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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)

UPDATE ANNOUNCEMENT IN RELATION TO PETITION FOR WINDING-UP OF A WHOLLY-OWNED 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), Rule 13.10B and Rule 13.25 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 Group and the announcement of the Company dated 9 May 2022 in relation to petition for winding-up of a wholly-owned subsidiary by its creditor.

I. OVERVIEW OF THE PETITION FOR WINDING-UP

Jiangsu Haiqi International Co., Ltd.* (江蘇海企國際股份有限公司) (“**Jiangsu Haiqi**”), a creditor of Shanghai Weile Fashion Co., Ltd.* (上海微樂服飾有限公司) (“**Shanghai Weile**”) had submitted a petition for winding-up to the Shanghai No.3 Intermediate People’s Court* (上海市第三中級人民法院) (the “**Court**”), as Shanghai Weile is no longer capable of settling its debts as they fall due. For details, please refer to the announcement of the Company dated 9 May 2022 in relation to petition for winding-up of a wholly-owned subsidiary by its creditor.

II. PROGRESS ON THE PETITION FOR WINDING-UP

Shanghai Weile 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》) (the “**Civil Judgement**”) and Decision* (《決定書》) (the “**Decision**”) issued by the Court, which accepted the petition for the winding-up of Shanghai Weile by Jiangsu Haiqi and appointed the judicial administrator. The details are as follows:

(I) the main contents of the Civil Judgement are as follows:

When an enterprise legal person becomes insolvent and is apparent that it lacks the capacity to discharge such debts, its creditor may file a petition for bankruptcy liquidation. Currently, Shanghai Weile is not capable of settling its debts as they fall due and is apparent that it lacks the capacity to discharge such debts, which constitutes the reason for bankruptcy. The petition is accepted by the Court. Accordingly, in accordance with Articles 2(1), 7(1) and 10(1) of the Enterprise Bankruptcy Law of the People's Republic of China* (《中華人民共和國企業破產法》), the ruling is as follows:

The petition for winding-up by Jiangsu Haiqi is accepted.

(II) the contents of the Decision are as follows:

“On 4 July 2022, based on the petition by the creditor, the Court accepted the bankruptcy liquidation case of Shanghai Weile. According to Fa Fa [2020] No. 14 “Opinions of the Supreme People's Court on Promoting the Legal and Efficient Trial of Bankruptcy Cases”* (法發[2020]14號《最高人民法院關於推進破產案件依法高效審理的意見》), the fast trial method is applicable to this case. After random lottery by the Shanghai Higher People's Court* (上海市高級人民法院), in accordance with the provisions of Article 22(1) of the Enterprise Bankruptcy Law of the People's Republic of China, Shanghai Huiye Law Firm* (上海市匯業律師事務所) was designated as the administrator of Shanghai Weile. Team members of the administrator: Shi Yang* (施楊), Ren Guokai* (任國凱), Fan Yujing* (範育靜), Gong Ling* (龔玲), Wang Shujun* (王樹軍), Liu Can* (劉燦), Ma Yajie* (馬亞傑), Li Meng* (李萌), Hu Beibei* (胡貝貝), and the person in charge is Shi Yang.

The administrator shall be diligent and conscientious, perform duties faithfully, perform various duties of the administrator as stipulated in the Enterprise Bankruptcy Law of the People's Republic of China, report to the people's court of its work, and accept the supervision of the creditors' meeting and the creditors' committee. The responsibilities of the administrator are as follows:

- (1) Take over the debtor's property, seal, account books, documents and other materials;
- (2) Investigate the debtor's property status and prepare a property status report;
- (3) Make decisions on the internal management affairs of the debtor;
- (4) Determine the daily expenses and other necessary expenses of the debtor;
- (5) Before the first meeting of creditors, decide to continue or stop the business of the debtor;
- (6) Manage and dispose of the debtor's property;
- (7) Participating in litigation, arbitration or other legal proceedings on behalf of the debtor;

(8) Propose to convene meeting of creditors;

(9) Perform other duties that the Court deems the administrator should perform.”

III. IMPACTS ON THE COMPANY

1. As at the date of this announcement, the petition for winding-up and liquidation of Shanghai Weile by Jiangsu Haiqi is accepted by the Court and the administrator has been appointed. After Shanghai Weile enters the insolvency proceeding, the Company will lose its control over Shanghai Weile, and it may no longer be consolidated into the consolidated financial statements of the Company. As at 31 March 2022, the unaudited total assets of Shanghai Weile on the consolidated accounts of the Company was approximately RMB1,120 million, the total liabilities was approximately RMB1,160 million, and the net assets was approximately -RMB38 million. The balance of long-term investment in Shanghai Weile of the Company was RMB50.00 million, the accounts payable was approximately RMB260 million, other accounts payable was approximately RMB270 million, and guarantee provided by the Company was at approximately RMB0.4 billion. As Shanghai Weile enters insolvency proceeding, there is a risk of not being able to recover the abovementioned long-term equity investment and receivables and of being required to make provision for asset impairment and determine the corresponding estimated liabilities. At the same time, Shanghai Weile is already in a state of excess loss (as of 31 March 2022, and the excess loss is approximately RMB37.52 million), and the excess loss will be fully transferred to investment income. The final impact of the above matters on the current or future profits of the Company is subject to the final liquidation results and the annual audit results.
2. As at the date of this announcement, the assets of Shanghai Weile are primarily property assets under its name (the carrying amount as at 31 March 2022 was approximately RMB915.76 million), with which the Company has carried out its external leasing business. After Shanghai Weile subsequently enters insolvency proceeding, as the certain part of assets will no longer be the assets of the Company, the scale of the Company’s external leasing business may decrease correspondingly.
3. As at the date of this announcement, Shanghai Weile has no substantial clothing and apparel sales business, and the matter will not have any significant adverse impact on the Company’s main business. The Company’s daily production and business activities remain in normal operation. The Company will continue to negotiate with the court, the administrator and the creditor, and proactively safeguard the interests of the Company and its shareholders.

IV. RELEVANT RISK WARNINGS

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
11 July 2022

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

* *For identification purpose only.*