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La Chapelle

新疆拉夏貝爾服飾股份有限公司

Xinjiang La Chapelle Fashion Co., Ltd.

(formerly known as “Shanghai La Chapelle Fashion Co., Ltd.

(上海拉夏貝爾服飾股份有限公司)”)

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

(Stock code: 06116)

ANNOUNCEMENT IN RELATION TO PETITION FOR WINDING-UP OF A SUBSIDIARY BY ITS CREDITOR

This announcement is made by Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the overseas regulatory announcement of the Company dated 8 December 2020 in relation to asset freezes and accumulated litigation involving the Company and its subsidiaries.

I. OVERVIEW OF THE PETITION FOR WINDING-UP

On 9 May 2022, Candie’s Shanghai Fashion Co., Ltd.* (上海樂歐服飾有限公司) (“**Candie’s Shanghai**”), a subsidiary of the Company, was notified by the Shanghai No.3 Intermediate People’s Court* (上海市第三中級人民法院) (the “**Court**”) that Nantong Bosi Textile Technology Co., Ltd.* (南通博思紡織科技有限公司) (“**Nantong Bosi**”), a creditor of Candie’s Shanghai, had submitted an “Application For Winding-Up”* (《破產申請書》) to the Court, the details of which are as follows:

Petitioner: Nantong Bosi

Respondent: Candie’s Shanghai

Subject matter of the petition: Petition for the winding-up of respondent, and using the liquidated assets to pay off the claims of the petitioner

Facts and reasons: The case concerns a dispute over processing contract between the petitioner and the respondent. The parties reached mediation agreements on 3 December 2019 and 4 August 2020, respectively, and the People's Court of Xuhui District in Shanghai* (上海市徐匯區人民法院) issued (2019) Hu 0104 Min Chu No.25148* ((2019) 滬0104民初25148號) and (2020) Hu 0104 Min Chu No.14172* ((2020) 滬0104民初14172號) Mediation Letters* (民事調解書), respectively, both of which have become legally effective. After the above-mentioned Mediation Letters became legally effective, the respondent failed to perform its obligation, and the petitioner made applications to the People's Court of Xuhui District in Shanghai on 4 June 2020 and 10 November 2020 respectively in accordance with item 2 of (2019) Hu 0104 Min Chu No.25148 Mediation Letter and item 3 of (2020) Hu 0104 Min Chu No.14172 Mediation Letter for compulsory enforcement of the remaining unpaid sum in the amount of RMB1,683,479.83 and RMB1,938,609 owed by Candie's Shanghai, as the respondent. The People's Court of Xuhui District in Shanghai issued (2020) Hu 0104 No. 1896* ((2020) 滬0104執1896號) and (2020) Hu 0104 Zhi No.4285* ((2020) 滬0104執4285號) Final Judgments* (終本裁定書) on 2 November 2020 and 13 February 2021 respectively as no property under the name of the respondent was available for enforcement. In accordance with Articles 2 and 4(3) of the "Provisions on Some Issues concerning the application of the Enterprise Bankruptcy Law of the People's Republic of China by the Supreme People's Court (1)"* (《關於適用〈中華人民共和國企業破產法〉若干問題的規定(一)》), such situation constitutes situation where the debtor failed to settle its debts as they fall due and is apparent that the debtor is incapable of settling its debts. In accordance with Article 7 of the Enterprise Bankruptcy Law of the People's Republic of China* (《中華人民共和國企業破產法》), where the debtor fails to pay off its debts, the creditor may file an application with the people's court for bankruptcy liquidation.

For details of the abovementioned dispute, please refer to the overseas regulatory announcement of the Company dated 8 December 2020.

II. RELEVANT INFORMATION ON CANDIE'S SHANGHAI

Company name: Candie's Shanghai Fashion Co., Ltd.

Business license number: 91310000561927527L

Registered capital: RMB16,000,000

Legal representative: Xing Jiaying

Company type: Limited liability company (Taiwan, Hong Kong, Macao and domestic joint ventures)

Address: Room 02, Area A, 1st Floor, No. 23, Lane 4999, South Hongmei Road, Minhang District, Shanghai

Business Scope: Clothing and apparel, shoes and hats, leather, luggage, fabric accessories, knitted textiles, daily necessities, bedding, watch glasses (except contact lenses and care solution), cosmetics, craft gifts (except cultural relics), glass products, sporting goods, office supplies, wood products (excluding log export), and flowers wholesale, retail, import and export, commission

agency (except auction), and provide related supporting services (not involving state-owned trade management products, the relevant state regulations apply for products involving quota and license management,). Engaged in technology development, technical consultation, technical services, and technology transfer in the fields of clothing technology, new material technology, and computer network technology. Projects and business activities that are subject to approval according to the law can only be carried out after obtaining approval from the relevant departments.

Main business: Operation and management of the research and development, design, and sales activities of the womenswear products of the Candie's brand

The shareholding structure of Candie's Shanghai is as follows:

Name of shareholders	Contributions (RMB'0000)	Equity interest (%)
The Company	1,040	65
ICL-Candies Limited	320	20
TBP New Classics Holdings (H.K.) Limited	240	15
Total	<u>1,600</u>	<u>100</u>

The key financial information on Candie's Shanghai (at consolidated level) is set out as follows:

Unit: RMB'0000

Item	As at 31 March 2022 (Unaudited)	As at 31 December 2021 (Audited)	As at 31 December 2020 (Audited)
Total assets	23,186.25	24,020.95	31,653.01
Total liabilities	26,503.18	27,333.22	35,080.81
Net assets	-3,316.93	-3,312.27	-3,427.80

Item	From January to March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)	For the year ended 31 December 2020 (Audited)
Revenue	76.77	3,207.33	10,703.68
Net profit	-4.66	115.53	-7,021.60

III. IMPACTS OF THE PETITION FOR WINDING-UP OF THE SUBSIDIARY ON THE COMPANY

1. If the petition for winding-up and liquidation is accepted by the Court, Candie's Shanghai is likely to enter insolvency proceeding or be transferred to an administrator, which may result in the Company's losing control over Candie's Shanghai, and it may no longer be consolidated into the consolidated financial statements of the Company.
2. As at 31 March 2022, the opening balance of the long-term equity investment on Candie's Shanghai was at RMB10.40 million, and the other payables was at RMB165.6793 million. If Candie's Shanghai enters insolvency proceeding, there is a risk that the Company will be required to make provision for impairment in accordance with the relevant provisions of the Chinese Accounting Standards for Business Enterprises.
3. As at 31 March 2022, Candie's Shanghai no longer had any Candie's brand store and the Candie's brand accounts for a relatively small proportion of the Company's existing business activities, it is estimated that there will be no material adverse impact to the Company in the event that Candie's Shanghai enters insolvency proceedings.
4. As at the date of this announcement, the Company's daily production and business activities remain in normal operation. The Company will continue to actively negotiate with the creditor and the court, strive to eliminate the adverse impacts as soon as possible, and use its best endeavours to safeguard the interests of the Company and its shareholders, especially those of the minority shareholders.

IV. RELEVANT RISK WARNINGS

1. As at the date of this announcement, the Company has not received any rulings in relation to this petition for winding-up and liquidation of the subsidiary of the Company. There is great uncertainty in the petition for the winding-up and liquidation of Candie's Shanghai.
2. The Company will continue to monitor the progress of the matter. Further announcement(s) will be made by the Company as and when appropriate in a timely manner in accordance with the relevant provisions.

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

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

Shanghai, the People's Republic of China
10 May 2022

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

** For identification purpose only.*