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La Chapelle

上海拉夏貝爾服飾股份有限公司

Shanghai La Chapelle Fashion Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 06116)

DISCLOSEABLE TRANSACTION PROPOSED DISPOSAL OF FUND INTERESTS

THE FUND INTEREST TRANSFER AGREEMENT

The Board announces that on 21 June 2019, the Board resolved to approve a proposal pursuant to which the Vendor (a wholly-owned subsidiary of the Company) proposes to enter into the Fund Interest Transfer Agreement with the Purchasers and the General Partner. Under the Proposed Disposal, the Purchasers propose to purchase and the Vendor proposes to sell the Target Fund Interests, being such number of fund units corresponding to the Capital Contribution Commitment, representing 98.04% of the partnership interests in the Target Fund.

As at the date of this announcement, the partnership interests of the Target Fund are held by the Vendor as to 98.04% and the General Partner as to 1.96%. Following completion of the Proposed Disposal, the partnership interests of the Target Fund would be held by the First Purchaser as to 80.21%, the Second Purchaser as to 17.83% and the General Partner as to 1.96%, and the Group would cease to have any interest in the Target Fund.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Disposal are expected to be more than 5% but less than 25%, the Proposed Disposal, if materialised, would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

The Proposed Disposal is subject to the entering into of definitive agreement(s) between the Vendor and the relevant parties. As at the date of this announcement, no such definitive agreement(s) have been entered into.

The Board has authorised the management of the Company to do such further acts in connection with the Proposed Disposal, including but not limited to entering into the Fund Interest Transfer Agreement.

If the Vendor proceeds with the Proposed Disposal, further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

Shareholders and potential investors should note that the Proposed Disposal is subject to the entering into of the Fund Interest Transfer Agreement and may or may not materialise. There is no assurance that the Proposed Disposal will proceed. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

The Board announces that on 21 June 2019, the Board resolved to approve a proposal pursuant to which the Vendor (a wholly-owned subsidiary of the Company) proposes to enter into the Fund Interest Transfer Agreement with the Purchasers and the General Partner. Under the Proposed Disposal, the Purchasers propose to purchase and the Vendor proposes to sell the Target Fund Interests, being such number of fund units corresponding to the Capital Contribution Commitment of the Vendor in the Target Fund in the amount of RMB150,000,000, representing 98.04% of the partnership interests in the Target Fund.

As at the date of this announcement, the partnership interests of the Target Fund are held by the Vendor as to 98.04% and the General Partner as to 1.96%. Following completion of the Proposed Disposal, the partnership interests of the Target Fund would be held by the First Purchaser as to 80.21%, the Second Purchaser as to 17.83% and the General Partner as to 1.96%, and the Group would cease to have any interest in the Target Fund.

THE PROPOSED DISPOSAL

The proposed principal terms of the Proposed Disposal are as follows:

- Parties** : (i) the Vendor (as vendor)
(ii) the First Purchaser (as purchaser)
(iii) the Second Purchaser (as purchaser)
(iv) the General Partner (as the general partner of the Target Fund)
- Assets to be disposed of** : The Target Fund Interests, being such number of fund units corresponding to the Capital Contribution Commitment and the partnership interests attached thereto, representing 98.04% of the partnership interests in the Target Fund.

Fund units corresponding to RMB122,727,273 of the Capital Contribution Commitment (representing 80.21% of the partnership interests in the Target Fund) are proposed to be purchased by the First Purchaser and fund units corresponding to the remaining RMB27,272,727 of the Capital Contribution Commitment (representing 17.83% of the partnership interests in the Target Fund) are proposed to be purchased by the Second Purchaser.

As at the date of this announcement, the Capital Contribution Commitment has been fully paid-up.

For further information relating to the Target Fund, please refer to the section headed “Information on the Target Fund” below.

Consideration and terms of payment : The Consideration is proposed to be RMB275,000,000, of which RMB225,000,000 shall be paid by the First Purchaser and RMB50,000,000 by the Second Purchaser in the following manner:

- (a) the first payment (the “**First Payment**”) in the amount equal to 50% of the Consideration shall be made by the Purchasers as to RMB112,500,000 by the First Purchaser and RMB25,000,000 by the Second Purchaser into the bank account jointly managed by the Vendor and the Purchasers (the “**Account**”) designated under the Fund Interest Transfer Agreement within ten business days of the date of the Fund Interest Transfer Agreement; and
- (b) the second payment (the “**Second Payment**”) in the amount equal to 50% of the Consideration shall be made by the Purchasers as to RMB112,500,000 by the First Purchaser and RMB25,000,000 by the Second Purchaser in the following manner:
 - (i) the Vendor shall present a payment notice (the “**Payment Notice**”) to the Purchasers on the date of completion of registration of the Proposed Disposal with the relevant administration for industry and commerce in the PRC or the date on which such registration requirement is jointly waived by the Purchasers in writing, whichever is earlier; and
 - (ii) within ten business days following the receipt of the Payment Notice by the Purchasers:
 - (1) the Vendor and the Purchasers shall jointly issue an instruction to the bank at which the Account is held to transfer, in one lump sum, the First Payment together with the interest accrued thereon from the Account to the bank account designated by the Vendor in the Payment Notice; and
 - (2) the Purchasers shall pay their respective portion of the Second Payment into the bank account designated by the Vendor in the Payment Notice.

Basis of the Consideration : The proposed Consideration was determined after arm’s length negotiations between the Vendor and the Purchasers taking into account, among other things, the gains on the investments made by the Target Fund, the audited net assets as at 31 December 2018 and unaudited net assets as at 31 March 2019 of the Target Fund of approximately RMB241.84 million and RMB339.96 million, respectively.

Completion

: If materialised, completion of the Proposed Disposal is expected to take place on the date of the Fund Interest Transfer Agreement, upon which (i) the Vendor would no longer be interested in the Target Fund Interests and (ii) each of the Purchasers would become a limited partner of the Target Fund and would be entitled to the rights and benefits attached to the respective Target Fund Interests in accordance with the new partnership agreement to be entered into between the Purchasers and the General Partner on the same date.

Following completion of the Proposed Disposal, the Group would cease to have any interest in the Target Fund.

Under the Proposed Disposal, the Vendor shall procure the General Partner and the General Partner shall endeavour to complete the registration of the Proposed Disposal with the relevant administration for industry and commerce in the PRC within one month from the date of the Fund Interest Transfer Agreement.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

If materialised, the Proposed Disposal would help improve the asset structure of the Company and provide capital support for the development of the Company's principal business, thereby strengthening the sustainability of the Company's operation, which aligns with the Company's long-term development plan.

Taking into account the reasons for and benefits of the Proposed Disposal as set out above, the Directors (including the independent non-executive Directors) are of the view that the proposed terms of the Fund Interest Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET FUND

The Target Fund is a limited partnership established under the laws of the PRC and a private equity fund which principally engages in the provision of corporate management consulting services and investment holding. The investment portfolio of the Target Fund includes funds which have primarily invested in companies in the pharmaceutical, consumer and new energy industries.

The general partner of the Target Fund is Beijing Junlian Tongdao Investment Management Partnership (Limited Partnership)* (北京君聯同道投資管理合夥企業(有限合夥)) and the fund manager of the Target Fund is Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司).

As at the date of this announcement, the total capital contribution commitment to the Target Fund amounted to RMB153,000,000, of which the General Partner and the Vendor contributed RMB3,000,000 and RMB150,000,000, representing 1.96% and 98.04% of the partnership interests in the Target Fund, respectively.

Financial information on the Target Fund

According to the audited financial statements of the Target Fund prepared in accordance with China Accounting Standards for Business Enterprises for the two years ended 31 December 2018 and the unaudited financial statements of the Target Fund for the three months ended 31 March 2019, the key financial information of the Target Fund are set out as follows:

	As at 31 December		As at 31 March
	2017	2018	2019
	(audited)	(audited)	(unaudited)
		(RMB'000)	
		(approximately)	
Net assets value	220,299	241,836	339,956
Total assets value	236,780	266,909	396,876
	For the year ended 31 December		For the three months ended
	2017	2018	31 March
	(audited)	(audited)	(unaudited)
		(RMB'000)	
		(approximately)	
Net profits and total comprehensive income	52,252	35,288	104,485

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

At present, the Group accounts the Target Fund Interests in its consolidated financial statements as an investment in associate using the equity method. Upon completion of the Proposed Disposal (if materialised), the Group would cease to have any interest in the Target Fund, and the financial results of the Target Fund would no longer be reflected in the consolidated financial statements of the Group.

After taking into account the Consideration for the Proposed Disposal, the net carrying value of the Target Fund Interests as at 31 December 2018 (being approximately RMB236.397 million), the related transaction costs and taxes, the accumulative impact of fluctuation of exchange rates, the audited results of the Target Fund for the year ended 31 December 2018, the Company estimates that the Group would record an unaudited gain (after deducting the estimated transaction costs and taxation) of approximately RMB29 million from the Proposed Disposal, if it materialises. The aforementioned financial effect is disclosed for illustrative purpose only and any actual gain or loss from the Proposed Disposal would be subject to audit and would depend on the financial information of the Target Fund up to and as at the completion date of the Proposed Disposal.

The net proceeds from the Proposed Disposal (after deducting the related transaction costs and taxes) are expected to be approximately RMB243.75 million and are expected to be used by the Group as general working capital for its principal business.

INFORMATION ON THE GROUP

The Company is a joint stock company incorporated in the PRC with limited liability and the shares of the Company have been listed on the Stock Exchange since 9 October 2014. The Company is principally engaged in the design, marketing and sale of apparel products with a focus on mass-market ladies' casual wear in the PRC.

The Vendor is a limited liability company established under the laws of the PRC which principally engages in the provision of corporate management and business service consulting services. As at the date of this announcement, the Vendor is a wholly-owned subsidiary of the Company.

INFORMATION ON THE PURCHASERS

Each of the Purchasers is a limited partnership established under the laws of the PRC. The First Purchaser is principally engaged in the investment in funds relating to equity investment. The Second Purchaser is principally engaged in non-securities equity investment and venture capital investment.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, each of the Purchasers and their respective ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Disposal are expected to be more than 5% but less than 25%, the Proposed Disposal, if materialised, would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

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The Board has authorised the management of the Company to do such further acts in connection with the Proposed Disposal, including but not limited to entering into the Fund Interest Transfer Agreement.

If the Vendor proceeds with the Proposed Disposal, further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

Shareholders and potential investors should note that the Proposed Disposal is subject to the entering into of the Fund Interest Transfer Agreement and may or may not materialise. There is no assurance that the Proposed Disposal will proceed. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Capital Contribution Commitment”	the capital contribution commitment of the Vendor into the Target Fund in the amount of RMB150,000,000
“Company”	Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司), a joint stock company established in the PRC with limited liability, whose A shares and H shares are listed on the Shanghai Stock Exchange (stock code: 603157) and the Main Board of the Hong Kong Stock Exchange (stock code: 06116), respectively
“Consideration”	the proposed total consideration of the Proposed Disposal payable by the Purchasers to the Vendor in accordance with the Fund Interest Transfer Agreement
“Director(s)”	the director(s) of the Company
“Proposed Disposal”	the proposed disposal of the Target Fund Interests by the Vendor to the Purchasers pursuant to the terms and conditions of the Fund Interest Transfer Agreement
“First Payment”	has the meaning ascribed to in under the section headed “The Fund Interest Transfer Agreement – Consideration and terms of payment” in this announcement
“First Purchaser”	Suzhou Suxiu Wenchang Investment Partnership (Limited Partnership)* (蘇州蘇秀文昌投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

“Fund Interest Transfer Agreement”	the agreement proposed to be entered into between the Vendor, the Purchasers and the General Partner in relation to the Proposed Disposal
“General Partner”	Beijing Junlian Tongdao Investment Management Partnership (Limited Partnership)* (北京君聯同道投資管理合夥企業(有限合夥)), the general partner of the Target Fund
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Payment Notice”	has the meaning ascribed to in under the section headed “The Fund Interest Transfer Agreement – Consideration and terms of payment” in this announcement
“PRC” or “China”	the People’s Republic of China
“Purchasers”	the First Purchaser and the Second Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Second Payment”	has the meaning ascribed to in under the section headed “The Fund Interest Transfer Agreement – Consideration and terms of payment” in this announcement
“Second Purchaser”	Suzhou Industrial Park Oriza CMB FoFs (蘇州工業園區元禾招商股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Fund”	Tianjin Xingkuang Enterprise Management Consulting Partnership (Limited Partnership)* (天津星曠企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“Target Fund Interests”	such number of fund units corresponding to the Capital Contribution Commitment (including the corresponding paid-up capital contribution of RMB150,000,000) and the partnership interests attached thereto, representing 98.04% of the partnership interests in the Target Fund
“Vendor”	Shanghai La Chapelle Enterprise Management Co., Ltd.* (上海拉夏企業管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Shanghai La Chapelle Fashion Co., Ltd.
Mr. Xing Jiaying
Chairman

Shanghai, the People’s Republic of China
21 June 2019

As at the date of this announcement, the executive directors of the Company are Mr. Xing Jiaying, Mr. Mao Jianong, Mr. Yu Qiang and Ms. Hu Lijie; the non-executive directors of the Company are Mr. Lu Weiming and Mr. Luo Bin; the independent non-executive directors of the Company are Dr. Chen Jieping, Mr. Zhang Zeping and Mr. Chan, Wing Yuen Hubert.

* For identification purpose only