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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 LITIGATION INVOLVING THE COMPANY AND ITS SUBSIDIARY

This announcement is made by Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”) 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).

### 1. BASIC INFORMATION OF THE LITIGATION

On 24 September 2020, the Company received the “Notice of Response to Action”\* (《應訴通知書》) and the “Civil Complaint”\* (《民事起訴狀》) ((2020) Hu 01 Min Chu No. 251)\* ((2020)滬01民初251號) from the Shanghai No. 1 Intermediate People’s Court\* (上海市第一中級人民法院) (the “**Court**”) recently, for which, the Court accepted a claim filed by HTI Advisory Company Limited (海通國際諮詢有限公司) (the “**Plaintiff**”) in relation to a loan agreement and a guarantee (the “**Litigation**”). Details of the Litigation are as follows:

#### (1) Parties to the Litigation

Plaintiff: HTI Advisory Company Limited (海通國際諮詢有限公司)

Defendants: The Company, Shanghai Weile Fashion Co., Ltd.\* (上海微樂服飾有限公司) (“**Shanghai Weile**”), Shanghai Xiawei Fashion Co., Ltd.\* (上海夏微服飾有限公司) (“**Shanghai Xiawei**”) and Shanghai La Chapelle Enterprise Management Co., Ltd. (上海拉夏企業管理有限公司) (“**Laxia Enterprise Management**”) (together, the “**Defendants**”)

#### (2) Nature of the Litigation

Guarantee agreement dispute

### (3) Background of the Litigation

On 26 November 2018, the “Proposal to acquire 60% equity interest in Naf Naf SAS in France”\* (《關於收購法國Naf Naf SAS 60%股權的議案》) was deliberated and approved at the 20th meeting of the third session of the board of directors of the Company, pursuant to which, it was agreed that the Company’s wholly-owned subsidiary, LaCha Fashion I Limited (“**LaCha Fashion**”), shall acquire 60% equity interest in Naf Naf SAS for EUR35,340,000. The Company will hold 100% equity interest in Naf Naf SAS following the completion of this transaction.

In order to optimise the use of funds and ease the liquidity pressure, the “Proposal in relation to the provision of project financing by wholly-owned subsidiaries and guarantee by the Company”\* (《關於全資子公司進行項目融資並由公司提供擔保的議案》), was deliberated and approved at the 28th meeting of the third session of the board of directors of the Company held on 22 May 2019, pursuant to which, it was agreed that LaCha Fashion, a wholly-owned subsidiary of the Company, shall apply for a loan not exceeding EUR38,000,000 to fund the consideration for its acquisition of 60% equity interest in Naf Naf SAS (the “**Loan**”). The Company accepted joint and several liability for the Loan and provided a share pledge in respect of its 100% equity interest in LaCha Fashion, LaCha Apparel II Sàrl and Naf Naf SAS in favour of the lender of the Loan (the “**Share Pledge**”). For details of the Loan, please refer to the announcement of the Company dated 22 May 2019. Subsequently, due to various reasons, including the expiration of the financing raised via the Share Pledge and LaCha Fashion’s liquidity difficulties, LaCha Fashion failed to repay the Loan in time. The Company and LaCha Fashion then requested for the Plaintiff to renew the Loan and added Shanghai Weile, Shanghai Xiawei and Laxia Enterprise Management as new guarantors of the Loan to commit to credit enhancement measures such as new repayment arrangements, guarantees and mortgages. As at the date of this announcement, the Company has not repaid the Loan.

On the evening of 4 June 2019, the equity acquisition was completed and Naf Naf SAS became a wholly-owned subsidiary of the Company, details of which are included in the announcement of the Company dated 5 June 2019.

On 15 May 2020 (French time), due to its inability to repay its suppliers and certain debts due to the local government, Naf Naf SAS was ordered by the French local courts to initiate rehabilitation proceedings (also referred to as “redressement judiciaire” in French). The French local courts appointed a judicial administrator to assist Naf Naf SAS with all or part of its business operations, and the Company no longer had control over Naf Naf SAS, details of which are included in the announcement of the Company dated 18 May 2020.

On 19 June 2020 (French time), the French local courts ordered Naf Naf SAS to enter into judicial liquidation, details of which are included in the announcement of the Company dated 24 June 2020.

#### **(4) Reasons for the initiation of the Litigation**

According to the “Civil Complaint”\* (《民事起訴狀》) filed by the Plaintiff, LaCha Fashion entered into a loan agreement with the Plaintiff on 29 May 2020 (the “**Loan Agreement**”), pursuant to which, the Company requested for a Loan of EUR37,400,000 from the Plaintiff on the same day for a period of 6 months from the date on which LaCha Fashion issues a drawdown notice\* (《提款通知書》). Interest for the Loan is calculated at 8% per annum during the loan period and overdue interest is calculated at 15% per annum.

On 3 April 2020, the Company and its controlling shareholder Mr. Xing Jiaying, as original guarantors of the Loan, and Shanghai Weile, Shanghai Xiawei and Laxia Enterprise Management, as new guarantors of the Loan, agreed to provide an unconditional and irrevocable joint and several liability guarantee to guarantee all debts arising under the Loan Agreement in favour of the Plaintiff.

As LaCha Fashion failed to repay any principal amount of the Loan to the Plaintiff, the Plaintiff requested each of the Defendants to repay the principal amount of the Loan and overdue interest. As at the date of this announcement, none of the Defendants have repaid the Plaintiff. In summary, the Plaintiff requested each Defendant to perform its joint and several guarantee repayment obligations and other obligations under the guarantee agreement.

#### **(5) Claims**

1. The Defendants to jointly repay the Plaintiff the principal amount of the Loan, being EUR37,400,000;
2. The Defendants to jointly repay the Plaintiff the interest of the Loan, being loan interest of EUR4,076.23;
3. The Defendants to jointly repay the Plaintiff the overdue interest of the Loan, which is calculated using EUR37,400,000 as the base amount at the interest rate of 15% per annum from 30 November 2019 until the date of actual payment by the Defendants (as of the date on which the Plaintiff signed the “Civil Complaint”\* (《民事起訴狀》) until 20 July 2020, EUR3,596,547.95 of overdue interest has accrued);

(As of the date on which the Plaintiff signed the “Civil Complaint”\* (《民事起訴狀》) until 20 July 2020, the total amount requested under items 1 to 3 amounts to EUR41,000,624.18, which is equivalent to RMB327,959,892.75 based on the 1:7.9989 Euro:RMB central parity rate of the People’s Bank of China on the same day)

4. The Defendants to jointly compensate the Plaintiff for the attorney fees, property preservation guarantee service fees, translation fees and notarisation fees it has incurred in handling this case, which provisionally amounts to RMB1,000,000; and

5. The Defendants to bear all litigation costs of this case, including but not limited to case acceptance fees and preservation application fees.

**(6) Application for property preservation**

At the same time, the Plaintiff requested the Court to: (i) freeze about EUR41,000,000 and RMB1,000,000 in the Defendants' bank accounts; or (ii) sequester, seize and freeze other properties under the name of the Defendants of equivalent value. The Plaintiff is willing to provide guarantee for such property preservation application; in the event that the Defendants suffer property loss as a result of any error in such preservation application, the Plaintiff is willing to bear the corresponding legal liabilities. As at the date of this Announcement, the Company has not received any notice from the Court regarding property preservation.

**2. PROGRESS OF THE LITIGATION**

Shanghai Weile, a wholly-owned subsidiary of the Company, received the "Notice of Response to Action"\* (《應訴通知書》), the "Notice to Produce Evidence"\* (《舉證通知書》) and the "Court Summons"\* (《傳票》) ((2020) Hu 01 Min Chu No. 251)\* ((2020)滬01民初251號) from the Shanghai No. 1 Intermediate People's Court\* (上海市第一中級人民法院). As at the date of this Announcement, the case has been accepted by the Court but no trial has begun. Taking into account the progress of the Litigation, the Company will perform its information disclosure obligations in a timely manner in accordance with the requirements under the relevant laws and regulations.

**3. IMPACT OF THE LITIGATION ON THE PROFITS OF THE COMPANY IN CURRENT OR SUBSEQUENT PERIODS**

The case may have certain negative impact on the Company's current or subsequent profits. In view of the fact that the Company has made provision for the interest cost of the Loan in accordance with the relevant accounting standards, the impact of the Litigation on the profits and losses of the Company would be in terms of attorney fees, property preservation guarantee service fees, translation fees, notarisation fees and litigation fees that may be borne by the Company. As the case has been accepted by the Court but a trial has not begun, as of the date of this announcement, the final impact of the Litigation will be subject to the final judgement of the Court and the annual audited financial results of the Company. The Company will actively communicate with the relevant parties to properly resolve the aforementioned litigation matters as soon as possible.

The Company will publish further announcement(s) in respect of the aforementioned litigation as and when appropriate.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Xinjiang La Chapelle Fashion Co., Ltd.**  
**Mr. Duan Xuefeng**  
*Chairman*

Shanghai, the People's Republic of China  
25 September 2020

*As of the date of this announcement, the executive director of the Company is Ms. Zhang Danling; the non-executive directors of the Company are Mr. Duan Xuefeng, Mr. Yin Xinzai and Ms. Zhang Yujing; the independent non-executive directors of the Company are Mr. Xing Jiangze, Ms. Xiao Yanming and Mr. Zhu Xiaozhe.*

\* *For identification purpose only*