

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against a Former Director of Xinjiang La Chapelle Fashion Co., Ltd. (In Reorganisation) (Stock Code: 6116)

### SANCTIONS

The Stock Exchange of Hong Kong Limited (**Exchange**)

**IMPOSES A DIRECTOR UNSUITABILITY STATEMENT** against:

**Mr Xing Jiaxing (Mr Xing)**, former executive director and chairman of Xinjiang La Chapelle Fashion Co., Ltd. (In Reorganisation) (Stock Code: 6116) (**Company**).

The statement made in respect of Mr Xing above is made in addition to a public censure against him. The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Mr Xing is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

### SUMMARY OF FACTS

#### *Appropriation*

Mr Xing appropriated a total of RMB9.5 million of the Company's funds in 2019.

The Company discovered the appropriation through an internal investigation in September 2021. It was found that the Company transferred funds of RMB8 million and RMB1.5 million as normal routine payments to a customer on 19 July 2019 and 28 August 2019. On the same respective days, the customer transferred the funds to Shanghai Hexia Investment Co., Ltd. (**Shanghai Hexia**). Shanghai Hexia was the Company's second largest shareholder, and Mr Xing was its legal representative, director and substantial shareholder.

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The Company's internal investigation stemmed from certain regulatory concerns raised by the Xinjiang Regulatory Bureau of the China Securities Regulatory Commission (**Xinjiang CSRC**). The Company subsequently verified with Mr Xing and Shanghai Hexia, who confirmed that the arrangement constituted an appropriation of funds in the total of RMB9.5 million by Shanghai Hexia.

In November 2021, the Xinjiang CSRC issued a decision against Mr Xing. The Xinjiang CSRC found that the appropriated funds were used for the repayment of loans owed by Shanghai Hexia to other parties. As Mr Xing was the actual user of the amounts owed by Shanghai Hexia to other parties, Mr Xing was primarily responsible for the appropriation. In December 2021, Mr Xing admitted the findings of the Xinjiang CSRC.

In June 2022, the Shanghai Stock Exchange imposed a public reprimand against Mr Xing in respect of the appropriation.

As Mr Xing and Shanghai Hexia failed to make any repayments of the appropriated funds, the Company instigated legal proceedings in the PRC and obtained a judgment against them.

At the material time, the fund transfers to the Company's customer were approved in accordance with the relevant internal control policies. The other directors on the Board of the Company and its supervisors were not aware of and did not approve the indirect fund transfers to Shanghai Hexia.

#### *Non-cooperation*

The Division made enquiries with Mr Xing in respect of the appropriation, and attempted to contact him, but no response was received.

#### **RULE REQUIREMENTS**

Rule 3.08 provides that the Exchange expects directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. These duties include duties to (i) act honestly and in good faith in the interests of the company as a whole, (ii) act for proper purpose, (iii) be answerable to the issuer for the application or misapplication of its assets; (iv) avoid actual and potential conflicts of interest and duty, and (v) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer.

Pursuant to the Declaration and Undertaking with regard to Directors of an Issuer incorporated in the People's Republic of China (**PRC**) in the form of Appendix 5H of the Listing Rules (**Undertaking**) provided by Mr Xing to the Exchange, each director is under an obligation to (i) comply with the Listing Rules and applicable laws, rules, regulations in force in the PRC to the best of his/her ability, (ii) cooperate in any investigation conducted by the Division, and (iii) update his/her contact details with the Exchange for a period of three years from the date on which he/she ceases to be a director of the company, failing which any documents / notices sent by the Exchange shall be deemed to have been served on him/her.

### **LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee found as follows:

- (1) By appropriating the Company's funds for personal use, Mr Xing breached Rule 3.08 and his Undertaking to:
  - a. act honestly and in good faith in the interests of the Company as a whole, act for proper purpose, be answerable to the Company for the misapplication of its assets, and avoid conflict of interests in his capacity as the executive director, chairman and controlling shareholder of the Company;
  - b. exercise reasonable skill, care and diligence to safeguard the interests of the Company;  
and
  - c. use his best endeavours to comply with the Listing Rules and the applicable laws, rules, and regulations in force in the PRC.
- (2) Mr Xing breached his Undertaking by failing to cooperate in the Division's investigation, which constituted a breach of the Listing Rules.
- (3) Mr Xing's breaches of the Undertaking represented a serious failure to discharge his responsibilities under the Listing Rules.

**CONCLUSION**

The Listing Committee decided to impose the sanctions set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions apply only to Mr Xing, and not to the Company and any other past or present directors of the Company.

Hong Kong, 12 December 2023