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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)**

## PROPOSED CHANGE OF AUDITOR

This announcement is made by the board of directors (the “**Board**”) of Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board announces that:

- (i) subject to the passing of an ordinary resolution at the extraordinary general meeting proposed to be held on 8 December 2020 (the “**EGM**”), Ernst & Young Hua Ming LLP (“**EY**”) shall be removed as the domestic and overseas auditor of the Company (the “**Proposed Removal**”); and
- (ii) subject to the Proposed Removal becoming effective and the passing of an ordinary resolution at the EGM, Da Hua Certified Public Accountants (Special General Partnership) (“**Da Hua**”) be appointed as the new domestic and international auditor of the Company to fill the casual vacancy following the Proposed Removal and to hold office until the conclusion of the next annual general meeting of the Company (the “**Proposed Appointment**”).

## PROPOSED REMOVAL OF AUDITOR

EY was re-appointed as the domestic and international auditor of the Company at the annual general meeting of the Company held on 30 July 2020 (the “**2019 AGM**”) to hold office until the conclusion of the next annual general meeting of the Company.

Subsequent to the 2019 AGM, the Company could not reach a consensus with EY on the audit fee for the year ending 31 December 2020. With a view to reasonably controlling the audit costs and to reducing expenses of the Company, and in consideration of the Company’s 2020 audit schedule, after careful consideration and with the recommendation of the audit committee of the Company (the “**Audit Committee**”), the Board resolved to remove EY as the domestic and international auditor of the Company, subject to the passing of an ordinary resolution for the Proposed Removal at the EGM. The Company has communicated with EY in respect of the Proposed Removal.

The Company has requested EY to provide their written representations for inclusion in this announcement and the supplemental circular in relation to the Proposed Removal and the Proposed Appointment (the “**Supplemental Circular**”), and the Company has received a confirmation letter from EY that there are no circumstances connected with their termination which they consider should be brought to the attention of the members or creditors of the Company in relation to the change of the auditors of the Company.

The Proposed Removal is subject to the passing of an ordinary resolution at the EGM in accordance with the articles of association of the Company (the “**Articles**”).

## **PROPOSED APPOINTMENT OF AUDITOR**

The Company, with the recommendation from the Audit Committee, proposes to appoint Da Hua as the new domestic and international auditor of the Company to fill the casual vacancy, subject to the Proposed Removal becoming effective and the passing of an ordinary resolution at the EGM, and to hold office until the conclusion of the next annual general meeting of the Company. The Audit Committee, having assessed, among other things, the relevant professional qualification, independence and credibility of Da Hua, as well as the current business condition and cash flow of the Company, considered that Da Hua is eligible and suitable to act as an auditor of the Company.

The Company has also considered the following factors in relation to the Proposed Appointment:

- (i) Da Hua has been given an opportunity to consider any potential impact on the 2020 annual audit of the Group given the limited time for audit as a result of the Proposed Removal and the Proposed Appointment, and Da Hua proposed to provide sufficient experienced team members to participate in the audit of the Company, in order to provide reasonable assurances on the audit progress and quality;
- (ii) Da Hua has been given an opportunity to consider the audit risk associated with the qualified opinion in the auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2019, as well as the material uncertainties related to going concern as described therein;
- (iii) Da Hua has been given an opportunity to consider and assess the audit risks associated with (a) the net loss of the Group for two consecutive years and (b) the implementation of delisting risk warning on the A shares of the Company, before accepting the Proposed Appointment; and
- (iv) the Company has considered the pricing policy of the Company in respect of audit fees, which is based primarily on the responsibilities and expertise required of the professional service providers, taking into account the experience and the level of fee-earners involved, as well as the amount of time invested in the work. The Company’s audit fees for the year ended 31 December 2019 and the year ending 31 December 2020 are RMB3,740,000 and RMB3,480,000 respectively, representing a year-on-year decrease of approximately 6.95%.

The Board and the Audit Committee have also confirmed that there are no disagreements or unresolved matters between the Company and EY, and that save as disclosed in this announcement, they are not aware of any matters in connection with the Proposed Removal or the Proposed Appointment that need to be brought to the attention of the shareholders of the Company (the “**Shareholders**”).

## COMPLIANCE OF THE ARTICLES AND THE LISTING RULES

According to the article 196 of the Articles, the general meeting may, by ordinary resolution, dismiss any accounting firm prior to the expiration of its term of office, regardless of the terms of the contract entered into between such accounting firm and the Company. Article 192 of the Articles provides that the engagement of an accounting firm by the Company shall be determined at the general meeting.

In compliance with the Articles and the Listing Rules, each of the Proposed Removal and the Proposed Appointment will be proposed as ordinary resolution at the EGM, respectively.

Under Rule 13.88 of the Listing Rules, (a) the Company must not remove its auditor before the end of the auditor's term of office without first obtaining shareholders' approval at a general meeting; (b) the Company must send a circular proposing the removal of the auditor to Shareholders with any written representations from the auditor, not less than 10 business days before the general meeting; and (c) the Company must allow the auditor to attend the general meeting and make written and/or verbal representations to shareholders at the general meeting.

Accordingly, the Supplemental Circular containing, among other things, details of the Proposed Removal and the Proposed Appointment, together with the supplemental notice of the EGM, will be despatched to the Shareholders in due course. A copy of the Supplemental Circular will also be despatched to EY to invite it to attend the EGM and make written or verbal representations (if any) to the Shareholders at the EGM.

### EGM

The EGM will be convened and held for the purposes of considering, and if thought fit, approving (among other things) the Proposed Removal and the Proposed Appointment. Please refer to the announcement of the Company dated 23 November 2020 in relation to the additional resolutions proposed at the EGM for details.

The Board would like to express its sincere gratitude to EY for its professional services provided to the Company in the past.

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

Shanghai, the People's Republic of China  
23 November 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.*