongqing Lewei")	Wholly-owned subsidiary	First	100	100
Beijing La Chapelle Lewei Fashion Co., Ltd. ("Beijing LaCha")	Wholly-owned subsidiary	First	100	100
Chengdu La Chapelle Fashion Co., Ltd. ("Chengdu LaCha")	Wholly-owned subsidiary	First	100	100
Shanghai Weile Fashion Co., Ltd. ("Shanghai Weile")	Wholly-owned subsidiary	First	100	100
Shanghai Qixin Property Management Co., Ltd. ("Qixin Property")	Wholly-owned subsidiary	Second	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 (Taicang) Co., Ltd. ("Taicang LaCha")	Wholly-owned subsidiary	First	100	100
La Chapelle Fashion (Tianjin) Co., Ltd. ("Tianjin LaCha")	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
Nuoxing (Shanghai) Fashion Co., Ltd. ("Shanghai Nuoxing")	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)

II SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The total number of subsidiaries in the scope of consolidated financial statements for the period is 28, including: (continued)

Name of subsidiary	Type of subsidiary	Tier	Shareholding percentage (%)	Percentage of voting rights (%)
Shanghai La Chapelle Naf Fashion Co., Ltd. ("LaCha 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 Jiashang Storage Co., Ltd. ("Taicang Jiashang")	Wholly-owned subsidiary	Second	100	100
Taicang Chongan Fashion Co., Ltd. ("Taicang Chongan")	Wholly-owned subsidiary	First	100	100
Taicang Xiawei Storage Co., Ltd. ("Taicang Xiawei Storage")	Wholly-owned subsidiary	Second	100	100
Shanghai Geraopu Fashion Co., Ltd ("Shanghai Geraopu")	Wholly-owned subsidiary	Second	100	100
Anhui Xinshang Fashion Co., Ltd ("Anhui Xinshang")	Controlling subsidiary	Second	51	51

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

(I) Subsidiaries added to scope of consolidation:

Name of subsidiary	**Reasons of changes**
Shanghai Qixin Property Management Co., Ltd. ("Qixin Property")	Investment establishment

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

Name of subsidiary	**Reasons of changes**
Yixin Retail Co., Ltd. ("Yixin Retail")	Stock transfer

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

III BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation of the Financial Statements

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

(II) Going Concern

The net loss of the Company in the period from January to June 2022 was RMB179,916 thousand and has consecutive loss for three years. As of 30 June 2022, the Company's total liabilities exceed total assets by RMB1,689,486 thousand. The Company is facing litigation matters, major bank accounts and equity interests in subsidiaries have been frozen and real estate has been seized due to default of large debts (Refer to Note VI/(I), Note VI/(XI), Note VI/(LV), Note XII/(II)/1, and Note XIII/(I)/1, respectively). The Company has been listed as a defaulter. These matters or circumstances indicate the existence of material doubts and uncertainties that may lead to the Company's ability to continue as a going concern.

Based on the current actual operating conditions of the Company, the Board of Directors of the Company is taking active measures to improve the Company's ability to continue operations and profitability, the main measures are as follows:

1. Promoting the clearance of historical legacy issues and improve the store efficiency, area efficiency, and profitability. After large-scale store closures, the Company has basically bottomed out the number of offline channel outlets, the future channel strategy will change to "open new stores, open good stores", it is proposed to adopt direct operation in the core business district and co-operate with franchising, joint operating and trusteeship in the remaining areas to achieve optimizing the management radius and saving expenditure of working capital, reasonably expanding the scale of business. At the same time, in the second half of 2022, the Company will continue to improve the level of refinement of the management of the stores by adjusting the structure of goods and employee, to promote the clearance of legacy issues from each store, and improve the store efficiency, area efficiency and profitability.

2. Strengthen the construction of brand echelon, rejuvenation, and quality to provide new growth points for the Company's business development. The Company's original five women's, one child's and two men's brands have accumulated large number of customers throughout long-term development and have high level of brand influence and recognition. The Company will follow the business development motto of "one brand, one strategy, priorities defined", integrating management resources to promote the rejuvenation of the brand, develop corresponding high-quality new products and expand the potential customer scale. Up to now, the Company is building the new "Puella" brand, its positioning, product style and target group are more in line with the fashion trend and market rhythm, helping enhance brand vitality and business scale growth. In addition, the Company has launched two new brands, "USHGEE" and "EYEHI", through internal incubation and external cooperation, to reserve new business opportunities for future growth.

III BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(II) Going Concern (continued)

3. The Company will continue to transform into an asset-light, high-margin, fast-turnover business model in accordance with the basic idea of "rebranding and protecting the brand". In the period from January to June 2022, the Company achieved operating revenue of approximately RMB13,816 thousand by expanding brand-integrated services business, which effectively improved the Company's business turnover speed and profitability. The Company will continue to enhance the promotion of brand empowerment, further expand the brands, categories and platform channels covered by the online brand business, extend more business chains on the basis of the original business, and strive to build its brands into remarkable brands in various segments.

4. As soon as to achieve "Unload the heavy burden, keep going lightly." In the period from January to June 2022, the Company's income from leasing real estate reaches RMB32,801 thousand, which effectively improved the efficiency of the Company's asset consumption and reduced operating costs. The Company will continue to negotiate with creditors and courts for the disposal of relevant assets, promoting the leasing or disposal of existing inefficient property assets (including headquarters campus properties and warehousing assets), and strive to achieve disposal at the maximum premium, and get back capital by divesting assets that are not in line with the Company's strategy in order to improve liquidity and asset structure and provide financial support for core business development.

5. Actively plan to resolve debt problems and reduce the burden of business development. On the one hand, the Company will negotiate with the court, and creditors, financial institutions, etc. to seek a certain percentage of debt discount or installment payment terms to avoid the uncertainty brought to the Company by new litigation cases. According to the Company's communication with some creditors, they are willing to support the Company's sustainable development through debt extension, discount, waiver, etc. On the other hand, planning for an overall solution to the debt problem, including but not limited to debt restructuring, reaching a settlement, bankruptcy reorganization, etc., in order to eliminate the debt burden through a package solution and help the company back to the right track of development.

6. While taking measures to extricate itself from the crisis, the Company will also leverage the resources and advantages of its major shareholder, Shanghai Wensheng Asset Management and Haitong Securities Asset Management No. 1 FOF Single Asset Management Plan of the Series Supporting Private Enterprises on behalf of the Securities Industry, in terms of financing credit, capital strength and professional capabilities to restore and enhance the Company's credit and financing capabilities through overall business optimization, restructuring and seeking additional capital.

7. The Company will continue to strengthen its management system and standardized operation level to provide support for the healthy, benign, and sustainable development of its business. The Company is reorganizing its management system and performance appraisal system, advocating a performance contribution-oriented internal corporate allocation mechanism, and improving the incentive and restraint mechanism that combines the interests of management and employees with the long-term interests of the Company to better stimulate the development of the Company. Meanwhile, the Company will continue to improve the weak links in the internal control system and optimize the functions of each control link and each department to provide support for healthy, benign, and sustainable development of the business.

III BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(III) Basis of Accounting and Valuation Principles

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

IV 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 Renminbi as its currency of accounts.

(V) Accounting for business combinations under 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

2. *Business combination under the same common control*

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 an 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.

3. *Business combination not under common control*

The date of purchase is the date on which the Company obtains control over the acquiree, i.e., the date on which control over the acquiree's net assets or production and operation decisions is transferred to the Company. The Company generally considers that the transfer of control is achieved when the following conditions are also met:

1 The business combination contract or agreement has been adopted by the Company internal authority.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

3. Business combination not under common control (continued)

2 The matter of business combination requiring approval by the relevant state authorities has been approved.

3 The necessary procedures for the transfer of property rights have been completed.

4 The Company has paid the majority of the merger price and has the ability and plan to pay the remaining amount.

5 The Company has effectively controlled the financial and operating policies of the acquiree and enjoys the corresponding benefits and bears the corresponding risks.

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.

The Company recognizes goodwill if the cost of the merger larger than the share of the fair value of the acquiree's identifiable net assets acquired in the merger; if the cost of the merger less than the share of the fair value of the acquiree's identifiable net assets acquired in the merger, after review, is recognized in profit or loss for the current period.

If a business combination not under common 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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.

(VI) Preparation of consolidated financial statements

1. 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.

2. 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.

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 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 Group.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

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 minority 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.

(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, to the date of consolidation are eliminated from opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(1) Addition to subsidiary or business (continued)

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.

(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 total 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(2) Disposal of subsidiaries or business (continued)

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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidated procedure (continued)

(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.

(VII) 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 venture arrangements that are not entered into through separate entities are classified as joint operations; joint venture arrangements entered into through separate entities are usually classified as joint ventures; however, there is conclusive evidence that any of the following conditions are met and that the joint venture arrangement is classified as a joint operation in accordance with relevant laws and regulations:

(1) The legal form of the joint venture arrangement indicates that the joint venture parties have separate rights and obligations with respect to the relevant assets and liabilities of the arrangement.

(2) The contractual terms of the joint venture arrangement stipulate that the joint venture parties have rights and obligations, respectively, with respect to the relevant assets and liabilities of the arrangement.

(3) Other relevant facts and circumstances indicate that the joint venture party has rights and obligations, respectively, with respect to the relevant assets and liabilities in the arrangement, such as the joint venture party's enjoyment of substantially all of the output associated with the joint venture arrangement and the ongoing dependence on the joint venture party for the satisfaction of the liabilities in the arrangement.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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 in accordance with the provisions of Business Accounting Standards No. 8 – Impairment of Assets, etc., 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 in accordance with the provisions of Business Accounting Standards No. 8 – Impairment of Assets, etc. occurs, the Company recognizes the portion of the loss that is attributable to the Company's share.

The Company does not enjoy common control over the joint operation, if the Company enjoys the assets related to the joint operation and bears the liabilities related to the joint operation, the accounting treatment shall still be based on the above principles, otherwise, the accounting treatment shall be in accordance with the provisions of relevant enterprise accounting standards.

(VIII) 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. *Foreign currency operations*

On initial recognition, foreign currency transactions are recorded in RMB 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.

2. *Translation of foreign currency in financial statements*

Assets and liabilities in the balance sheet are translated using the spot rate of exchange at the balance sheet date; items in owners' equity, except for "undistributed earnings", are translated using the spot rate of exchange at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate at the date of the transaction. The conversion differences of foreign currency financial statements arising from the above mentioned currency conversions are included in other comprehensive income.

When a foreign operation is disposed of, the foreign currency translation difference shown in the balance sheet under other comprehensive income and related to the foreign operation is transferred from other comprehensive income to profit or loss in the period of disposal; when a portion of the equity investment is disposed of or the proportion of interest in the foreign operation is reduced for other reasons but control over the foreign operation is not lost, the difference in translation of foreign currency statements related to the disposal of foreign operations will be attributed to minority interests and will not be transferred to profit or loss for the current period. When a foreign operation is disposed of as part of an associate or joint venture, the foreign currency translation differences related to the foreign operation are transferred to profit or loss in the period of disposal in proportion to the disposal of the foreign operation.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) 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)

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 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).

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

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

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

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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

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

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities at fair value through 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 Financial liabilities for trading (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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

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

(2) Other financial liabilities

The Company classifies financial liabilities as financial liabilities measured at amortized cost, except for the 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

3. Derecognition of financial assets and liabilities (continued)

(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.

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

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

(3) (continued)

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).

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

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

The fair value of a financial asset or financial liability for which there is an active market is determined using quoted prices in an active market unless there is a restricted period for the financial asset specific to the asset itself. The fair value of financial assets with an inherently restricted period is determined based on quoted prices in active markets, less any compensation required by market participants for assuming the risk that the financial assets 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. *Impairment of financial instruments (continued)*

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

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

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

(1) Credit risk increased significantly

The Company determines whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition using reasonable and substantiated forward-looking information that is available. For financial guarantee 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(1) Credit risk increased significantly (continued)

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

(2) Financial assets that are credit impaired

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

1) Significant financial difficulty of the issuer or debtor;

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

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

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

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

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

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

(3) Determination of expected credit losses

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

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

6. Impairment of financial instruments (continued)

(3) Determination of expected credit losses (continued)

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

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

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

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

3) For financial guarantee 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (continued)

7. Offset of financial assets and financial liabilities

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

(XI) Notes receivable

The Company determines the expected credit losses on notes receivable and accounts for them as described in Note X/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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Accounts receivable

The Company's method of determining expected credit losses on accounts receivable and its accounting treatment are detailed in Note X/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

(XIII) Receivable's financing

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

(XIV) Other receivables

The Company's method of determining and accounting for expected credit losses on other receivables is detailed in Note X/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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIV) Other receivables (continued)

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.

(XV) Inventory

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*

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Inventory (continued)

3. *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.

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.

4. *Inventory system for inventories*

Adopt perpetual inventory counting system.

5. *Amortization method of low-value consumables and packaging*

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

(XVI) 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 X/6 "Impairment of financial instruments".

(XVII) Long-term receivables

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

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) 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 V "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 in or exchanged out can be measured reliably, the initial investment cost of long-term equity investments acquired in exchange for non-monetary assets is determined on the basis of the fair value of the assets exchanged, 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Long-term equity instruments (continued)

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

(2) Equity method

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

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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) 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 sum of the book value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) 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 profit and 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) 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 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) 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.

5. *Judgment criteria for joint control and significant influence*

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

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

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Fixed asset

1. Recognition of fixed assets

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

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

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

2. Initial measurement of fixed assets

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

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

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

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

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

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation on fixed assets is provided over their estimated useful lives based on their recorded value less estimated net 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.

(All amounts in RMB'000 unless otherwise stated)

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Fixed asset (continued)

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

(1) Depreciation of fixed assets (continued)

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

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

(2) Subsequent measurements of fixed assets

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

(3) Disposal of fixed assets

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

(XX) Construction in progress

1. Initial measurement of construction in process

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Construction in progress (continued)

2. *Criteria and timing for conversion of construction in progress into fixed asset*

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 depreciation already provided will not be adjusted.

(XXI) 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 of acquisition or production to reach their intended use or saleable condition.

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

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

(2) Borrowing costs have been incurred;

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

2. *Capitalization period of borrowing costs*

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

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

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Borrowing costs (continued)

2. Capitalization period of borrowing costs (continued)

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.

(XXII) 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;

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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.

(XXIII) 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.

Provided that the exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged in or the asset being exchanged out 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. 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Intangible assets (continued)

1. *Initial measurement of intangible assets (continued)*

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

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

2. *Subsequent measurement of intangible assets*

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

(1) *Intangible assets with 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	8 to 10 years	Benefit period
Purchased software	2 to 10 years	Benefit period

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

After the review, the useful lives and amortization methods of intangible assets at the end of the 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Intangible assets (continued)

2. Subsequent measurement of intangible assets (continued)

(2) Intangible assets with indefinite useful lives (continued)

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.

(XXIV) 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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXV) 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

(XXVI) 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.

(XXVII) 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Employee benefits (continued)

2. Post-employment benefits (continued)

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 at the earlier of the time when the Company cannot unilaterally withdraw the termination plan or the proposed redundancy, and the time when the Company recognizes 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.

(XXVIII) Estimated liabilities

1. Criteria for recognition of a contingent liability

The Company recognizes an estimated liability when the obligation associated with a contingency meets both of the following conditions:

The obligation is a present obligation to be assumed by the Company;

It is probable that the performance of the obligation will result in an outflow of economic benefits to the Company;

The amount of the obligation can be measured reliably.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Estimated liabilities (continued)

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.

(XXIX) 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;

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Lease liabilities (continued)

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.

(XXX) Share-based payments

1. *Classification of share-based payments*

   The Company's share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

2. *Determination of fair value of equity instruments*

   For equity instruments such as options granted for which there is an active market, the fair value is determined based on quoted prices in the active market. For equity instruments such as options granted for which no active market exists, the fair value is determined using an option pricing model, etc. The option pricing model selected considers the following factors: (1) the exercise price of the option; (2) the term of the option; (3) the prevailing price of the underlying shares; (4) the expected volatility of the share price; (5) the expected dividends on the shares; and (6) the risk-free interest rate during the term of the option.

   In determining the fair value of equity instruments on the grant date, the effect of market conditions in the vesting conditions and non-vesting conditions in the share-based payment agreements are considered. If non-vesting conditions exist for share-based payments, the cost expense corresponding to the services received is recognized as long as the employee or other parties satisfy all the non-market conditions of the vesting conditions (such as the service period, etc.).

3. *Basis for recognizing the best estimate on equity instruments expected to vest*

   At each balance sheet date during the waiting period, the number of equity instruments expected to be feasible is revised based on the best estimate based on the latest available subsequent information such as changes in the number of feasible employees. The final estimated number of exercisable equity instruments at the date of exercise corresponds to the actual number of exercisable equity instruments.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Share-based payments (continued)

4. *Accounting treatment method*

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. If an equity instrument is exercisable immediately after the grant, it is recorded at the fair value of the equity instrument at the date of grant at the relevant cost or expense, with a corresponding increase in capital surplus. If the rights are not exercisable until the completion of the service within the waiting period or when the specified performance conditions are met, the services acquired during the period are recognized in the relevant cost or expense and capital surplus at each balance sheet date within the waiting period, based on the best estimate of the number of exercisable equity instruments and at the fair value of the equity instruments at the date of grant. No adjustment is made to the related costs or expenses and total owners' equity recognized after the exercise date.

Share-based payments settled in cash are measured at the fair value of the liabilities assumed by the Company that are determined on the basis of shares or other equity instruments. If the right is exercisable immediately after the grant, the liability is increased accordingly by the fair value of the liability assumed by the Company at the date of grant to the relevant cost or expense. For cash-settled share-based payments that become exercisable after the completion of the services within the waiting period or after the fulfillment of specified performance conditions, the services acquired during the period are recorded at cost or expense and a corresponding liability at each balance sheet date within the waiting period, based on the best estimate of the circumstances under which they will become exercisable and the amount of the fair value of the liability assumed by the Company. At each balance sheet date prior to settlement of the related liability and at the settlement date, the fair value of the liability is remeasured, and the change is recognized in profit or loss for the period.

If an equity instrument granted is cancelled during the waiting period, the Company treats the cancellation of the equity instrument granted as an accelerated exercise and recognizes the amount to be recognized over the remaining waiting period immediately in profit or loss, together with capital surplus. If employees or other parties are able to elect to satisfy the non-vesting option condition but fail to do so during the waiting period, the Company treats it as a cancellation of the equity instruments granted.

(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

IV 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.

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

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

3. Accounting treatment principle on the revenue of specific transactions

(1) Contracts with sales return clause

Revenue is recognized at the amount of consideration expected to be received for the transfer of goods to the customer (i.e., excluding the amount expected to be returned as a result of 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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Revenue (continued)

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

(3) *Primary responsible party/agent*

For the Company's retail model in a department store counter, the Company is able to control the merchandise before transferring it to the customer, and therefore the Company is the primary responsible party and recognizes revenue based on the total consideration received or receivable.

(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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Contract costs (continued)

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 VI/XXXII "Other non-current liabilities"/(XXXXX) "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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Government grants (continued)

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.

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 directly in profit or loss for the period.

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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.

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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(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

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 IV/(XXII) and (XXIX).

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXV) Lease (continued)

4. Accounting treatment of the Company as a lessor

(1) Classification of leases

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

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

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

2) The lessee has an option to purchase the leased asset and the purchase price 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.

IV 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.

IV 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.

(XXXVII) Repurchase of the Company's shares

Consideration and transaction costs paid by the Company to repurchase its own equity instruments reduce shareholders' equity. Issuance (including refinancing), repurchase, sale or cancellation of own equity instruments, other than share-based payments, are treated as changes in equity

(XXXVIII) Distribution of profits

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

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(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.

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

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

1. Judgments

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

(1) Business model

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

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

1. *Judgments (continued)*

(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.

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. *Estimation uncertainty (continued)*

(2) *Impairment of goodwill*

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

(3) *The fair value of an unlisted equity investment*

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

(4) *Sales return*

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

(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.

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XL) Significant accounting judgments and estimates (continued)

2. Estimation uncertainty (continued)

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

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

(7) Interest rate on lessee's incremental borrowings

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

(8) 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.

(All amounts in RMB'000 unless otherwise stated)

IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XLI) Changes in significant accounting policies and accounting estimates

1. Change in accounting policy

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

2. Changes in accounting estimates

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

V. 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%	

(II) Tax incentives and basis

According to the Announcement of the General Administration of Taxation of the Ministry of Finance No. 11 of 2021 on the Clarification of VAT Exemption Policy for Small-scale VAT Taxpayers, from 1 April 2021 to 31 December 2022, small-scale VAT taxpayers with monthly sales of up to RMB150,000 (inclusive) shall be exempted from VAT.

According to the "State Administration of Taxation Announcement [2019] No. 2 and State Administration of Taxation Announcement [2021] No. 8", for the part of the annual taxable income of small and micro enterprises not exceeding RMB1 million, the taxable income shall be reduced by 25% from 2019 to 2020 and the corporate income tax shall be paid at a rate of 20%, with an effective tax rate of 5%; from 2021, the taxable income shall be reduced by 12.5% and the corporate income tax shall be paid at a rate of 20%, with an effective tax rate of 2.5%. For the part of taxable income between RMB1 million and 3 million from 2019 to 2021, the taxable income shall be reduced by 50% and the corporate income tax shall be paid at a rate of 20%, with an effective tax rate of 10%.

According to the "Announcement on Matters Relating to the Continued Exemption of Property Tax and Urban Land Use Tax during the Epidemic Period (Announcement No. 2 of 2021 by the Sichuan Provincial Taxation Bureau of the State Administration of Taxation)" by the Sichuan Provincial Taxation Bureau and the Sichuan Provincial Department of Finance, Chengdu Le Wei, a subsidiary of the Company, was granted a reduction of property tax and urban land use tax for the current period.

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts are in RMB thousands if not otherwise stated, and the opening balances are as of 1 January 2022, and closing balances are as of 30 June 2022. Current period refers to the period of January to June 2022, previous period refers to the period of January to June 2021.)

(I) Monetary funds

Items	Closing balance	Opening balance
Cash on hand	**20**	33
Bank deposits	**63,978**	61,323
Other monetary funds	**93,076**	106,100
Total	**157,074**	167,456
Including: total amount of funds abroad	**2**	2

Details of restricted cash are listed as below:

Items	Closing balance	Opening balance
Bank deposits temporarily seald or frozen due to the judicial order	**93,076**	106,100
Total	**93,076**	106,100

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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	39,566	41,566
90 days to 1 year	43,455	113,902
1 to 2 years	92,371	56,029
2 to 3 years	29,891	11,636
3 years above	67,692	57,924
Sub-total	272,975	281,057
Less: impairment for bad debts	202,662	192,339
Total	70,313	88,718

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	195,163	71	195,163	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	77,812	29	7,499	10	70,313
Including: Accrual of aging for bad debts on portfolio	77,812	29	7,499	10	70,313
Total	272,975	100	202,662	74	70,313

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

2. Disclosures by bad debt allowance accrual method (continued)

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	185,114	66	185,114	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	95,943	34	7,225	7.53	88,718
Including: Accrual of aging for bad debts on portfolio	95,943	34	7,225	7.53	88,718
Total	281,057	100	192,339	67.15	88,718

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

	Closing balance			
Items	**Book balance**	**Bad debt allowance**	**Proportion (%)**	**Reason**
Hongche Industrial (Shanghai) Co., Ltd. ("Hongche Industrial")	**4,284**	**4,284**	**100**	**(Note 1)**
Accounts receivables from shopping malls	**190,879**	**190,879**	**100**	**(Note 2)**
total	**195,163**	**195,163**		

Note 1: As of 30 June 2022, the receivables from Hongche Industrial, a related party outside the scope of consolidation, amounted to RMB4,284 thousand. As Hongche Industrial was in poor operating condition and had liquidity problems, the Company considered that the receivables were difficult to collect and therefore accrued for bad debts in full.

Note 2: As of 30 June 2022, the amounts due from shopping malls for which a full amount accrual for bad debts was made were all due to the poor operating conditions of the shopping malls and liquidity problems, some of the shopping malls were in a state of closure and the Company considered that it was difficult to collect the receivables and therefore a full accrual for bad debts was made.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

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

(1) *Bad debt accrual on portfolio basis*

	Closing balance		
Aging	Carrying amount	Bad debt allowance	Proportion (%)
Within 90 days	**39,109**	**782**	**2**
90 days to 1 year	**22,710**	**1,135**	**5**
1 to 2 years	**13,682**	**4,105**	**30**
2 to 3 years	**2,085**	**1,251**	**60**
3 years above	**226**	**226**	**100**
Total	**77,812**	**7,499**	**10**

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

		Changes				
Items	Opening balance	Accrual	Recovered or reversed	Written off	Other changes	Closing balance
Accounts receivable subjected to accrual for expected credit losses on individual basis	185,114	10,049	–	–	–	195,163
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	7,225	274	–	–	–	7,499
Including: Accrual for bad debts on portfolio	7,225	274	–	–	–	7,499
Total	192,339	10,323	–	–	–	202,662

6. *There is no written-off account receivable in this period.*

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Accounts receivable (continued)

7. *Top five accounts receivable with closing balances by party in arrears:*

Name of company	Closing balance	Percentage of total accounts receivable balance (%)	Accrual for bad debts allowance
Total amount of the top five accounts receivable	**60,035**	22	53,155

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.*

(III) Prepayment

1. *Prepayment classified by aging*

	Closing balance		Opening balance	
Aging	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 1 year	**7,785**	**100**	11,050	100
Total	**7,785**	**100**	11,050	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	**3,402**	43.7

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables

1. *Disclosure based on aging*

Aging	Closing balance	Opening balance
Within 1 year	**60,386**	60,249
1 to 2 years	**25,027**	179,175
2 to 3 years	**161,827**	39,898
3 years above	**70,736**	43,219
Sub-total	**317,976**	322,541
Less: bad debt impairment	**274,252**	269,088
Total	**43,724**	53,453

2. *Classified by characteristic*

Nature	Closing balance	Opening balance
Deposits and security deposits	**95,067**	106,529
Refund of service charge expenses	**9,778**	9,778
Employee reserve fund	**1,475**	1,754
Property rental fees	**34,740**	12,522
Current accounts receivable	**176,835**	190,869
Others	**81**	1,089
Total	**317,976**	322,541

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	**35,650**	**4,635**	**31,015**	37,590	6,385	31,205
Stage II	**26,837**	**14,128**	**12,709**	36,156	13,908	22,248
Stage III	**255,489**	**255,489**	**–**	248,795	248,795	–
Total	**317,976**	**274,252**	**43,724**	322,541	269,088	53,453

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables (continued)

4. *Details of allowance for bad debts of other receivables*

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

5. *There is no other receivable written-off in the current period.*

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
Total amount of the top five other receivable	172,610	With 1 year, 1 to 2 years, and 2 to 3 years	54	159,794
Total	172,610		54	159,794

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other receivables (continued)

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.*

(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	**1,050**	**–**	**1,050**	1,020	–	1,020
Finished goods	**267,334**	**238,696**	**28,638**	297,996	245,273	52,723
Goods in transit	**–**	**–**	**–**	21,525	19,420	2,105
Low value consumables	**5,042**	**–**	**5,042**	5,017	–	5,017
Total	**273,426**	**238,696**	**34,730**	325,558	264,693	60,865

2. *Allowance for impairment of inventories*

		Increase in the current period		Decrease in the current period			
Items	Opening balance	Accrual	Others	Reversal	Write off	Others	**Closing balance**
Finished goods	245,273	18,540	–	–	25,117	–	**238,696**
Goods in transit	19,420	–	–	–	19,420	–	
Total	264,693	18,540	–	–	44,537	–	**238,696**

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.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) Non-current asset due within a year

Items	Closing balance	Opening balance
Debt investment	**7,547**	7,547
Less: impairment for non-current assets due within one year	**7,547**	7,547
Total	**–**	–

1. *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	**19,750**	26,527
Prepaid tax presented at the net amount	**39,129**	39,129
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 of in 2022 (Note 3)	**312,657**	312,657
Receivables related to long-term investments pending disposal	**256,570**	256,570
Cost of returns receivable	**4**	17
Others	**900**	533
Less: impairment loss	**698,624**	699,158
Total	**20,655**	26,544

Notes of other current assets:

1. As of 30 June 2022, 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)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) Other current assets (continued)

(1) Details of other current assets (continued)

2. As of 30 June 2022, 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 expects that Jack Walker will be liquidated in 2022, and LaCha Fashion I Limited will be disposed of in 2022, with presentation of the reclassification of its investment to other current assets at the end of 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")	147,969	9,483	-	-	(757)	-	-	-	-	147,212	9,483
Hongche Industrial (Shanghai) Co., Ltd. (hereinafter referred to as "Hongche Industrial")	39,250	39,250	-	-	-	-	-	-	-	39,250	39,250
Beijing Ao'ni Trade Co. (hereinafter referred to as "Beijing Aoni")	18,514	12,397	-	-	(1,503)	-	-	-	-	17,011	12,397
Shanghai Yishan Clothing Co. (hereinafter referred to as "Shanghai Yishan") (Note 1)	-	-	-	-	-	-	-	-	-	-	-
Total	205,733	61,130	-	-	(2,260)	-	-	-	-	203,473	61,130

Note on long-term equity investment:

1. As of 30 June 2022, Shanghai Yishan has not yet commenced business activities.

(All amounts in RMB'000 unless otherwise stated)

VI 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")	**2,580**	2,580
Shanghai Bolatu Information Technology Co., Ltd ("Shanghai Bolatu")	**–**	–
Total	**2,580**	2,580

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	–	–	27,420	–	–
Shanghai Bolatu	holding the financial assets is not for short-term trading, which does not belong to an equity instrument held for trading	–	–	13,606	–	–
Total		–	–	41,026	–	–

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 through other comprehensive income and presented as an investment in other equity instruments. the fair value of this equity instrument as of 30 June 2022, was RMB2,580 thousand.

(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 Co., Ltd. completed the change of registration for the above-mentioned equity interest, and the Company chose to designate the equity investment as a financial asset measured at fair value through other comprehensive income, which presented as an investment in other equity instruments. The fair value of this equity instrument as of 30 June 2022, was zero.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(X) Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**100,672**	101,641
Including: Ningbo Langshengqianhui Investment Partnership (limited partnership)	**31,663**	31,846
Nantong Xunming Fund Partnership (limited partnership)	**56,563**	56,564
Hangzhou Smart Investment Equity Investment Partnership (limited partnership)	**12,446**	13,231
Total	**100,672**	101,641

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. The Company transferred the corresponding share of the unpaid-in portion and now holds 3.64% of such shares, which 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, and presented them as non-current 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)

VI 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	1,790,464	57,026	1,996	66,187	1,915,673
2. Increases in the current year	8	–	–	24	32
Purchase	8	–	–	24	32
3. Decreases in the current year	–	37	–	16,465	16,502
Disposal or retirement	–	37	–	16,465	16,502
4. Closing balance	1,790,472	56,989	1,996	49,746	1,899,203
II. Accumulated depreciation					
1. Opening balance	296,930	40,655	1,522	60,371	399,478
2. Increases in the current year	47,199	3,829	348	1,305	52,681
Accrual for the period	47,199	3,829	348	1,305	52,681
3. Decreases in the current period	–	35	–	15,582	15,617
Disposal or retirement	–	35	–	15,582	15,617
4. Closing balance	344,129	44,449	1,870	46,094	436,542
III. Impairment allowance					
1. Opening balance	–	–	–	–	–
2. Increases in the current period	–	–	–	–	–
3. Decreases in the current period	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying amount					
1. Closing balance	1,446,343	12,540	126	3,652	1,462,661
2. Opening balance	1,493,534	16,371	474	5,816	1,516,195

(All amounts in RMB'000 unless otherwise stated)

VI 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
Wujing Headquarter	404,418
Taicang Logistic Park	157,975
Chengdu Logistic Park	24,922
Tianjing Logistic Park	65,426
Total	652,741

3. Fixed asset with pending certificates of ownership

Item	Carrying amount	Reasoned for not completing the property certificate
Chengdu Logistic Center	**88,680**	Still in the process
Total	**88,680**	

4. Other particulars of fixed asset

As of 30 June 2022, the Company obtained a short-term loan of RMB332,400 thousand from Bank of Communications by pledging the real estate located at No. 58, Tanzhu Road, Minhang District, Shanghai (Hu (2020) Min Real estate ownership certificate No. 023353), as described in Note VI/(XX). As of 30 June 2022, the book value of the real estate was RMB967,359 thousand, including houses and buildings of RMB912,804 thousand and land use rights of RMB54,555 thousand, the above assets were seized by Shanghai First Intermediate People's Court on 16 July 2020, due to the impact of litigation.

As of 30 June 2022, the Company obtained short-term loans of RMB550,000 thousand from Bank of Urumqi by pledging real estate located at No. 116, Guangzhou East Road, Taicang (Su (2019) Taicang Real estate ownership certificate No. 0006322 and Su (2018) Taicang real estate right No. 0029259), as detailed in Note VI/(XX). As of 30 June 2022, the book value of the real estate was RMB358,482 thousand, including RMB323,980 thousand for houses and buildings and RMB34,502 thousand for land use rights. The above assets have been seized by Shanghai Xuhui District People's Court on 30 September 2020, due to the impact of litigation.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Fixed asset (continued)

4. Other particulars of fixed asset (continued)

As of 30 June 2022, the Company's assets located at No. 116, Guangzhou East Road, Taicang City, Su (2018) Taicang City Real Estate Right No. 0027590, were seized by the Liwan District People's Court in Guangzhou on 17 June 2021 due to the impact of litigation.

As of 30 June 2022, the Company obtained a short-term loan of RMB198,000 thousand from Everbright Bank by pledging the real estate located at No. 24, Xinghua Si Branch Road, Dasi Town, Xiqing District, Tianjin (Jin (2018) Xiqing Real estate ownership certificate No. 1016982), as detailed in Note VI/(XX). As of 30 June 2022, the book value of the real estate was RMB231,551 thousand, including RMB120,879 thousand for houses and buildings, RMB35,672 thousand for land use rights and RMB75,000 thousand for construction in progress, the above assets were seized by the Shanghai Xuhui District People's Court on 23 December 2020, due to the impact of litigation.

As of 30 June 2022, the Company obtained a short-term loan of RMB87,000 thousand from CITIC Bank by pledging the land and structures on the ground located in Group 2 and 3 of Guangming Community, Jinma Town, Wenjiang District, Chengdu (Wenguoyong (2015) No. 66859), refer to Note VI(XX). As of 30 June 2022, the book value of the land and structures was RMB106,337 thousand, including RMB88,680 thousand for houses and buildings, RMB17,657 thousand for land use rights. The above assets have been seized by the Chengdu Wenjiang District People's Court on 10 September 2020, due to the impact of litigation.

As of 30 June 2022, the Company's fixed assets with restricted ownership or use rights are shown in Note VI/(LV)

(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**	**14,804**	**75,000**	89,804	14,804	75,000
Others	**710**	**–**	**710**	–	–	–
Total	**90,514**	**14,804**	**75,710**	89,804	14,804	75,000

(All amounts in RMB'000 unless otherwise stated)

VI 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	–	–	–	–	–	

3. There were no accrual for impairment of construction in progress during the reporting period

4. As of 30 June 2022, the Company's construction in progress with restricted ownership or use rights is described in Note VI/(LV).

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Right-of-use assets

Items	Properties and plants
I. Original cost	
1. Opening balance	6,377
2. Increases	1,656
Leased Stores	1,656
3. Decreases	2,363
Disposal of stores	2,363
4. Closing balance	5,670
II. Accumulated depreciation	
1. Opening balance	2,540
2. Increases	1,183
Accrual for the period	1,183
3. Decreases	2,272
Disposal of stores	2,272
4. Closing balance	1,451
III. Accrual for impairment	
1. Opening balance	–
2. Increases	–
3. Decreases	–
4. Closing balance	–
IV. Book value	
1. Closing balance	4,219
2. Opening balance	3,837

(All amounts in RMB'000 unless otherwise stated)

VI 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	4,086	96,537	167,443	268,066
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	4,086	96,537	167,443	268,066
II. Accumulated amortization				
1. Opening balance	2,912	85,210	23,368	111,490
2. Increases	2	2,319	1,689	4,010
Accrual for the period	2	2,319	1,689	4,010
3. Decreases	–	–	–	–
4. Closing balance	2,914	87,529	25,057	115,500
III. Accrual for impairment				
1. Opening balance	1,155	2,747	–	3,902
2. Increases	–	–	–	–
3. Decreases	–	–	–	–
4. Closing balance	1,155	2,747	–	3,902
IV. Book value				
1. Closing balance	17	6,261	142,386	148,664
2. Opening balance	19	8,580	144,075	152,674

2. Description of intangible assets

As of 30 June 2022, the Company has no land use rights with outstanding title certificates.

As of 30 June 2022, the Company's intangible assets with restricted ownership or use rights are described in Note VI/(LV).

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Goodwill

1. *Original cost of goodwill*

Name of investee or item resulting in goodwill	Opening balance	Increases: Formed from business combination	Decreases: Disposal	Closing balance
Acquire Hangzhou Anshe E-Commerce Co., Ltd ("Hangzhou Anshe")	78,231	–	–	**78,231**
Total	78,231	–	–	**78,231**

2. *Impairment of goodwill*

Name of investee or item resulting in goodwill	Opening balance	Increases: Accrual	Decreases: Disposal	Closing balance
Acquire Hangzhou Anshe	78,231	–	–	**78,231**
Total	78,231	–	–	**78,231**

3. *Information about the asset group or combination of asset groups in which the goodwill is allocated*

The asset group of the original brand of La Chapelle:

The Company recognized goodwill of RMB92,339 thousand in connection with the acquisition of Hangzhou Anshe on 1 April 2015. Based on full consideration of the asset group or combination of asset groups that can benefit from the synergistic effect of the business combination, the Company apportioned the goodwill to the asset group of the Qigege brand of RMB14,108 thousand and the asset group of the original brand of La Chapelle of RMB78,231 thousand, of which the goodwill of the Qigege brand was derecognized with the disposal of Hangzhou Anshe on 30 May 2019.

4. *Impairment test for goodwill, key factors, and impairment loss recognition*

La Chapelle original brand asset group impairment test:

The recoverable amount of the asset group in which goodwill is allocated is determined based on the present value of the estimated future cash flows of the asset group, which are determined based on the financial budget approved by management for the forecast period (2022 to 2026). The estimate period of free cash flow is negative in connection with the asset group, with no present value of estimated future cash flows, and the goodwill arising from the acquisition of Anshe is fully impaired. (The pre-tax discount rate used for the 2020 projection is 16.51%, with a cash flow growth rate of 4% over the projection period and 3% beyond the projection period).

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Long-term prepaid expenses

Items	Opening balance	Additions	Amortization	Other decreases	Closing balance
Leasehold improvement	2,247	1,717	1,300	–	**2,664**
Total	2,247	1,717	1,300	–	**2,664**

(XVII) Deferred tax assets and deferred tax liabilities

1. *Deferred tax liabilities before offsetting*

Items	**Closing balance**		Opening balance	
	Taxable temporary difference	**Deferred income tax liabilities**	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of financial instruments	**8,440**	**2,110**	8,440	2,110
Total	**8,440**	**2,110**	8,440	2,110

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

Items	Closing balance	Opening balance
Deductible temporary differences	**1,585,418**	1,518,137
Deductible losses	**3,387,162**	3,287,839
Total	**4,972,580**	4,805,976

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

Year	Closing balance	Opening balance	Note
2022	**57,159**	106,705	
2023	**143,244**	143,244	
2024	**801,984**	801,984	
2025	**1,937,757**	1,937,757	
2026	**298,149**	298,149	
2027	**148,869**	–	
Total	**3,387,162**	3,287,839	

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Other non-current assets

Items	Closing balance			Opening balance		
	Book balance	Allowance for impairment	Carrying value	Book balance	Allowance for impairment	Carrying value
Advances to suppliers for props	**5,570**	**5,570**	**–**	5,570	5,570	–
Total	**5,570**	**5,570**	**–**	5,570	5,570	–

(XIX) Allowance for impairment of assets

Items	Opening balance	Accrual	Decreases				Closing balance
			Reversal	Write-offs/ write-offs	Disposal of subsidiaries	Re-classification	
Bad debt allowance for accounts receivable	192,339	10,323	–	–	–	–	**202,662**
Bad debt allowance for other receivables	269,088	5,164	–	–	–	–	**274,252**
Allowance for impairment of inventories	264,693	18,540	–	44,537	–	–	**238,696**
Allowance for impairment of non-current assets due within one year	7,547	–	–	–	–	–	**7,547**
Bad debt Allowance for other current assets	699,158	–	534	–	–	–	**698,624**
Bad debt Allowance for other non-current assets	5,570	–	–	–	–	–	**5,570**
Allowance for impairment of long-term equity investments	61,130	–	–	–	–	–	**61,130**
Allowance for impairment of construction in progress	14,804	–	–	–	–	–	**14,804**
Allowance for impairment of intangible assets	3,902	–	–	–	–	–	**3,902**
Allowance for impairment of goodwill	78,231	–	–	–	–	–	**78,231**
Total	1,596,462	34,027	534	44,537	–	–	**1,586,418**

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XX) Short-term borrowings

1. Classification of short-term borrowings

Items	Closing balance	Opening balance
Secured borrowing	**54,000**	54,000
Mortgages and guaranteed loans	**545,220**	545,220
Mortgage, pledge, and guaranteed loan	**549,526**	550,000
Total	**1,148,746**	1,149,220

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 Weile, Chengdu Lewei, Tianjin Laxia and Taicang Laxia, respectively.

Mortgage and guarantee loans of RMB545,220 thousand, of which 82,820 thousand is a short-term loan from CITIC Bank Limited Taifu Plaza Sub-branch, with Shanghai Weile, Chengdu Lewei, Tianjin Laxia, Taicang Laxia and Mr. Xing Jiaxing as guarantors. Collateral is buildings on the ground located at Guangming community, Jinma town, Wenjiang district, Chengdu, which recorded in Chengdu lewei (Wenguoyong (2015) No. 66859); RMB184,000 thousand is a short-term loan between the Company and Shanghai Caohejing Development Zone Sub-branch of China Everbright Bank Co., Ltd. with Mr. Xing Jiaxing, Shanghai Weile and Chengdu Lewei as guarantors, and the collateral is the land use right and ownership of building structures at No. 24, Xinghua Si Branch Road, Dashi Town, Xiqing District, Tianjin, which recorded in Tianjin Laxia (Jin (2018) Xiqing Real Estate Ownership Certificate No. 1016982); RMB278,400 thousand is a short-term loan between the Company and Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch, with collateral of buildings at No. 58 Tanzhu Road, Minhang District, Shanghai, recorded in Shanghai Weile (Hu (2020) Min real estate ownership certificate No. 023353).

The mortgage, pledge, and guarantee loans of RMB549,526 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 collateral is buildings and land use rights at No. 116, Guangzhou East Road, Taicang, recorded in Taicang Laxia (Su (2019) Taicang Real Estate Ownership Certificate No. 0006322 and Su (2018) Taicang Real Estate Ownership Certificate No. 0029259) and the pledge is the Company's 100% equity in Taicang Jiashang Storage Co., Ltd.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XX) Short-term borrowings (continued)

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

The short-term loans totaling RMB332,400 thousand (RMB278,400 thousand in mortgage and guarantee loans and RMB54,000 thousand in guaranteed loans) with Bank of Communications, Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch were transferred by Bank of Communications, Ltd. Shanghai Branch to China Huarong Asset Management Co., Ltd.

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

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 RMB1,148,746 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 Co., Ltd Shanghai Pilot Free Trade Zone Branch	54,000	7	November 21, 2020	10.5
China Huarong Asset Management Co., Ltd Shanghai Pilot Free Trade Zone Branch	75,000	7	November 28, 2020	10.5
China Huarong Asset Management Co., Ltd 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.	82,820	4.55	April 16 to 29, 2021	6.825
Urumqi Siping Road Technology Sub-branch of Urumqi Bank Co.	549,526	6.8	November 27, 2020	6.5
Total	1,148,746			

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXI) Accounts payable

Items	Closing balance	Opening balance
Payable for procurement	**813,993**	826,501
Total	**813,993**	826,501

1. Major accounts payable aging over one year

Name of company	Closing balance	Reason
Total amount of accounts payable aging over one year	**290,863**	Liquidity difficulties
Total	**290,863**	

(XXII) Advance from customers

1. Details of advance from customers

Items	Closing balance	Opening balance
Rent in advance	**2,007**	10,851
Total	**2,007**	10,851

(XXIII) Contract liabilities

1. Details of contract liabilities

Items	Closing balance	Opening balance
Receipt of goods in advance	**10,468**	20,395
Total	**10,468**	20,395

2. Significant changes to the book value of contract liabilities during the period

Items	Amount change	Reason
Franchising/consignment sales obligations	(5,506)	Increase due to franchise/reseller sales model
Brand-integrated services obligations	(4,417)	Increase due to brand-integrated services model
Total	(9,923)	

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Payroll payable

1. *Details of payroll payables*

Items	Opening balance	Increase during the period	Decrease during the period	**Closing balance**
Short-term payroll	8,104	29,256	31,564	**5,796**
Retirement benefits – defined contribution plans	200	3,342	2,980	**562**
Termination benefits	1,529	2,645	2,339	**1,835**
Total	9,833	35,243	36,883	**8,193**

2. *Details of short-term payroll*

Items	Opening balance	Increase in the current period	Decrease in the current period	**Closing balance**
Wages or salaries, bonuses, allowances, and subsidies	6,565	24,969	27,524	**4,010**
Staff welfare	–	–	–	**–**
Social insurance	151	2,456	1,888	**719**
Including: Medical insurance	133	1,888	1,673	**348**
Others	18	568	215	**371**
Housing fund	99	1,346	1,056	**389**
Labor union and staff education fund	–	–	–	**–**
Other social insurance	1,289	485	1,096	**678**
Total	8,104	29,256	31,564	**5,796**

3. *Details of defined contribution plan*

Items	Opening balance	Increase in the current period	Decrease in the current period	**Closing balance**
Basic pension insurance premium	192	3,234	2,885	**541**
Unemployment Insurance premium	8	108	95	**21**
Total	200	3,342	2,980	**562**

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXV) Taxes Payable

Item of taxes	Closing balance	Opening balance
Value Added Tax	**98,667**	87,559
Corporate Income Tax	**65,409**	53,549
Personal Income Tax	**140**	224
City Maintenance and Construction Tax	**18,996**	24,520
Education Fee Surcharge	**4,062**	15,606
Property Tax	**24,339**	16,747
Others	**3,810**	5,572
Total	**215,423**	203,777

(XXVI) Other payables

Items	Closing balance	Opening balance
Interests payable	**273,699**	206,452
Other payables	**698,126**	707,682
Total	**971,825**	914,134

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 of long-term borrowings with installment of interest and repayment of principal upon maturity	**69,820**	49,431
Interest payable of short-term borrowings	**203,879**	157,021
Total	**273,699**	206,452

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	130,858	Difficulties in capital turnover
CITIC Bank Limited Shanghai Taifu Plaza Sub-branch	7,380	Difficulties in capital turnover
Shanghai Branch of China Everbright Bank Co.	17,812	Difficulties in capital turnover
Urumqi Siping Road Technology Sub-branch of Bank of Urumqi Co.	117,649	Difficulties in capital turnover
Total	273,699	

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVI) 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	**340,830**	390,986
Suppliers' deposits	**54,476**	61,313
Vendors' deposit	**22,657**	21,544
Payables for logistic expense	**4,469**	2,409
Trustee fees	**2,152**	15,594
Payable for posts props and store promotion	**6,843**	1,890
Payables for rental fees	**79,747**	94,963
Litigation defaults, fees, and interests, etc.	**124,505**	72,155
Loans from the third parties	**3,900**	4,403
Payable for e-commerce	**3,779**	3,779
Consulting fees	**5,187**	4,970
Payables for software purchase	**4,274**	2,620
Estimated expenditures	**7,912**	3,371
Tax overdue payments	**29,634**	18,328
Others	**7,761**	9,357
Total	**698,126**	707,682

(2) *Other significant payables aging over one year*

Name of company	Closing balance	Reasons for non-payment or carryover
Total amount of payables aging over one year	**244,489**	Liquidity difficulties
Total	**244,489**	Liquidity difficulties

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVII) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	**347,777**	347,777
Lease liabilities due within one year	**3,071**	2,133
Total	**350,848**	349,910

(XXVIII) Other current liabilities

Items	Closing balance	Opening balance
VAT amounts reclassified pending	**916**	1,874
Total	**916**	1,874

(XXIX) Long-term borrowings

Category	Closing balance	Opening balance
Collateralized Borrowing	**347,777**	347,777
Less: long-term borrowing due within one year	**347,777**	347,777
Total	**–**	–

Notes of long-term loans:

The mortgage loan of RMB347,777 thousand is a fixed asset loan between the Company and Bank of Communications Co., Ltd. Shanghai Zhabei Sub-branch and Jing'an Sub-branch with a term from 15 August 2018 to 10 November 2023. The mortgage is a land and construction in progress in the name of subsidiary Shanghai Weile, land of 332 Street Square 3/12, Wujing Town, Minhang District, Shanghai (Hu Min Zi (2016) No. 056386). In December 2020, Bank of Communications transferred the loan to China Huarong Asset Management Company Limited, Shanghai Pilot Free Trade Zone Branch. On 18 January 2021, the loan was declared maturity in advance in accordance with the main contract.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXX) Lease liabilities

Remaining lease term	Closing balance	Opening balance
Less than 1 year	**3,092**	2,286
1 to 2 years	**1,592**	1,947
Subtotal of total lease payments	**4,684**	4,233
Less: Unrecognized financing costs	**213**	203
Sub-total of present value of lease payments	**4,471**	4,030
Less: lease liabilities due within one year	**3,071**	2,133
Total	**1,400**	1,897

Interest expense on lease liabilities of RMB79 thousand was occurred during the period.

(XXXI) Estimated liability

Item	Closing balance	Opening balance	Reason
Estimate returns of goods	**19**	33	Product Returns
Pending litigation	**66,506**	64,281	Litigation Matters
Haitong International borrowings	**365,201**	355,718	Accrual of guarantee obligations of HTI Advisory Company Limited
Total	**431,726**	420,032	

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXII) Other non-current liabilities

Items	Closing balance	Opening balance
Asset-related government grants	**5,410**	5,579
Others	**215**	320
Total	**5,625**	5,899

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	5,100	–	150	–	**4,950**	Asset related
Subsidy of Taicang logistic program	479	–	19	–	**460**	Asset related
Total	5,579	–	169	–	**5,410**	

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)	320	–	105	–	**215**	–
Total	320	–	105	–	**215**	–

Note: The decoration subsidy is a store renovation subsidy for shopping malls, which was amortized against selling expenses of RMB105 thousand during the period.

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXIII) 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

(XXXIV) Capital surplus

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share premium (equity premium)	1,864,243	–	–	**1,864,243**
Other capital surplus	46,563	–	–	**46,563**
Total	1,910,806	–	–	**1,910,806**

(XXXV) Treasury share

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

Notes of treasury shares:

As of 30 June 2022, 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)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXVI) 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	(41,026)	–	–	–	–	–	–	–	–	–	**(41,026)**
1. Fair value change gains of other equity instrument investments	(41,026)	–	–	–	–	–	–	–	–	–	**(41,026)**
Total other comprehensive income	(41,026)	–	–	–	–	–	–	–	–	–	**(41,026)**

(XXXVII) Surplus reserve

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

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXVIII) Undistributed profit

Items	Closing balance	Opening balance
Undistributed profits at the beginning of year (before adjustments)	**(4,075,526)**	(3,254,246)
Adjustments of the beginning balance	**–**	–
Undistributed profits at the beginning of year (after adjustments)	**(4,075,526)**	(3,254,246)
Add: Net profit attributable to shareholders of the Company	**(177,649)**	(821,280)
Less: appropriation to statutory surplus reserve	**–**	–
Add: Losses recovery from surplus reserve	**–**	–
Undistributed profits at the end of the period	**(4,253,175)**	(4,075,526)

(XXXIX) 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	**72,839**	**14,280**	234,568	100,564
Other business	**39,745**	**18,822**	43,319	16,360
Total	**112,584**	**33,102**	277,887	116,924

2. *Income derived from contracts*

Contract classifications	Current period's amount	Previous period's amount
I. Category of products		
Apparel	**59,023**	169,771
Brand-integrated services	**13,816**	64,797
Lease	**32,801**	36,228
Others	**6,944**	7,091
II. Classified by business areas		
Domestic	**112,584**	277,887
Overseas	**–**	–
III. Classified by the timing of commodity transfer		
Transferred at a point in time	**65,967**	175,829
Transferred at a point over time	**46,617**	102,058
Total	**112,584**	277,887

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

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XL) Taxes and surcharge

Items	Current period's amount	Previous period's amount
City maintenance and construction tax	**192**	2,512
Educational surcharge	**55**	1,851
Property tax	**7,652**	7,643
Others	**661**	425
Total	**8,560**	12,431

(XLI) Selling and distribution expenses

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

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLII) Administrative expense

Items	Current period's amount	Previous period's amount
Employee benefits expenses	**18,504**	27,180
Depreciation of fixed assets	**16,874**	23,454
Consulting expenses	**3,548**	11,719
Amortization of intangible assets	**3,535**	5,841
Rental fees	**2,801**	1,853
Utilities expenses	**1,048**	4,178
Office expenses	**2,577**	2,544
Traveling and communication expenses	**884**	399
Logistic expenses	**88**	288
Refurbishment and maintenance expenses	**4**	596
Low value consumables	**39**	–
Amortization of long-term prepaid expenses	**2,371**	2,341
Others	**46**	911
Total	**52,319**	81,304

(XLIII) Financial expenses

Items	Current period's amount	Previous period's amount
Interest expenses	**80,617**	104,821
Less: Interest income	**522**	7,711
Bank charges	**132**	207
Financing fees	**(96)**	–
Total	**80,131**	97,317

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIV) 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	**2,019**	1,567
Gains from debt restructuring (Note 1)	**8,425**	60,939
Total	**10,444**	62,506

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

2. Governmental grants recognized in other income

Items	Current period's amount	Previous period's amount	Related to assets/profit
Transferred from amortization of deferred income in asset class	**169**	666	Related to assets
Enterprise support policy	**1,850**	901	Related to profit
Total	**2,019**	1,567	

(XLV) Investment income

1. Details of investment income

Items	Current period's amount	Previous period's amount
Income from long-term equity investments accounted for by the equity method	**(2,260)**	(4,599)
Investment income of disposal of long-term equity investment	**–**	(2,818)
Gain or loss on debt restructuring (Note 1)	**2,783**	10,807
Total	**523**	3,390

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

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVI) 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	**(969)**	–
Total	**(969)**	–

(XLVII) Credit impairment losses

Items	Current period's amount	Previous period's amount
Bad debt losses of accounts receivables	**(10,323)**	(19,853)
Bad debt losses of other receivables	**(5,164)**	(4,437)
Bad debt losses of interest receivables	**–**	(1,103)
Bad debt losses on prepayments	**–**	2,628
Total	**(15,487)**	(22,765)

(XLVIII) Asset impairment loss

Items	Current period's amount	Previous period's amount
Loss on impairment of inventories	**(18,540)**	(93,486)
Others	**534**	–
Total	**(18,006)**	(93,486)

(XLIX) Gain on disposals of assets

Items	Current period's amount	Previous period's amount
Losses on disposal of fixed assets	**(646)**	799
Gains on disposal of right of use assets	**(200)**	13,380
Total	**(846)**	14,179

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) Non-operating income

Items	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation income	**2**	130	2
Others	**1,041**	396	1,041
Total	**1,043**	526	1,043

(LI) Non-operating expenses

Items	Current period's amount	Previous period's amount	Amount included in non-recurring profit or loss for the period
Compensation for closing stores	**2,546**	60	2,546
Compensation for litigation	**35,489**	328	35,489
Loss on obsolescence of non-current assets	**244**	126	244
Loss on disposal of current assets	**46**	5,939	46
Penalties	**242**	12	242
Tax late payment	**11,328**	–	11,328
Others	**34**	8	34
Total	**49,929**	6,473	49,929

(LII) Income tax expenses

1. *Table of income tax expenses*

Items	Current period's amount	Previous period's amount
Current income tax expense	**1,639**	470
Deferred income tax expense	**–**	(7,466)
Total	**1,639**	(6,996)

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LII) Income tax expenses (continued)

2. Reconciliation between total profit and income tax expenses

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

(LIII) Notes to the consolidated cash flow statement

1. Cash received relating to other operating activities

Items	Current period's incurrence	Previous period's incurred
Deposits from sales party	**768**	39,740
Interest income	**142**	1,426
Non-operating income	**250**	132
Government grants	**1**	–
Others	**6,841**	–
Receipt of employee reserve funds	**30**	–
Total	**8,032**	41,298

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2. *Cash paid relating to other operating activities*

Items	Current period's amount	Previous period's amount
Utilities and department store expenses	**6,393**	20,892
E-commerce fees	**–**	26,242
Repayment of deposit and security deposit	**466**	33,379
Consulting expense	**8,120**	8,507
Marketing and promotion expenses	**2,746**	–
Payout expenses	**–**	–
Bank charges	**112**	130
Bank deposits temporarily frozen	**3,841**	–
Others	**180**	–
Total	**21,858**	89,150

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

Items	Current period's amount	Previous period's amount
Finance lease rental payments	**748**	8,806
Total	**748**	8,806

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIV) Supplementary information of cash flow statement

1. Supplementary information of cash flow statement

Items	Current period's amount	Previous period's amount
1. Reconciliation net loss to cash flows from operating activities		
Net Profit	**(179,916)**	(235,841)
Add: Credit impairment losses	**15,487**	22,765
Asset impairment allowance	**18,006**	93,486
Depreciation of fixed assets, oil and gas assets, productive biological assets	**32,008**	56,251
Depreciation of right of use assets	**1,316**	17,359
Amortization of intangible assets	**3,622**	5,971
Amortization of share-based payments	**–**	–
Amortization of long-term prepaid expenses	**2,544**	13,308
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gains are recorded with a "-" sign)	**846**	(14,447)
Losses on scrapping of fixed assets (Gains are recorded with a "-" sign)	**244**	–
Losses on changes in fair value (gains are recorded with a "-" sign)	**969**	–
Financial costs (gains are recorded with a "-" sign)	**80,131**	98,536
Losses on investments (gains are presented with a "-" sign)	**(523)**	(3,390)
Decrease in deferred income tax assets (increase is shown by "-")	**–**	–
Increase in deferred income tax liabilities (decrease is presented with a "-" sign)	**–**	(5,704)
Decrease in deferred income	**(274)**	(1,566)
Decrease in inventories (increase is shown by "-")	**52,132**	91,024
Decrease in operating receivables (increase by "-")	**7,033**	73,779
Increase in operating payables (decrease is presented with a "-" sign)	**(27,151)**	(190,625)
Others	**–**	–
Net cash flows from operating activities	**6,474**	20,906
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	**63,998**	36,848
Less: Opening balance of cash	**61,356**	24,319
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase amount of cash and cash equivalents	**2,642**	12,529

(All amounts in RMB'000 unless otherwise stated)

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

2. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	**63,998**	36,848
Including: Cash on hand	**20**	285
Cash at bank that can be readily drawn on demand	**63,978**	36,563
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	**63,998**	36,848
Including: restricted cash and cash equivalents used by the company or the subsidiaries of the Group	**–**	–

(LV) Assets with restricted ownership or use right

Items	Balance	Reason for restriction
Monetary Funds	**93,076**	Judicial freeze
Inventory	**1,685**	Lien, pledge, seizure
Fixed assets	**1,446,331**	Seizure and loan collateral
Construction in progress	**75,000**	Loan collateral
Intangible assets	**142,386**	Seizure and loan collateral
Total	**1,758,478**	

(LVI) Foreign currency monetary items

1. Foreign currency monetary items

Items	Foreign currency balance at the end of the period	Translation rate	Closing balance in RMB
Currency funds			
Of which: Hong Kong Dollars	2	0.86	**2**
Of which: US Dollars	0	6.71	**1**
Estimated liabilities			
Of which: Euros	51,898	7.0369	**365,201**

VI NOTES TO THE ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVII) Government grants

1. Basic information on government grants

Types of Government Grants	Current period's amount	Amount charged to current profit or loss	Note
Government grants included in deferred income	**–**	–	See Note VI/(XXXII) for details
Government grants included in other income	**2,019**	2,019	See Note VI/(ILIV) for details
Total	**2,019**	2,019	

VII CHANGES IN CONSOLIDATION SCOPE

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

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

(III) Disposal of subsidiaries

(IV) Change in scope of consolidation for other reasons

Name of subsidiary	Reasons of changes
Qixin Property	Newly established subsidiary
Yixin Retail	Stock transfer

(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 (%) Direct	Indirect	Means of acquirement
LaCha Xiuxian	Shanghai	Shanghai	Production and sales of apparel products	100	–	Established by investment
Shanghai Le'ou	Shanghai	Shanghai	Production and sales of apparel products	65	–	Established by investment
Chongqing Lewei	Chongqing	Chongqing	Production and sales of apparel products	100	–	Established by investment
Beijing LaCha	Beijing	Beijing	Production and sales of apparel products	100	–	Established by investment
Chengdu LaCha	Chengdu	Chengdu	Sales of apparel products	100	–	Established by investment
Shanghai Weile	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
QiXin Property	Shanghai	Shanghai	Property Management	–	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
Taicang LaCha	Taicang	Taicang	Sales of apparel products	95	5	Established by investment
Tianjin LaCha	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 Nuoxing	Shanghai	Shanghai	Sales of apparel products	100	–	Established by investment
Shanghai Jiatuo	Shanghai	Shanghai	IT technology	100	–	Established by investment

(All amounts in RMB'000 unless otherwise stated)

VIII EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in other subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiaries	Main business site	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Percentage of shareholding (%) Indirect	Means of acquirement
LaCha Naf	Shanghai	Shanghai	Sales of apparel products	65	–	Established by investment
Guangzhou Xichen	Guangzhou	Guangzhou	Sales of apparel products	60	–	Acquired by combination
Taicang Xiawei	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Xinjiang Tongrong	Urumqi	Urumqi	Apparel technology	95	5	Established by investment
Shanghai Pinxi	Shanghai	Shanghai	Apparel technology	–	100	Established by investment
Taicang Jiashang	Taicang	Taicang	Warehousing services	–	100	Established by investment
Taicang Chongan	Taicang	Taicang	Sales of apparel products	100	–	Established by investment
Taicang Xiawei Storage	Taicang	Taicang	Warehousing services	–	100	Established by investment
Shanghai Geraopu	Shanghai	Shanghai	Sales of apparel products	–	100	Established by investment
Anhui Xinshang	Susong	Susong	Sales of apparel products	–	51	Established by investment

(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 (%) Direct	Percentage of shareholding (%) Indirect	Accounting treatment
Tibet Baoxin	Tibet	Tibet	Asset management	60	–	Equity method
Hongche Industrial	Shanghai	Shanghai	Design and sales of apparel products	36	–	Equity method
Beijing Aoni	Beijing	Beijing	Wholesale and retail	16	–	Equity method
Shanghai Yishan	Shanghai	Shanghai	Wholesale and retail	30	–	Equity method

VIII EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in Joint Ventures and Associates (continued)

1. Significant joint ventures and associates (continued)

(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, etc.. 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.

IX DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk

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

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

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

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

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

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

(All amounts in RMB'000 unless otherwise stated)

IX DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (continued)

As of 30 June 2022, the carrying amounts of the relevant assets and the expected credit impairment losses were as follows:

Aging	Carrying amount	Impairment accrued
Accounts receivable	272,975	202,662
Prepayment	7,785	–
Other receivables	317,976	274,252
Total	598,736	476,914

(II) Liquidity risk

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

As of 30 June 2022, 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	**1,148,746**	**–**	**–**	**–**	**–**	**1,148,746**
Long-term borrowings	**347,777**	**–**	**–**	**–**	**–**	**347,777**
Accounts payable	**813,993**	**–**	**–**	**–**	**–**	**813,993**
Other payables	**971,825**	**–**	**–**	**–**	**–**	**971,825**
Total	**3,282,341**	**–**	**–**	**–**	**–**	**3,282,341**

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 June 2022 and the year 2021.

As of 30 June 2022, 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	**2**	2
US Dollar Items		
Currency funds	**1**	1
Euro items		
Estimated liabilities	**365,201**	355,718

As of 30 June 2022, the Company recognized foreign currency assets of RMB3,000 (all bank deposits in foreign currencies), representing approximately 0.00% of the asset items, and foreign currency liabilities of RMB364,201 thousand, representing approximately 9.16% 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 and euros, if the RMB had appreciated or depreciated by 10% against the Hong Kong dollar or the euro, with other factors remaining unchanged, the Company would have decreased or increased its net profit by approximately RMB36,372 thousand (approximately RMB35,460 thousand in 2021)

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 June 2022, 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 30 June 2022, 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	–	–	2,580	2,580
Other non-current financial assets	–	–	100,672	100,672
Total assets	–	–	103,252	103,252

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

1. Description of fair value valuation

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

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

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

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

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

2. Unobservable input value information

Items	Fair value at end of period	Valuation techniques	Unobservable inputs	Range interval
Equity instrument investment: Beijing Mingtongsiji Technology Co., Ltd.	2,580	Comparative Approach for Listed Companies	Circulation discount rate	32.7%
Equity instrument investment: Shanghai Bolatu Information Technology Co., Ltd.	–	Net Asset Approach	–	–
Other non-current financial assets: Ningbo Lanshengqianhui Investment Partnership (Limited Partnership)	31,663	Net Asset Approach	–	–
Other non-current financial assets: Hangzhou Zhitou Equity Investment Partnership (Limited Partnership)	12,446	Net Asset Approach	–	–
Other non-current financial assets: Nantong Xunming Fund Partnership (Limited Partnership)	56,563	Net Asset Approach	–	–
Total	103,252	–	–	–

(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 30 June 2022, 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 30 June 2022, the shareholdings of shareholders holding more than 5% 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	15.56
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	14.61
Shanghai Wensheng Asset Management Company Limited (hereinafter referred to as "Wensheng Asset")	Shanghai	Asset Management and Business Management Consulting	21,600,000	3.94	3.94

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 30 June 2022, Shanghai Qijin and Wensheng Assets held a total of 106,800,000 A-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

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
Zhejiang Yuanrui	Associates, sold in 2021

(IV) Information on other related parties

Name of other related parties	**Relationship of other related parties with the Company**
LACHA FASHION I LIMITED	Subsidiaries that lost control in 2020
Naf Naf SAS	Subsidiaries that lost control in 2020
Jack Walker (Shanghai) Apparel Co.	Subsidiaries that lost control in 2020
Shanghai Hexia Investment Company Limited (hereinafter referred to as "Hexia Investment")	Former controlling shareholders' person in concert

(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. *Sales of goods and services to related parties*

Related party	Transaction	**Current Period Incurrence**	Prior Period Incurred
Zhejiang Yuanrui	Brand-integrated services	**1,321**	3,710
Total		**1,321**	3,710

XI RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

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
LACHA FASHION I LIMITED	EUR37,400 thousand	November 30, 2019	November 30, 2021	No
Total	EUR37,400 thousand			

(2) The Company act as guaranteed party

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
Total	1,498,000			

Note of related guarantees:

The total amount of guarantees provided by Mr. Xing Jiaxing, the former controlling shareholder, for the Company was RMB1,498,000 thousand, which were outstanding as of 30 June 2022, of which RMB1,150,000 thousand was still outstanding.

(All amounts in RMB'000 unless otherwise stated)

XI RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Related party transactions (continued)

4. Funds lending with related party

(1) Lending of funds to related parties

Related parties	Amount lending	Description
Jack Walker	256,570	Expired
Hongche Industrial	40,000	Expired
Hexia Investment	9,500	Fund occupied, Expired
Total	306,070	

5. Receivables and payables of related party

(1) Receivables from related parties of the Company

Items	Related party	**Closing balance** Carrying amount	**Closing balance** Bad debt allowance	Opening balance Carrying amount	Opening balance Bad debt allowance
Accounts receivable					
	Hongche Industrial	**4,284**	**4,284**	4,284	4,284
Other receivables					
	Jack Walker	**7,752**	**7,752**	7,752	7,752
	Hexia Investment	**10,621**	**10,621**	10,446	10,446
	Hongche Industrial	**1,778**	**1,778**	1,778	1,778
	Lacha Fashion I	**117,017**	**117,017**	117,017	117,017
Other current assets					
	Jack Walker	**256,570**	**256,570**	256,570	256,570
	Hongche Industrial	**47,869**	**47,869**	47,869	47,869

(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	Contracting disputes	26	61,663
2	Custom contract disputes	5	4,879
3	Service contract disputes	10	5,168
4	Supplier debt disputes	1	15
5	Contractual disputes	29	34,934
6	Manufacturing contract disputes	84	425,999
7	Construction contract disputes	11	222,766
8	Health right disputes	1	4
9	Financial loan contract disputes	6	328,333
10	Labor disputes	19	567
11	Affiliate contract disputes	1	469
12	Trading contract disputes	92	326,788
13	Bill claiming disputes	19	2,493
14	Bill recourse disputes	63	13,863
15	Equipment procurement engineering contract disputes	1	288
16	Entrusted loans contract disputes	1	689,981
17	Carriage contract disputes	5	2,346
18	Copyright infringement disputes	4	211
19	Decoration contract disputes	3	1,166
20	Leasing contract disputes	50	22,683
	Total	431	2,128,293

As of 30 June 2022, the Company had a total of 431 litigation cases with judgments unexecuted, total amount is RMB2,128,293 thousand. The interest of overdue has been calculated on 30 June 2022. 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	30 June 2022		As of the financial report date (29 August 2022) Amount involved			
Judgment Status	Pending Cases		Pending Cases		Judged Cases	
Case Type	Case number	Amount	Case number	Amount	Case number	Amount
Guarantee Contract Disputes	1	364,721	1	364,721	–	–
Manufacturing disputes	1	1,649	–	–	1	1,649
Construction contract disputes	3	32,713	2	32,667	1	46
Trading contract disputes	2	966	2	966	–	–
Bill disputes	7	1,501	3	540	4	962
Decoration contract disputes	1	465	1	465	–	–
Leasing contract disputes	1	755	1	755	–	–
Total	16	402,771	10	400,114	6	2,657

As of 30 June 2022, the total number of cases in which the Company was a defendant and had not been adjudicated was 16 cases involving litigation amounting to RMB402,771 thousand. The principal amount of RMB336,341 thousand, litigation costs of RMB1,054 thousand, other amounts of RMB33 thousand, overdue interest of RMB65,043 thousand, and liquidated damages of RMB300 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*

a. *Litigation matters which judgments are overdue but unexecuted*

Serial number	Case type	Case number	Amount involved
1	Contractual disputes	1	15,339
2	Leasing contract disputes	1	713
3	Trademark rights assignment contract disputes	1	1,166
4	Technology Contract Disputes	1	4,155
	Total	4	21,373

As of 30 June 2022, the total number of unexecuted cases in which the Company was the plaintiff and in which judgment had been rendered was 4, involving an amount of RMB21,373 thousand.

b. *Unjudged litigation matters*

Serial number	Case type	Case number	Amount involved
1	Franchise contract disputes	1	38,488
2	Trading contract disputes	1	8,142
	Total	2	46,630

As of 30 June 2022, the total number of cases in which the Company was the plaintiff and in which judgment was not rendered was 2 cases involving RMB46,630 thousand.

(3) On 22 January 2020, the Company received a bankruptcy decision letter from the Shanghai No. 3 Intermediate People's Court in respect of its subsidiary Jack Walker, appointing Shanghai Jinmaokaide Law Firm as the administrator. On 9 June 2020, the Company filed a creditor's declaration, and the first creditors' meeting was held on 12 July 2020. As of 30 June 2022, Jack Walker's insolvency liquidation matters were not concluded. The Company has fully impaired the loan to Jack Walker and the liquidation is not expected to have a material impact on the Company's existing business.

(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)

(4) On 25 February 2020, FASHION I, a subsidiary of the Company, was taken over by HTI ADVISORY COMPANY LIMITED (Haitong International Consulting 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 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.

2. 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	365,201	Estimated liabilities
Total			365,201	

As of 30 June 2022, other than the above-mentioned guarantees, there were no guarantees provided by the Company for other related parties and non-related party units.

Save for the existence of the above contingencies, there were no other material contingencies of the Company as of 30 June 2022, that should be disclosed but were not disclosed.

(All amounts in RMB'000 unless otherwise stated)

XIII EVENTS AFTER THE BALANCE SHEET DATE

(I) Important non-adjustment events

1. Effects of new litigation or arbitration

(1) The Company as defendant

Deadline	**29 August 2022**					
Judgment Status	**Pending and Judged Cases**		**Pending Cases**		**Judged Cases**	
Case Type	**Case number**	**Amount**	**Case number**	**Amount**	**Case number**	**Amount**
Manufacturing contract disputes	1	1,631	–	–	1	1,631
Leasing contract disputes	2	1,075	–	–	2	1,075
Contracting disputes	1	6,451	–	–	1	6,451
Brand-integrated services contract disputes	1	149	–	–	1	149
Construction contract disputes	2	1,794	1	1,748	1	46
Bill claiming disputes	1	242	1	242	–	–
Decoration contract disputes	1	465	1	465	–	–
Bill resource disputes	1	263	1	263	–	–
Total	10	12,070	4	2,718	6	9,352

The total number of cases in which the Company was added as a defendant from 30 June 2022 to the date of the audit report was 10, involving a total amount of RMB12,070 thousand. Among them, the total number of litigation cases that have been judged is 6, involving a total amount of RMB9,352 thousand.

(2) The Company as Plaintiff

Serial number	**Defendant**	**Case number**	**Amount involved**
1	Leasing contract disputes	4	16,188
	Total	4	16,188

The total number of cases in which the Company was added as a plaintiff from 30 June 2022 to the date of the audit report was 4, and the amount involved was RMB16,188 thousand.

(All amounts in RMB'000 unless otherwise stated)

XIII EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

(II) Description of other events after the balance sheet date

On July 12, 2022, Laxia Taicang, a wholly-owned subsidiary of the Company, received the Notice from the Taicang Court and was informed that Laxia Taicang's creditor, Tai Long Electronics, applied to the Taicang Court for bankruptcy reorganization of Laxia Taicang and pre-reorganization was carried out during the period of filing review. On 19 July 2022, Laxia Taicang received decision (2022) Su 0585 Poshen No.29 and (2022) Su 0585 Poshen No.29 Part 1 from the court, Taicang court decide to launch pre-restructuring per Laxia Taicang and appointed Jiangsu Xin Tianlun Law Firm as interim administrator.

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.

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 30 June 2022, the lease payments and terms are summarized below:

Category	Number of stores	Fixed Payment Amount	Variable payment amount	Total payment amount
Fixed rent only	1	30	–	30
Variable rent with no minimum	8	–	536	536
Variable rent with minimum standard	5	614	15	629
Total	14	644	551	1,195

(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 RMB32,801 thousand in the period of January to June 2022 due to the leasing of buildings and structures, see Note VI/(XXXIX). 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) Being Filed for bankruptcy liquidation

In 2021, 4 creditors applied to the People's Court of Xinshi District, Urumqi (the "Xinshi District Court") for the liquidation of the Company in bankruptcy, and the Xinshi District Court considered that it did not have jurisdictional rights and rejected their applications. One of the creditors has appealed and the matter is currently under appeal.

On 8 May 2022, Shanghai Weile, a wholly-owned subsidiary of the Company received information from Shanghai the Third Intermediate People's Court; Jiangsu Haiqi International Co. has filed bankruptcy liquidation application per Shanghai Weile due to inability to settle debts. On 11 July 2022, the Company has received (2022) Hu 03 Po No.180 civil decision and determination, assigned Shanghai Huiye Law Firm as administrator. On 9 August, administrator has formally takeover Shanghai Weile, and the Company lost its control.

On 9 May 2022, the Company's holding subsidiary, Shanghai Leou, has received information from Shanghai the Third Intermediate People's Court; the creditor Nantong Bosi Textile Technology Co., Ltd. Has filed bankruptcy liquidation application per Shanghai Leou due to inability to settle debts. On 27 July, the Company has received (2022) Hu 03 Po No.193 decision, notice and determination, assigned Shanghai Huiye Law Firm as administrator, accept the bankruptcy liquidation application. Assigned Shanghai Jiehua Law Firm as administrator, and decided the first creditor online meeting on 8 September 2022. On August 19, 2022, the Administrator formally took over Shanghai Leou and the Company lost control of Shanghai Leou as of that date.

(II) Equity freezes in subsidiaries

Up to now, the equity interests of 17 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 RMB1.043 billion. The freezing of the equity interests of the Company's subsidiaries has not yet had any material 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) Auction of equity interests in subsidiaries

On 10 November 2021, the Company received an execution ruling from the Shanghai Xuhui District People's Court that 100% of the equity interests in Laxia Taicang and 100% of the equity interests in Laxia Xiuxian, wholly owned subsidiaries of the Company, will be subject to judicial auction. Due to the change in circumstances, the auction of 100% of the equity interests in Laxia Taicang and 100% of the equity interests in Laxia Leisure scheduled for the period from 20 to 23 December 2021 has been suspended. As of 30 June 2022, the judicial auction of 5% equity interest in Laxia Taicang has been cancelled.

As of the date of this report, the judicial auction of 95% equity interest in Laxia Taicang and 100% equity interest in Laxia Leisure is still on hold.

XV OTHER SIGNIFICANT EVENTS (CONTINUED)

(IV) Asset auction

On 20 December 2021, Laxia Taicang, a wholly owned subsidiary of the Company, received a notice of court assessment and auction served in person, and if Laxia Taicang fails to perform the obligations determined by the legal documents within three days after receiving such notice, the Xinjiang Urumqi Intermediate People's Court will assess and auction the seized real estate in accordance with the law.

As of the date of this report, the Company and the Company's subsidiaries have not received any subsequent instruments or notices in relation to the progress of the above matters.

(V) Division Information

The Company determines operating segments based on its internal organizational structure, management requirements, and internal reporting system. An operating segment of the Company is a component that also meets the following conditions:

(1) The component is capable of generating revenues and incurring expenses in the ordinary course of its activities.

(2) Management is able to regularly evaluate the operating results of the component in order to decide to allocate resources to it and evaluate its performance.

(3) It is possible to obtain accounting information related to the financial position, results of operations and cash flows of the component.

The Company determines its reportable segments on the basis of operating segments. An operating segment is determined to be a reportable segment if one of the following conditions is met:

(1) The segment revenue of that operating segment represents 10% or more of the total revenue of all segments.

(2) The absolute amount of segment profit (loss) of that segment represents 10% or more of the greater of the aggregate profit of all profitable segments or the absolute amount of the aggregate loss of all loss-making segments.

The Company has a single business, mainly the sale of apparel, brand-integrated services and leasing of some buildings in the country. Management manages this business as a whole and evaluates operating results, therefore, no segment information is presented in these financial statements.

(All amounts in RMB'000 unless otherwise stated)

XVI NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Accounts receivable

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

1. Accounts receivable disclosed based on aging

Aging	**Closing balance**	Opening balance
Within 90 days	**2,548,016**	2,529,493
90 days to 1 year	**27,658**	74,765
1 to 2 years	**47,359**	15,378
2 to 3 years	**10,451**	992
3 years above	**10,265**	10,399
Sub-total	**2,643,749**	2,631,027
Less: allowance for bad debt	**112,283**	102,730
Total	**2,531,466**	2,528,297

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	**85,004**	**3**	**85,004**	**100**	**–**
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	**2,558,745**	**97**	**27,279**	**1**	**2,531,466**
Including: credit risk characteristics combined with allowance for bad debts	**2,558,745**	**97**	**27,279**	**1**	**2,531,466**
Total	**2,643,749**	**100**	**112,283**	**4**	**2,531,466**

(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)

2. *Disclosed based on classification of accrual method for bad debts*

Continued:

Categories	Opening balance				
	Carrying amount		Allowance for bad debt		
	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Accounts receivable subjected to accrual for expected credit losses on individual basis	74,675	3	74,675	100	–
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	2,556,352	97	28,055	1	2,528,297
Including: credit risk characteristics combined with allowance for bad debts	2,556,352	97	28,055	1	2,528,297
Total	2,631,027	100	102,730	4	2,528,297

(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

Name of company	Closing balance Carrying amount	Allowance for bad debt	Carrying amount	Reason
Hongche Industrial	**4,284**	**4,284**	**100**	**(Note 1)**
Accounts receivables from shopping malls	**80,720**	**80,720**	**100**	**(Note 2)**
Total	**85,004**	**85,004**		

(1) As of 30 June 2022, the Company had an amount due from an unconsolidated related party, Hongche Industrial, of RMB4,284 thousand. Due to the poor operating condition of the enterprise and liquidity problems, the Company considered that the receivable was uncollectable and therefore accrued bad debts in full.

(2) As of 30 June 2022, the amounts due from shopping malls for which a separate allowance for bad debts was made were both due to the poor operating conditions of the shopping malls and liquidity problems, and some of the shopping malls were in a state of discontinuance, and the Company considered that the receivables were uncollectible and therefore a full allowance for bad debts was made.

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

(1) Accrual on portfolio basis

Aging	Closing balance Carrying amount	Allowance for bad debt	Accrual ratio (%)
Within 90 days	**2,547,808**	**25,672**	**1**
90 days to 1 year	**7,546**	**377**	**5**
1 to 2 years	**2,768**	**830**	**30**
2 to 3 years	**556**	**333**	**60**
3 years above	**67**	**67**	**100**
Total	**2,558,745**	**27,279**	

(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)

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	74,675	10,329	–	–	–	85,004
Accounts receivable subjected to accrual for expected credit losses on portfolio basis	28,055	(776)	–	–	–	27,279
Including: credit risk characteristics combined with allowance for bad debts	28,055	(776)	–	–	–	27,279
Toral	102,730	9,553	–	–	–	112,283

6. *There was no account receivable written-off in the current period*

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**
Total amount of top five accounts receivable	2,040,546	77	20,405
Total	2,040,546	77	20,405

8. *There were no accounts receivable derecognized due to the transfer of financial assets during the reporting period*

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

(All amounts in RMB'000 unless otherwise stated)

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 Other receivables	Allowance for bad debts	accrue ratio (%)
Within 1 year	**448,370**	**197,345**	**44**
1 to 2 years	**12,741**	**8,569**	**67**
2 to 3 years	**23,765**	**21,025**	**88**
3 years above	**45,660**	**45,660**	**100**
Sub-total	**530,536**	**272,599**	**51**
Less: impairment for bad debt	**272,599**		
Total	**257,937**		

2. *Classified by characteristic*

Nature	Closing balance	Opening balance
Accounts receivable due from subsidiaries	**419,515**	427,785
Deposits and security deposits	**43,057**	46,424
Refund of service charge expenses	**9,778**	9,778
Employee reserve fund	**75**	42
Property rental fees	**2,391**	1,374
Uncollectible prepayments	**30,482**	30,482
Others	**25,238**	27,784
Total	**530,536**	543,669

3. *Presented by three stages of impairment for financial asset*

Item	Closing balance			Opening balance		
	Carrying amount	Allowance for bad debt	Book value	Carrying amount	Allowance for bad debt	Book value
Stage 1	**254,746**	**3,793**	**250,953**	261,711	3,534	258,177
Stage 2	**15,886**	**8,902**	**6,984**	21,870	8,812	13,058
Stage 3	**259,904**	**259,904**	**–**	260,088	260,088	–
Total	**530,536**	**272,599**	**257,937**	543,669	272,434	271,235

(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)

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	3,534	8,812	260,088	272,434
The balance at the beginning of the current period				
– Transfer to stage 2				
– Transfer to stage 3				
– Reverse to stage 2				
– Reverse to stage 1				
Accrual	259	90	(184)	165
Reversal				
Write-off				
Offset				
Other changes				
Closing balance	3,793	8,902	259,904	272,599

5. *There was no actual write-off of other receivables in this reporting period*

6. *The top five other receivables by party in arrears at the end of the period*

Name of unit	Nature of payment	Closing balance	Ageing	As a percentage of the ending balance of other receivables (%)	Impairment for bad debts Closing balance
Total amount of top five other receivables	Subsidiary receivables	354,986	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	67	170,230
Total		354,986		67	170,230

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

	Closing balance			Opening balance		
Characteristic	**Carrying amount**	**Impairment allowance**	**Book value**	Carrying amount	Impairment allowance	Book value
Investment in subsidiaries	**1,048,650**	**406,230**	**642,420**	1,048,650	406,230	642,420
Investment in associates and joint ventures	**–**	**–**	**–**	–	–	–
Total	**1,048,650**	**406,230**	**642,420**	1,048,650	406,230	642,420

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
LaCha Xiuxian	5,000	–	–	5,000	–	–
Shanghai Le'ou	10,400	–	–	10,400	–	–
Chongqing Lewei	500	–	–	500	–	–
Beijing LaCha	500	–	–	500	–	–
Chengdu LaCha	500	–	–	500	–	–
Shanghai Weile	50,000	–	–	50,000	–	–
Shanghai Langhe	5,000	–	–	5,000	–	5,000
Shanghai Xiawei	5,000	–	–	5,000	–	–
Taicang LaCha	95,000	–	–	95,000	–	–
Tianjin LaCha	10,000	–	–	10,000	–	–
Chengdu Lewei	10,000	–	–	10,000	–	–
Shanghai Chong'an	12,750	–	–	12,750	–	12,750
Shanghai Youshi	20,000	–	–	20,000	–	–
Fujian Lewei	10,000	–	–	10,000	–	–
Enterprise Management	800,000	–	–	800,000	–	375,480
Shanghai Nuoxing	10,000	–	–	10,000	–	10,000
Shanghai Jiatuo	1,000	–	–	1,000	–	–
LaCha Naf	3,000	–	–	3,000	–	3,000
Total	1,048,650	–	–	1,048,650	–	406,230

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

		Changes in the current period			
Investee	**Opening balance**	**Additional investment**	**Disinvestment**	**Return on investment under equity method**	**Adjustment in other comprehensive profit or loss**
I. Associated companies:					
Shanghai Yishan	–	–	–	–	–
Total	–	–	–	–	–

Continued:

	Changes in the current period					
Investee	**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 30 June 2022, 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	**32,433**	**10,930**	139,214	100,599
Other business	**3,399**	**80**	3,067	2,395
Total	**35,832**	**11,010**	142,281	102,994

2. Income derived from contracts

Contract classifications	**Current period incurrence**	Prior period incurred
1. Category of products		
Apparel	**22,375**	102,388
Brand integrated services	**10,058**	36,826
Lease	**3,159**	3,067
Others	**240**	–
2. Classified by business areas		
Domestic	**35,832**	142,281
Overseas	**–**	–
3. Classified by the timing of commodity transfer		
Transferred at a point in time	**13,217**	102,389
Transferred at a point over time	**22,615**	39,892
Total	**35,832**	142,281

(V) Investment income

Items	**Current period incurrence**	Prior period incurred
Disposal of long-term equity investments resulting in investment losses	**–**	(2,818)
Investment gains/losses from debt restructuring	**2,679**	6,749
Total	**2,679**	3,931

(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	**(846)**	14,179
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)	**2,005**	1,567
Gains and losses on debt restructuring	**11,208**	71,746
Capital occupation fees	**176**	–
Investment gains arising from the disposal of subsidiaries	**–**	(2,818)
Gains or losses from changes in fair value	**(969)**	–
Non-operating income and expenses other than those mentioned above	**(59,611)**	(28,648)
Less: Income tax effect	**–**	14,010
Effect of minority interests (after tax)	**(2,000)**	1,468
Total	**(46,037)**	40,548

(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	–	(0.33)	(0.33)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	–	(0.24)	(0.24)