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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)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO THE MEMORANDUM OF UNDERSTANDING FOR STRATEGIC COOPERATION WITH THE PEOPLE’S GOVERNMENT OF SUSONG COUNTY OF ANHUI PROVINCE

This is a voluntary announcement made by Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for keeping the shareholders of the Company and potential investors informed of the latest business development of the Group.

The board of directors of the Company (the “**Board**”) is pleased to announce that, on 17 October 2021, (i) the Company entered into a non-legally binding Memorandum of Understanding for Strategic Cooperation* (《戰略合作備忘錄》) (the “**MOU**”) with the People’s Government of Susong County, and (ii) Jiatio (Shanghai) Information Technology Co., Ltd. (“**Shanghai Jiatio**”), a wholly-owned subsidiary of the Company, entered into a non-legally binding Letter of Intent for Investment in a Joint Venture Project* (《合資公司項目投資意向書》) (the “**LOI**”) with Anhui Hongai Industrial Co., Ltd.* (安徽紅愛實業股份有限公司) (“**Hongai**”), a textile and apparel company in Susong County, in order to establish a strategic partnership between the Company and the People’s Government of Susong County for win-win cooperation and sustainable development.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, each of the People’s Government of Susong County of Anhui Province, Hongai and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) as at the date of this announcement.

THE MOU

(I) The parties

Party A: The People's Government of Susong County, Anhui Province

Party B: The Company

(II) Overview of the cooperation

Based on the Company's continued survey of the textile and garment industry in Susong County and mapping of major textile and garment enterprises across the county, the Company's principal business is highly complementary with the top industry in Susong County. In order to effectively promote the systemisation and completeness of the industry chain for textile and garment in Susong County, realise deep integration of the brand effect, supply chain resources and terminal channels of the Company, leverage on the Company's advantages in industry status, brand operation, channel expansion and industrial empowerment, give new development momentum to the textile and garment industry in Susong County, and build a strategic partnership for win-win and sustainable development mutually, the Company entered into the MOU on the basis of equality, mutual benefit, integrity and good faith.

(III) Details of the cooperation

1. Through the cooperation between the Company and Hongai, a leading textile and apparel company in Susong County, or its related parties, it is intended that both parties will jointly contribute to the establishment of a joint venture company to leverage the Company's capabilities and advantages in terms of industry status, brand operation, incubation capacity and channel development. The parties will tap into the strengths of Hongai in the field of intelligent manufacturing of textile and apparel, effectively promote the deep integration of brand effect, supply chain resources and terminal channels of the Company and Hongai, achieve the sharing of benefits, resources and advantages in order to complement each other, and create a benchmark for industry development.
2. Through in-depth cooperation between the Company and Hongai, to drive the rapid development of local textile and garment enterprises, improve the county-wide textile and garment industry chain, in order to achieve the systemisation and scaling of the local textile and garment industry chain as soon as possible, realise the vertical integration and uniform development from the garment production base to the whole industry chain, inject new momentum into the development of the industry, upgrade the quality of the county's textile and garment industry, promote quality development of the local garment industry, expand the market influence of local enterprises in the industry, realise the scale effect of industrial development and contribute to the innovation-driven strategy of Anqing City.

3. The Company has developed a multi-brand incubation and operation system integrating women's, men's and children's apparel, which can meet the needs of consumers in different market segments and for different occasions. Taking advantage of the strength and resources in brand incubation and operation which the Company has accumulated, it is possible to create tailor-made apparel brands for the apparel enterprises in Susong County, enabling the region to gain presence among well-known national apparel brands. In the future, both parties can work together to nurture and support a number of innovative enterprises through various forms of cooperation, such as brand incubation, research and development, customisation, joint direct sourcing, product underwriting and joint development; upholding the business philosophy of keeping a foothold in Susong and serving China, the parties shall incubate new national brands and help the local industry transform and upgrade.

4. The Company has always insisted on achieving a win-win situation for both economic and social benefits in its corporate development, and has been actively performing its corporate social responsibility and devoting itself to public welfare over the years. The Company will firmly support the development of the local textile and garment industry in Susong County and, through development of the industry, drive rural revitalisation, create a new form of industry that is modern, environmentally friendly, circular and integrated, and make positive contributions to further realise the convergence of poverty alleviation and rural revitalisation, and to promote the development of the industry. The government of Susong County will provide policy support accordingly.

(IV) Other agreements

This MOU demonstrates a genuine intention of the parties for cooperation. After entering into the MOU, the parties shall perform their respective approval procedures internally. Details of the cooperation shall be further particularised through negotiation in good faith between the parties and pending the making of definitive and supplemental agreement(s).

THE LOI

On the basis of the strategic cooperation with the People's Government of Susong County, Shanghai Jiatio has entered into the LOI with Hongai, the details of which are as follows:

1. Parties to the joint venture: Shanghai Jiatio, a wholly-owned subsidiary of the Company, and Hongai

2. Investment amount: The registered capital of the joint venture company is proposed to be RMB10 million. Shanghai Jiatio will contribute RMB5.1 million for 51% equity interest in the joint venture company, and Hongai will contribute RMB4.9 million for 49% equity interest in the joint venture company. Shanghai Jiatio and Hongai will make actual capital contributions in three tranches in the amount of 40%, 30% and 30% within three months after the establishment of the joint venture company.

3. Governance structure: The board of directors of the joint venture company will consist of five directors, including three to be appointed by Shanghai Jiatio and two to be appointed by Hongai. The joint venture company will have one supervisor whom will be appointed by Shanghai Jiatio. The chairman of the board of directors of the joint venture company will be elected by more than half of all the directors. The general manager will be appointed by the board of directors.
4. Brand ownership: The ownership of any new brand created since the establishment of the joint venture company will belong to the joint venture company.
5. Exclusivity clause: Upon the signing of the LOI, Hongai shall guarantee Shanghai Jiatio's entitlement to exclusivity for 90 days. Hongai shall not unilaterally enter into separate investment agreements or any other similar agreements with any other investment institutions in the course of cooperation with Shanghai Jiatio. The effect of this exclusivity clause shall lapse automatically unless this LOI is terminated in writing by both parties.
6. The LOI shall be effective for 30 days from the date of execution and stamping. If no formal investment agreement has been entered into by the parties at that time, the LOI shall automatically remain effective for five more days and lapse thereafter, unless otherwise agreed by the relevant parties at that time.

INFORMATION OF THE PARTIES TO THE MOU AND LOI

The People's Government of Susong County of Anhui Province is the state administrative body of Susong County, Anhui Province.

Hongai is a textile and garment company incorporated in the People's Republic of China (the "PRC") which carries on business in Susong County, Anhui Province of the PRC. The main business scope of Hongai includes, among other things, the processing, manufacturing and sales of garment and garment accessories; the purchase and sale of raw materials for garment; and design services for garment and decoration of accessories.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU AND THE LOI

The entering into of the MOU with the People's Government of Susong County is in line with the Company's strategic plan and needs for business development, which also aligns with the Company's commitment to the social responsibilities of listed companies and the implementation of poverty alleviation policy in the industry. The entering into of the MOU is conducive to a synergy of resources and advantages between the Company and the local industries in Susong County, and allows positive contributions to be made to the development of the local industries. Should the cooperation be materialised in future, the Company can benefit from further improvement in its industry chain and expansion of its business presence. There is no material impact in connection with the entering into of the MOU and the LOI on the normal production and operation, financial position and operating results of the Company. It is expected that the entering into and performance of the MOU and LOI will not have material impact on the operating results of the Company for the year ending 31 December 2021.

In view of the above, the directors of the Company are of the view that the terms of each of the MOU and LOI are fair and reasonable and in the interests of the Company and its shareholders as a whole.

RISK WARNING

The MOU between the Company and the People's Government of Susong County demonstrates a genuine intention of the parties for cooperation, and details of the cooperation shall be further particularised through negotiation in good faith between the parties. There is uncertainty regarding the implementation of the cooperation. The LOI between Shanghai Jiutuo and Hongai is a framework agreement on the intent for cooperation only. Details of the business cooperation are subject to further negotiation and the entering into of formal cooperation agreement(s).

The Board wishes to emphasise that the potential cooperation contemplated under the MOU and the LOI may or may not proceed and that the MOU and the LOI are not mandatorily binding. The parties have not entered into any legally binding agreement as at the date of this announcement.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the transactions contemplated under each of the MOU and the LOI are less than 5%, the transactions contemplated under each of the MOU and the LOI, if materialised, will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. This announcement is made on a voluntary basis to provide a business update of the Company to the investors.

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. Zhang Xin
Chairman

Shanghai, the People's Republic of China
17 October 2021

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

* *For identification purposes only*