
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanshan Brand Management Co., Ltd. (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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杉杉品牌運營股份有限公司

Shanshan Brand Management Co., Ltd.

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

(Stock Code: 1749)

**MAJOR TRANSACTION IN RELATION TO THE PROPOSED
DISPOSAL OF 20% EQUITY INTEREST OF LE COQ SPORTIF
(NINGBO) CO., LTD.**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 1 to 12 of this circular.

A notice convening the EGM of the Company to be held at Conference Room, Third floor of Building B1, Shanshan New Energy Base, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC on 22 June 2020 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend such meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) or the office of the Board of Directors, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC (for the holders of Domestic Shares) as soon as possible and in any event not less than 24 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors
“Company”	Shanshan Brand Management Co., Ltd.* (杉杉品牌運營股份有限公司) (stock code: 1749), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the third day following the Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder in the EGM in accordance with the Listing Rules and the fulfillment or waiver of all conditions precedent under the paragraph headed “Conditions precedent” in this circular or such other date as the Transferor and the Transferee may agree in writing
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	consideration for the transfer of the Sale Interest
“Director(s)”	directors of the Company
“Disposal”	the proposed disposal of the Sale Interest by the Transferor to the Transferee pursuant to the terms of the Equity Transfer Agreement
“Domestic Share(s)”	domestic share(s) with a nominal value of RMB1 each in the share capital of the Company which are subscribed for in RMB
“Domestic Shareholders”	holders of the Domestic Share(s)
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and, if though fit, to approve by the Shareholders the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 29 April 2020 entered into between the Transferor and the Transferee in relation to the Disposal
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, all of which are listed on the main board of the Stock Exchange, and subscribed for and traded in Hong Kong dollars
“H Shareholders”	holders of the H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons (has the meaning ascribed to it under the Listing Rules) of the Company
“Latest Practicable Date”	25 May 2020, being the latest practicable date for the purpose of ascertaining certain information contained in the circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2020
“PRC”	the People’s Republic of China
“Remaining Group”	the Group immediately after the Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	H Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of the H Shares and the Domestic Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Le Coq Sportif (Ningbo) Co., Ltd.* (寧波樂卡克服飾有限公司), a limited liability company established in the PRC
“Transferee”	Ningbo Shanshan Rongguang Apparel Co., Ltd.* (寧波杉杉榮光服飾有限公司), a limited liability company established in the PRC
“Transferor”	Ningbo Shanshan Fashion Brand Management Co., Ltd.* (寧波杉杉時尚服裝品牌管理有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD

杉杉品牌運營股份有限公司

Shanshan Brand Management Co., Ltd.

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

(Stock Code: 1749)

Executive Directors:

Mr. Cao Yang

Mr. Luo Yefei

Ms. Yan Jingfen

Non-executive Directors:

Mr. Zhuang Wei (*Chairman*)

Mr. Yang Feng

Ms. Hui Ying

Independent Non-executive Directors:

Mr. Au Yeung Po Fung

Mr. Wang Yashan

Mr. Wu Xuekai

Registered office:

No. 238, Yunlin Middle Road

Wangchun Industrial Park

Ningbo, Zhejiang Province

PRC

*Principal place of business
in the PRC:*

No. 238, Yunlin Middle Road

Wangchun Industrial Park

Ningbo, Zhejiang Province

PRC

*Principal place of business
in Hong Kong:*

31/F., 148 Electric Road

North Point

Hong Kong

26 May 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO THE PROPOSED
DISPOSAL OF 20% EQUITY INTEREST OF LE COQ SPORTIF
(NINGBO) CO., LTD.**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 29 April 2020 in relation to the Disposal.

The purpose of this circular is to provide the Shareholders with, among other things, further information in respect of the Disposal, the notice of EGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE MAJOR DISPOSAL

The Equity Transfer Agreement

Date

29 April 2020 (after trading hours)

Parties

Transferor: Ningbo Shanshan Fashion Brand Management Co., Ltd., a wholly-owned subsidiary of the Company

Transferee: Ningbo Shanshan Rongguang Apparel Co., Ltd.

The Sale Interest

The Sale Interest represents 20% of the entire equity interest of the Target Company whose financial results have not been consolidated in the results of the Group and have been accounted for using the equity method.

As at the date of the Equity Transfer Agreement, the equity interest of the Target Company is owned as to 20% by the Transferor, 30% by the Transferee and 50% by other Independent Third Parties.

The Target Company is an associate company of the Group. Immediately after the Disposal, the Transferor will cease to hold any interest in the Target Company.

Consideration and payment terms

The Consideration is RMB50,000,000. The Consideration shall be satisfied by the Transferee in the following manner:

- (i) a sum of RMB10,000,000 shall be payable by the Transferee to the Transferor before 30 April 2020;
- (ii) a further sum of RMB20,000,000 shall be payable by the Transferee to the Transferor within 10 days from the Completion Date; and
- (iii) the balance of the Consideration (being RMB20,000,000) shall be payable by the Transferee to the Transferor before 30 September 2020.

The Consideration shall be paid to the designated bank account of the Transferor. The first payment of the Consideration in the amount of RMB10,000,000 was paid by the Transferee to the Transferor on 29 April 2020.

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiation between the Transferor and the Transferee, having considered the appraised net asset value of the Target Company as at 31 December 2019 in the amount of RMB241,000,000 appraised by an independent professional valuer in a valuation report dated 30 March 2020 and the percentage of equity interest of the Target Company subject to the Disposal.

Having considered the abovementioned factors, the Board considered that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Valuation of the Sale Interest

The Company engaged an independent professional valuer to appraise the value of the Target Company, the details of which are set out in "Appendix III — Valuation Report" to this circular (the "**Valuation Report**").

The independent professional valuer used the income approach to appraise the value of 100% equity interest of the Target Company which represents the appraised net asset value of the Target Company as at 31 December 2019 in the amount of RMB241,000,000 (the "**Appraised Value**"). The principal assumptions adopted under the income approach are set forth below:

General assumptions

- (i) It is assumed that the enterprise involved with the subject of valuation will continue to operate according to its original operation purpose and operation manner after the realization of the economic activities relevant to the valuation purpose and the revenue is predictable;
- (ii) It is assumed that the enterprise involved with the subject of valuation remains at the same management level as at the valuation base date (or as those of general market participants) in its subsequent operation, regardless of the future ownership management level's influence on the anticipated income of the enterprise;
- (iii) The accounting policies adopted in the future earnings forecast are basically consistent with all the major aspects of the accounting policies adopted by the appraised entity in previous years and at the time of compiling this report;
- (iv) No significant change in tax policy and current tax rate;
- (v) The calculation of the revenue is conducted in accordance with the accounting years in the P.R.C. and occurs evenly;
- (vi) No other unpredictable factors or force majeure having major influence on the appraised entity;

LETTER FROM THE BOARD

- (vii) Possible synergy upon the implementation of this economic activity is not considered for future earnings.

Special assumptions and major parameters

- (i) The future income forecast of the appraised entity involved in the income approach is based on the income forecast jointly recognized by the management layer of the appraised entity and its shareholders.
- (ii) There is no significant change in the supply and price of raw materials and auxiliary materials consumed in the production and operation of the appraised entity; there is no unforeseeable significant change in the product price of the appraised entity;
- (iii) The leased site for business operation may be renewed upon expiration; the operating period and license may be extended upon expiration;
- (iv) There is no significant change in the financial structure and capital scale of the appraised entity within the future operating period;

The valuer determines that the assumptions provided by the management layer are valid on the valuation base date according to the requirements of applying the income approach to value the enterprise, and deduces corresponding valuation conclusions based on these assumptions.

The key data and assumptions

- (i) Revenue growth rate within the five-year period: 5.21%–8.86%

Net profit margin on sales: 2.92%–5.20%

The revenue growth rate within the five-year period and net profit margin on sales are determined based on the historical data of the enterprise in the last three years and the analysis of the prospects of the industry that the enterprise operates.

- (ii) Weighted cost of capital (discount rate): 11.20%

The weighted average cost of capital (WACC) is the rate of return expected from an investment by shareholders of the enterprise and interest-bearing creditors, determined based on the weighted average method with a proportion of the owners' equity and interest-bearing debts in the capital structure of the enterprise.

LETTER FROM THE BOARD

The difference between the Appraised Value and the audited net assets value of the Target Company as at 31 December 2019 at approximately RMB177,129,226 results from the following factors:

- (i) The income approach measures and arrives at the Appraised Value by capitalizing or discounting the amount of income that the Target Company is expected to generate in the future. Therefore, the income approach takes into account the profitability of the asset of the Target Company and in turn evaluates the market value of the Target Company, instead of merely focusing on the audited value of the asset itself.
- (ii) The Appraised Value reflects the advantages that the Target Company has accumulated over the years in terms of technology, research and development, marketing and sales, management team, goodwill and etc., which are not reflected in the audited value of the relevant asset.
- (iii) The premium of the Appraised Value over the audited value of the net asset of the Target Company derives from the higher efficiency and stronger profitability in the Target Company using the asset in its course of business, which is not reflected in the audited value of the relevant asset.

Conditions precedent

Completion by the Transferee is conditional upon the following conditions being satisfied or waived on or before the Completion Date:

- (i) the representations and warranties made by the Transferor under the Equity Transfer Agreement being true, accurate, and complete in all aspects as of the Completion Date;
- (ii) the Transferor having performed or complied with all the agreements, undertakings, obligations and conditions required to be performed or complied with on or before Completion under the Equity Transfer Agreement;
- (iii) there having not been any demand by any government authority or any proposal, promulgation, implementation, announcement, or enactment by any governmental authority, or any change in the applicable law or interpretation of any current law that is deemed to be applicable to the transactions contemplated under the Equity Transfer Agreement, which would reasonably be expected to directly or indirectly restrict in any material respect the transactions contemplated under the Equity Transfer Agreement;
- (iv) all necessary consent, approval, waiver and authorization in relation to the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Company; and

LETTER FROM THE BOARD

- (v) all necessary consent, approval, waiver and authorization in relation to the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Transferor.

The Transferee has the absolute discretion to waive any or all of the above conditions precedent.

As at the Latest Practicable Date, conditions (i) to (iii) have been fulfilled.

Completion by the Transferor is conditional upon the following conditions being satisfied or waived on or before the Completion Date:

- (i) the representations and warranties made by the Transferee under the Equity Transfer Agreement being true, accurate, and complete in all material aspects as of the Completion Date;
- (ii) the Transferee having made the first sum of payment in accordance with the subparagraph (i) under the paragraph headed “Consideration and payment terms” in this circular, and such payment having been funded from legitimate source;
- (iii) the Transferee having performed or complied with all the agreements, undertakings, obligations and conditions required to be performed or complied with on or before Completion under the Equity Transfer Agreement;
- (iv) the Transferee having coordinated with the other shareholders of the Target Company for such shareholders to produce written documents setting out the waiver of their pre-emptive rights in connection with the transactions contemplated under the Equity Transfer Agreement; and
- (v) the Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder in the EGM in accordance with the Listing Rules.

The Transferor has the absolute discretion to waive any or all of the above conditions precedent save for condition (v).

As at the Latest Practicable Date, conditions (i) to (iv) have been fulfilled.

To the Directors’ best knowledge, as of the Latest Practicable Date, neither the Transferor nor the Transferee has any intention to waive any of the conditions precedent set out above.

If any of the conditions precedent under this paragraph is/are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Equity Transfer Agreement shall cease to have effect.

Completion

Completion shall take place on the Completion Date.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in retailing, trading and distribution of sporting goods.

Set out below is the audited financial information of the Target Company for the two years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2019	2018
	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	617,292	578,129
Profit before taxation	<u>10,092</u>	<u>24,072</u>
Profit after taxation	<u><u>6,551</u></u>	<u><u>16,772</u></u>

The audited net assets value of the Target Company as at 31 December 2019 was approximately RMB177,129,226.

The following table shows the shareholding of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately after the Disposal (assuming no further issue or repurchase of interest of the Target Company):

Shareholders	As at the date of the		Immediately after the Disposal	
	Latest Practicable Date			
	<i>No. of shares</i>	<i>Approximately %</i>	<i>No. of shares</i>	<i>Approximately %</i>
The Transferor	23,440,248	20%	0	0%
The Transferee	35,160,372	30%	58,600,620	50%
Other Shareholders (being Independent Third Parties)	<u>58,600,620</u>	<u>50%</u>	<u>58,600,620</u>	<u>50%</u>
Total	<u>117,201,240</u>	<u>100%</u>	<u>117,201,240</u>	<u>100%</u>

INFORMATION OF THE GROUP

The Group is principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM.

LETTER FROM THE BOARD

INFORMATION ON THE TRANSFEREE

The Transferee is a limited liability company established in the PRC and the ultimate beneficial owners of the Transferee are Jiao Ping (焦萍) and Zheng Shilin (鄭仕麟) as at the Latest Practicable Date. The Transferee is principally engaged in wholesaling of garments, apparels, accessory fabrics and accessories.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Transferee and the ultimate beneficial owner of the Transferee are Independent Third Parties.

FINANCIAL IMPACTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

As at the Latest Practicable Date, the Target Company is accounted as an associate of the Group in the consolidated financial statements of the Group. The Sale Interest represents all the equity interest of the Target Company held by the Transferor. Upon Completion, the Transferor will cease to hold any interest in the Target Company.

As at 31 December 2019, the audited carrying value of the Group's investment in Sale Interest was approximately RMB35,425,845. Further, for illustrative purpose, as a result of the disposal of the Sale Interest, it is estimated that the Company will realize an unaudited gain on disposal of the Sale Interest of approximately RMB14,574,155, which will be credited to the profit and loss, being the difference of the cash proceeds from disposal of Sale Interest of RMB50,000,000 and the audited carrying value of Sale Interest as at RMB35,425,845.

As a result of the abovementioned effect, the Group expects to record an estimated net gain of approximately RMB13,775,563, which represents net effect of the gain on disposal of Sale Interest and related expenses of approximately RMB798,592.

REASONS FOR THE DISPOSAL

The Directors consider that the Disposal will:

- (i) enable the Group to unlock the value in its investment in the Target Company at a reasonable price. Part of the net proceeds to be received by the Group from the Disposal will be applied towards the working capital requirements of the Group, which is expected to allow the Group to deploy more resources to focus on the development of the brands under the management of the Group, with a view to enhancing the long-term value of the Company; and
- (ii) enable the Group to utilise part of the net proceeds of the Disposal to repay certain banking borrowings, which will reduce overall interests cost and enhance the financial position of the Group.

LETTER FROM THE BOARD

Based on the above, the Directors are of the view that the Disposal is on normal commercial terms and ordinary and usual course of business of the Company, and the terms and conditions of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director has a material interest in the Disposal and no Director was required to be abstained from voting on the board resolutions to approve the Disposal.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting related expenses are estimated to be approximately RMB49,201,408. The Group intends to apply 40% of the net proceeds from the Disposal for working capital of the Group and 60% of the net proceeds from the Disposal to repay the existing bank borrowings of the Company.

LISTING RULES IMPLICATION OF THE DISPOSAL

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% and all of the applicable percentage ratios are below 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be held and convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

The notice convening the EGM to be held at Conference Room, Third floor of Building B1, Shanshan New Energy Base, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC on 22 June 2020 at 10 a.m., is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed for the Shareholders to approve the Disposal and the transactions contemplated thereunder.

The form of proxy for use at the EGM was dispatched to the Shareholders on 4 May 2020. Whether or not you are able to attend such meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) or the office of the Board of Directors, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC (for the holders of Domestic Shares) as soon as possible and in any event not less than 24 hours before the time appointed for holding such meeting or any adjourned

LETTER FROM THE BOARD

meeting (as the case may be). Completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the meetings or at any adjourned meetings should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the EGM to demand for voting on poll in respect of the ordinary resolutions to be proposed at the EGM and Tricor Investor Services Limited will serve as the scrutineer for the vote-taking.

BOOK CLOSURE PERIOD

In order to ascertain the entitlements of the Shareholders to attend the EGM, the register of members of the Company will be closed from 6 June 2020 to 22 June 2020 (both days inclusive), during which period no transfer of Shares of the Company will be effected.

RECOMMENDATION

The Board considers that the Disposal and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of
Shanshan Brand Management Co., Ltd.
Yan Jingfen
Executive Director and Joint Company Secretary

FINANCIAL INFORMATION OF THE GROUP

The H Shares have been listed on the Stock Exchange since 27 June 2018. Financial information of the Group for each of the years ended 31 December 2018 and 31 December 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange at “<http://www.hkexnews.hk>” and the Company at “<http://www.chinafirs.com>”:

- annual report of the Company for the year ended 31 December 2018 published on 19 March 2019 (pages 81 to 159); and
- annual report of the Company for the year ended 31 December 2019 published on 17 April 2020 (pages 85 to 157).

STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this indebtedness statement, the Group had total outstanding loans of RMB435,046,873, comprising secured and guaranteed interest bearing bank loans of RMB172,948,111, unsecured and interest bearing bank loans of RMB191,000,000, and unsecured interest bearing amount due to immediate holding company of RMB71,098,762. The aforesaid secured and guaranteed interest bearing bank loans were secured by the Company’s immediate holding company, Ningbo Shanshan Co., Ltd.

As at 31 March 2020, the Group, as a lessee, has outstanding unpaid contractual lease payments amounting to RMB56,894,333 in aggregate (excluding contingent rental arrangement) in relation to the remaining lease terms of certain lease contracts, which is unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 March 2020, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there have been no material changes in the indebtedness or contingent liabilities of the Group as at the Latest Practicable Date.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into RMB at the applicable rates of exchange prevailing at the close of business on 31 March 2020.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the cash inflow of the Disposal and the financial resources presently available to the Group, including the internally generated funds, the currently available facilities, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Looking into the year of 2020, the apparel retail industry is still facing intensive challenges in view of the potential slowdown trend of Chinese economy and consumption growth, along with the impact of the novel coronavirus pneumonia epidemic. Meanwhile, there is a rapid increase in the number of consumers who pursue distinguished lifestyles, and their demand for personalized and fashionable products continue to increase. As a fashion brand group which has been deeply engaged in the apparel industry for 30 years, benefiting from the diversified brand portfolio and sound operation management, the Group remains fully confident towards future prospects. The Group will continue to maintain and strengthen position in the industry, and the Group is committed to pursuing the following strategies the Group advocate, including improving financial planning capabilities; developing new retail business and expanding online trademark licensing business to reduce operating costs and expenses; taking commodity operation as the core and forming a responsive and flexible supply chain system through continuously deepening the cooperation between the upstream and downstream partners of the industrial chain and optimizing the internal business process of the Company, thereby improving the Company's inventory turnover rate.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', Chief Executives' and Supervisors' Interests and short position in the securities of the Company

As at the Latest Practicable Date, the interests of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth under Appendix 10 to the Listing Rules (the “Model Code”) were as follows:

Long Positions

(a) Domestic shares (the “Domestic Shares”) in the Company

Name of Director/Supervisor	Class of Shares	Capacity/Nature of Interest	Number of Shares Held	Percentage of	Approximate
				Shareholding in the Relevant Class of Shares	Percentage of Shareholding in the Total Shares
Mr. Luo Yefei (“ Mr. Luo ”) ^(Note)	Domestic Shares	Interest of a controlled corporation/Corporate interest/Interest of spouse	10,000,000	10%	7.496%

Note: Shaanxi Maoye Gongmao Co., Ltd. (“**Shaanxi Maoye**”) is owned as to 80% by Mr. Luo, an executive Director, and 20% by Ms. Zhou Yumei (“**Ms. Zhou YM**”), the wife of Mr. Luo. By virtue of the SFO, Mr. Luo is deemed to be interested in the Domestic Shares held by Shaanxi Maoye.

(b) Shares in associated corporations of the Company

Name of Directors/Supervisors	Name of Associated Corporations	Class of Shares	Capacity/ Nature of Interests	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Zhuang Wei ("Mr. Zhuang") ^(Note 1)	Shanshan Holding Co., Ltd. ("Shanshan Holding")	Domestic Shares	Interest of a controlled corporation/Corporate interest	22,000,000	2.200%
Mr. Cao Yang ("Mr. Cao") ^(Note 2)	Shanshan Holding	Domestic Shares	Interest of a controlled corporation/Corporate interest	7,300,000	0.730%
Ms. Hui Ying	Ningbo Shanshan Co., Ltd. ("Shanshan")	Domestic Shares	Beneficial owner/ Personal interest	17,200	0.002%

Notes:

- (1) Ningbo Meishan Bonded Port Area Longhe Investment Partnership (L.P.) (寧波梅山保稅港區灩和投資合夥企業(有限合夥)) ("Longhe Investment") is owned as to 99% by Mr. Zhuang. By virtue of the SFO, Mr. Zhuang, a non-executive Director and the chairman of the Board, is deemed to be interested in the Domestic Shares of Shanshan Holding held by Longhe Investment.
- (2) Ningbo Meishan Bonded Port Area Pingren Investment Partnership (L.P.) (寧波梅山保稅港區平人投資合夥企業(有限合夥)) ("Pingren Investment") is owned as to 99% by Mr. Cao. By virtue of the SFO, Mr. Cao, an executive Director, is deemed to be interested in the Domestic Shares of Shanshan Holding held by Pingren Investment.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors or the chief executives of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares

As at the Latest Practicable Date, so far as was known to or otherwise notified to any Directors or the chief executives of the Company, the particulars of the corporations or persons which had 5% or more interests in the shares and the underlying shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions and Short Positions in the Shares

Name of Shareholders	Class of Shares	Capacity/Nature of Interests	Number of Shares Held	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Shanshan ^(Notes 1 and 8)	Domestic Shares	Beneficial owner/Personal interest	90,000,000	90%	67.466%
Shanshan Group Co., Ltd. ("Shanshan Group") ^(Notes 2 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Ningbo Yonggang Clothing Investment Co., Ltd. ("Ningbo Yonggang") ^(Notes 3 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Shanshan Holding ^(Notes 4 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Ningbo Qinggang Investment Co., Ltd. ("Qinggang Investment") ^(Notes 5 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Mr. Zheng Yonggang ("Mr. Zheng") ^(Notes 6 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Ms. Zhou Jiqing ("Ms. Zhou") ^(Notes 6 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Shaanxi Maoye	Domestic Shares	Beneficial owner/Personal interest	10,000,000	10%	7.496%
Ms. Zhou YM ^(Note 7)	Domestic Shares	Interest of spouse/Family interest	10,000,000	10%	7.496%

Notes:

- (1) Shanshan is a joint stock company with limited liability established in the PRC, whose issued shares are listed on the Shanghai Stock Exchange (stock code: 600884). Shanshan is owned as to approximately 32.69% by Shanshan Group, approximately 7.18% by Shanshan Holding, approximately 0.04% by Mr. Zheng and approximately 60.09% by other public shareholders.
- (2) Shanshan Group is interested in approximately 32.69% of the registered share capital of Shanshan, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Domestic Shares held by Shanshan.
- (3) Ningbo Yonggang is interested in approximately 11.94% of the registered capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the Domestic Shares held by Shanshan.
- (4) Shanshan Holding is directly interested in approximately 7.18% of the registered share capital of Shanshan and indirectly interested in approximately 32.69% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.34% of its registered capital); and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 61.84% and indirectly interested in approximately 11.94% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the Domestic Shares held by Shanshan.
- (5) Qinggang Investment is interested in 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the Domestic Shares held by Shanshan.
- (6) Qinggang Investment is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, both Mr. Zheng and Ms. Zhou are deemed to be interested in the Domestic Shares held by Shanshan.
- (7) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM. Ms. Zhou YM is the wife of Mr. Luo. By virtue of the SFO, Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Mr. Luo and Shaanxi Maoye.
- (8) On 23 January 2020, Shanshan entered into sales and purchase agreements with five parties, including Shaanxi Maoye, Ningbo Liankangcai Brand Management Co., Ltd (where Mr. Luo and Ms. Yan had equity interest) and three other independent third parties to dispose of a total of 64,165,400 domestic shares of the Company at an aggregate consideration of RMB168,113,348. Upon completion, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) will own 25,834,600 domestic shares of the Company. As at the date of this circular, such disposals have not been completed.

Save as aforesaid, as at the Latest Practicable Date, so far as was known to the Directors, no person had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class

of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company (if any) or who had any option in respect of such capital.

3. INTERESTS IN GROUP'S ASSETS, CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning of the Listing Rules) had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company within the two years preceding the date of this circular and are or may be material:

- i. the Equity Transfer Agreement, the terms of which are set out in this circular;
- ii. a deed of indemnity dated 28 May 2018 given by the controlling shareholders of the Company (being Ningbo Shanshan Co., Ltd. (寧波杉杉股份有限公司), Shanshan Group Co., Ltd. (杉杉集團有限公司), Ningbo Yonggang Clothing Investment Co., Ltd. (寧波甬港服裝投資有限公司), Shanshan Holding Co., Ltd. (杉杉控股有限公司), Ningbo Qinggang Investment Co., Ltd. (寧波青剛投資有限公司), Mr. Zheng Yonggang (鄭永剛) and Ms. Zhou Jiqing (周繼青), collectively the “**Controlling Shareholders**”) in favour of the Company, pursuant to which such controlling shareholders agreed to provide certain indemnities; and

- iii. an underwriting agreement dated 11 June 2018 relating to the initial offering by the Company of H Shares entered into among the Company, the Controlling Shareholders, Dongxing Securities (Hong Kong) Company Limited, Future Land Resources Securities Limited, Huabang Securities Limited, SPDB International Capital Limited, First Capital Securities Limited, China Goldjoy Securities Limited and KGI Capital Asia Limited, pursuant to which and subject to conditions under which the Company offered H Shares for subscription by members of the public in Hong Kong and the underwriters severally agreed to subscribe or procure subscribers, for such H Shares.

7. LITIGATION

On 24 February 2020, the International Court of Arbitration has made the final verdict and the Group needs to pay the royalty amounting of USD750,000 from 2014 to 2018 with interest under the service agreement and its respective legal cost. The Group has made provision for such litigation and related expenses.

Saved as disclosed above, as at the Latest Practicable Date, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company.

8. CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed “Statement of Indebtedness” in Appendix I to this circular, the Directors were not aware of any material changes in respect of the indebtedness or other contingent liabilities of the Group since 31 December 2019.

9. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in circular:

Name	Qualification
GuangDong ZGX Assets Appraisal Co., Ltd (廣東中廣信資產評估有限公司)	independent professional valuer

GuangDong ZGX Assets Appraisal Co., Ltd has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its valuation report and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, GuangDong ZGX Assets Appraisal Co., Ltd was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any asset which has been, since the date to which the latest published

audited consolidated financial statements of the Company were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (i) The registered address of the Company is at No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, PRC.
- (ii) The principal place of business of the Company in the PRC is at No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, PRC.
- (iii) The principal place of business of the Company in Hong Kong is at 31/F., 148 Electric Road, North Point, Hong Kong.
- (iv) The H-Share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The joint company secretaries of the Company are Ms. Yan Jingfen and Ms. Cheng Lucy. Ms. Cheng is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Cheng has over 15 years of experience in the corporate secretarial field.
- (vi) Unless otherwise stated, in the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the office of the Securities and Legal Department, third floor of Building B1, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (i) the articles of association of the Company;
- (ii) the annual report of the Company for the year ended 31 December 2018;
- (iii) the annual report of the Company for the year ended 31 December 2019;
- (iv) the valuation report issued by GuangDong ZGX Assets Appraisal Co., Ltd dated 30 March 2020;
- (v) the written consent referred to in the section headed "Qualifications and Consent of Expert" in this Appendix;

- (vi) the material contracts referred to in the section headed “Material Contracts” in this Appendix; and
- (vii) this circular.

- I. This Asset Valuation Report was prepared in accordance with the Basic Rules for Asset Appraisal issued by the Ministry of Finance and Practicing Standards and Professional Code of Ethics for the Appraisal of Assets issued by China Appraisal Society.
- II. The consignor or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the requirements of laws, administrative regulations and the scope of use as set out in this Asset Valuation Report. Where the consignor or other users of the Asset Valuation Report use this Asset Valuation Report in a way that is in breach of the above requirements, we and the valuers would take no responsibility.
- III. This Asset Valuation Report shall only be used by the consignor, other users of the Asset Valuation Report specified in the asset valuation commission contract, and users of Asset Valuation Report as required by laws and administrative regulations. Save for the above, any other institutions or individuals shall not be the users of this Asset Valuation Report.
- IV. We and the valuers advise that users of the Asset Valuation Report shall correctly interpret and use the valuation results, which is not equivalent to the realisable value of the subject of valuation and should not be viewed as a guarantee for the realisable value of the subject of valuation.
- V. We and the valuers comply with the requirements of the relevant laws, administrative regulations and asset appraisal guidelines, adhere to the principles of independence, objectivity and impartiality, and bear the corresponding legal responsibility for the asset valuation report.
- VI. The assets and liabilities list of the appraisal target were provided by the entrusting parties and the appraised entity, and were confirmed by their signatures, stamps or other forms permitted by the law. The entrusting parties and the parties concerned shall be responsible for the truthfulness, completeness and legality of the information provided by them.
- VII. We and the valuers have no existing or expected interest in relation to the appraisal target; we and the valuers have no existing or expected interest in relation to the parties concerned and have no prejudice to the parties concerned.

- VIII. The valuers have conducted a site investigation of the appraisal target and the assets involved in the asset valuation report, and have paid necessary attention to the status of legal ownership of the appraisal target and the assets involved and checked the information on legal ownership of the appraisal target and the assets involved. The valuers have truthfully disclosed the identified issues. The valuers have asked the entrusting parties and the parties concerned to improve the ownership rights in order to meet the requirements of issuing the asset valuation report. We and the valuers do not give any kind of assurance regarding to the authenticity of the legal ownership of the appraisal target and the assets involved.
- IX. The analysis, judgment and conclusion in the asset valuation report issued by us are subject to the assumptions and limitations in the asset valuation report. The users of the asset valuation report shall give full consideration to the assumptions, limitations and explanatory notes to special matters specified in the asset valuation report as well as their impacts on the valuation conclusion.

SUMMARY OF THE ASSET VALUATION REPORT**IMPORTANT**

The content set out below is extracted from the text of the asset valuation report. You should read the text of the asset valuation report for details of this valuation project and reasonable understanding and using of valuation conclusion.

Consignor: Ningbo Shanshan Fashion Brand Management Co., Ltd. (寧波杉杉時尚服裝品牌管理有限公司) (hereinafter referred to as the “**Brand Company**”)

Appraised entity: Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司) (hereinafter referred to as “**Le Coq**”)

Objective of the valuation: Ningbo Shanshan Fashion Brand Management Co., Ltd. proposed to transfer the equity interest of Le Coq Sportif (Ningbo) Co., Ltd., which requires the valuation on the market value of total equity attributable to shareholders of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date to provide value reference for the above economic behaviour.

Scope and subject of the valuation: The subject of the valuation is the total equity attributable to shareholders of Le Coq Sportif (Ningbo) Co., Ltd.; the scope of the valuation covers all audited assets and liabilities of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date for the purpose of the valuation.

Value type: market value

Valuation base date: 31 December 2019

Valuation methods: asset-based approach, income approach

Valuation conclusion: Based on the analysis, the valuation result under income approach is adopted as the valuation conclusion of this valuation report. Details are set out below:

As of the valuation base date, equity attributable to owners of Le Coq Sportif (Ningbo) Co., Ltd. with carrying amount of RMB177.1292 million was valued at RMB241 million under income approach, representing an appreciation of RMB63.8708 million or 36.06%.

Validity of valuation conclusion: This asset valuation report is solely prepared to provide value reference for the economic behaviour stated in the asset valuation report. The valuation conclusion is effective for one year from the valuation base date, i.e. from 31 December 2019 to 30 December 2020.

Users of the report are reminded to pay attention to the following matters:

1. In July 2019, the appraised entity signed a mortgage contract (Yin Zhou 2019 Ren Di No. 084) (the main contract was a working capital loan contract of RMB16.00 million (Yin Zhou 2019 Ren Jie No. 331) signed with Bank of China Limited for a loan amount of RMB16.00 million and a loan period of 1 year) with Ningbo Yinzhou Branch of Bank of China Limited, for a maximum debt amount of RMB31.10 million and the mortgage period from 19 July 2019 to 31 December 2029. The list of collaterals is as follows:

Location	Real Estate Ownership Certificate No.	Gross Floor Area (m ²)	Use	Owner
Room 18-1, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171412	286.06	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-2, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169947	286.06	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-3, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169944	255.99	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-4, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169939	384.21	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-5, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169926	255.99	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-6, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169917	394.65	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 18-7, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171414	266.88	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)

As of the valuation base date, the loan has not been repaid. This valuation did not take into account the impact of the mortgage on the valuation results.

2. In July 2019, the appraised entity signed a mortgage contract (Yin Zhou 2019 Ren Di No. 085) (the main contract was a fixed asset loan contract (Yin Zhou 2018 Ren Gu No. 017) signed with Bank of China Limited for a loan amount of RMB28.72 million and a loan period of 5 years) with Ningbo Yinzhou Branch of Bank of China Limited, for a maximum debt amount of RMB31.50 million and the mortgage period from 19 July 2019 to 31 December 2029. The list of collaterals is as follows:

Location	Real Estate Ownership Certificate No.	Gross Floor Area (m ²)	Use	Owner
Room 19-1, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170247	286.57	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-2, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170215	286.57	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-3, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170160	255.97	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-4, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171411	384.18	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-5, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171417	255.97	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-6, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171418	394.63	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)
Room 19-7, Ningbo Center Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170163	266.86	Office	Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司)

As of the valuation base date, there are still outstanding loans of RMB23,454,700. This valuation did not take into account the impact of the mortgage on the valuation results.

3. This valuation did not take into account the adverse impact of the large-scale outbreak of COVID-19 in early 2020 on the enterprise's operations.

Users of this asset valuation report shall give due consideration to the assumptions, confining conditions, and special notices stated in this asset valuation report as well as their impacts on the valuation results.

Zhongguang Xin Hu Ping Bao Zi [2020] No.002
FULL TEXT OF ASSET VALUATION REPORT

To Ningbo Shanshan Fashion Brand Management Co., Ltd,

According to your engagement, Guangdong Zhongguang Xin Asset Valuation Limited (廣東中廣信資產評估有限公司) (“we”) has followed the necessary valuation procedures under asset-based approach and income approach to appraise the market value of the entire shareholders’ equity of Le Coq Sportif (Ningbo) Co., Ltd. (寧波樂卡克服飾有限公司) as at the valuation base date (being the target of your proposed equity transfer) in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. The valuation details are presented as follows:

I. CONSIGNOR, APPRAISED ENTITY AND OTHER USERS OF ASSET VALUATION REPORT

(1) Consignor

Name: Ningbo Shanshan Fashion Brand Management Co., Ltd

Address: No. 99 Jucai Road, Haishu District, Ningbo City, Zhejiang Province
(Room 209–1, Block A Commercial Building)

Legal representative: Luo Yefei

Registered capital: RMB one hundred million only

Term of Business: 17 June 2009 to 16 June 2029

Type of company: a single-member limited liability company (sole proprietorship of legal person)

Scope of business: garment brand management and planning; manufacturing and wholesale of garment, knitwear, and leather products (limited to branch operations); import and export of goods and technologies including agency services, except for goods and technologies that are restricted from operation or prohibited from import and export by the state (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

(2) Appraised Entity**1. Basic information**

Name: Le Coq Sportif (Ningbo) Co., Ltd.

Address: No.299 Fengcheng Road, Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province

Name of legal representative: Wang Ke

Registered capital: USD seventeen million

Type of company: a limited liability company (Sino-foreign joint venture)

Term of Business: 4 February 2004 to 3 February 2034

Scope of business: manufacturing, processing, wholesale and retail of sportswear, casual apparel, sporting goods, shoes, bags, gloves, wallets, ticket folders, stationery, pens, bicycles, watches, glasses, crafts, toys, umbrellas, walking sticks; import and export of goods and technologies including agency services, except for goods and technologies that are restricted from operation or prohibited from import and export by the state; business management consulting; business information consulting; commodity information consulting; and other projects that are not prohibited or do not require a business license and are not included in the “negative list” of local industrial development according to the laws, regulations, decisions of the State Council and other requirements. (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

2. History

Le Coq Sportif (Ningbo) Co., Ltd. was established in February 2004, with an initial registered capital of USD2 million and paid-in capital of USD2 million. After equity and registered capital changes, as of the valuation base date, its shareholding is as follows:

Name of the investors	Amount of investment (USD ten thousand)	Investment proportion
Ningbo Shanshan Rongguang Garments Co., Ltd (寧波杉杉榮光服飾有限公司)	510.00	30%
Descente Ltd. (日本株式會社迪桑特)	680.00	40%
Itochu Textile (China) Co., Ltd. (伊藤忠纖維貿易(中國)有限公司)	170.00	10%
Ningbo Shanshan Fashion Brand Management Co., Ltd. (寧波杉杉時尚服裝品牌管理有限公司)	340.00	20%
Total	1,700.00	100.00%

3. *Business performance*

The Appraised Entity is the only authorized party of the “Le Coq Sportif” brand in Mainland China. As a well-known international brand, Le Coq Sportif brand was founded in France by Mr. Emile Camuset in 1882. Subsequently, the brand appeared in the Tour de France, the French Open, the Olympic Games, the World Cup, and major European football leagues. Since 2011, the company has worked closely with the French Embassy in China for 9 consecutive years and participated in the organization and promotion of a series of Sino-France Cultural Spring (“中法文化之春”) activities as a chief strategic sponsor. In June 2014, the company introduced the Fête de la Musique to Ningbo.

By the end of December 2019, the Appraised Entity had more than 500 stores across the country, including nearly 300 direct-operated stores. Its stores cover the first- and second-tier cities and other major cities in the country.

In June 2019, its office was relocated from Shanshan Building to Ningbo Center Building (No.288 Jiahui Street). The 18th and 19th floors at Ningbo Center Building with a gross construction area of 4,261 square meters were purchased by the company for office space. A new logistics park of about 40,000 square meters has been put into use, and a commodity sorting system with a total investment of more than RMB6 million is under construction.

4. *Major tax rates*

Type of tax	Basis for taxation	Statutory tax rate (%)
Value added tax	Taxable income	16
Urban maintenance and construction tax	Amount of turnover tax payable	7
Education surcharge	Amount of turnover tax payable	5
Corporate income tax	Taxable income	25

5. *Historical financial position*

According to the audited annual accounting statements of Le Coq Sportif (Ningbo) Co., Ltd., its asset position and operating conditions in recent years are as follows:

Table 1:

Item	31 December 2018	31 December 2019
Total assets (RMB)	420,744,318.29	428,674,863.58
Total liabilities (RMB)	244,435,028.03	251,545,637.49
Shareholders' equity (RMB)	176,309,290.26	177,129,226.09

Table 2:

Item	2018	2019
1. Operating revenue	578,129,154.74	617,291,675.79
Less: Operating costs	298,739,428.72	331,449,366.48
Business taxes and surcharges	4,857,909.11	3,836,100.95
Selling expenses	234,098,825.17	254,241,148.45
Administrative expenses	17,448,733.55	15,430,551.44
Finance costs	2,475,808.94	5,004,398.37
Impairment losses of assets		
Add: Other gains	782,512.03	2,538,679.67
2. Operating profit	21,290,961.28	9,868,789.77
Add: Non-operating income	2,840,846.26	248,803.32
Less: Non-operating expenses	59,489.06	25,577.49
3. Total profit	24,072,318.48	10,092,015.60
Less: Income tax expenses	7,299,865.19	3,541,089.77
4. Net profit	16,772,453.29	6,550,925.83

(3) Relationship between the consignor and the appraised entity

The consignor is a shareholder of the appraised entity.

(4) Other users of the asset valuation report

This valuation report is available for the consignor, the appraised entity and the users of the valuation report as stipulated by national laws and regulations. Other than that, no other users of the valuation report has been agreed in the asset appraisal engagement contract.

Unless otherwise required by national laws and regulations, this valuation report shall not be available for any institution or individual that has not been identified by the Valuer and the consignor.

II. VALUATION PURPOSES

The valuation of the market value of the entire shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd. as at the valuation base date is for the purpose of providing a value reference for the proposed transfer of equity interest in Le Coq Sportif (Ningbo) Co., Ltd. by Ningbo Shanshan Fashion Brand Management Co., Ltd..

III. SUBJECT AND SCOPE OF VALUATION**(1) Subject of Valuation**

The subject of this valuation is the entire shareholders' interests of Le Coq Sportif (Ningbo) Co., Ltd..

(2) Scope of Valuation

The scope of this valuation comprises all assets and liabilities of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date after special audit according to the valuation purpose. The table below sets forth specific class of assets and their carrying value after auditing:

Items		<i>Unit: RMB</i> Carrying value	
I.	Total current assets	347,962,467.48	
	Cash at bank and on hand	18,471,310.68	
	Accounts receivable, net	49,614,579.08	
	Net prepayments	16,522,915.56	
	Other receivables, net	8,637,750.86	
	Net value of inventories	254,054,476.46	
	Other current assets	661,434.84	
II.	Total non-current assets	80,712,396.10	
	Fixed assets, net	57,411,897.46	
	Intangible assets, net	1,101,626.13	
	Long-term deferred expenses	17,408,780.33	
	Deferred tax assets	1,094,250.38	
	Other non-current assets	3,695,841.80	
III.	Total assets	428,674,863.58	

Items	<i>Unit: RMB</i> Carrying value
IV. Total current liabilities	233,834,970.90
Short-term borrowings	72,000,000.00
Accounts payable	99,096,446.61
Advances from customers	6,196,425.05
Employee benefits payable	564,621.02
Taxes payable	10,361,237.03
Other payables	39,872,241.15
Non-current liabilities due within one year	5,744,000.04
V. Total non-current liabilities	17,710,666.59
Long-term borrowings	17,710,666.59
VI. Total liabilities	251,545,637.49
VII. Equity of owners	177,129,226.09

BDO China Shu Lun Pan Certified Public Accountants LLP has audited the above financial data as at the valuation base date and issued audit report, Xin Hui Shi Bao Zi [2020] No.ZA50059 (信會師字報[2020]第ZA50059號).

The assets and liabilities within the valuation scope are consistent with the valuation scope of the economic behaviour entrusted.

(3) Summary of Major Assets that Have a Significant Impact on the Appraised Entity

1. The original book value of building (structure) is RMB55,624,007.72, and the net value is RMB53,769,874.12, details of which are set out below:

No.	Property Right Certificate No.	Name of Building/Structure	Structure	Date of Completion	Gross Floor Area (m ²)	Original Book Value (RMB)	Net Book Value (RMB)
1	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171412	Room 18-1, Ningbo Center Building	Reinforced concrete	2019/4/29	286.06	3,559,335.74	3,440,691.18
2	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169947	Room 18-2, Ningbo Center Building	Reinforced concrete	2019/4/29	286.06	3,653,044.58	3,531,276.42
3	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169944	Room 18-3, Ningbo Center Building	Reinforced concrete	2019/4/29	255.99	3,109,175.71	3,005,536.51
4	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169939	Room 18-4, Ningbo Center Building	Reinforced concrete	2019/4/29	384.21	5,005,719.31	4,838,862.03
5	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169926	Room 18-5, Ningbo Center Building	Reinforced concrete	2019/4/29	255.99	3,109,175.71	3,005,536.51
6	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169917	Room 18-6, Ningbo Center Building	Reinforced concrete	2019/4/29	394.65	5,302,127.69	5,125,390.09
7	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171414	Room 18-7, Ningbo Center Building	Reinforced concrete	2019/4/29	266.88	3,505,356.46	3,388,511.26
8	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170247	Room 19-1, Ningbo Center Building	Reinforced concrete	2019/4/29	286.57	3,566,068.45	3,447,199.49
9	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170215	Room 19-2, Ningbo Center Building	Reinforced concrete	2019/4/29	286.57	3,659,638.61	3,537,650.69
10	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170160	Room 19-3, Ningbo Center Building	Reinforced concrete	2019/4/29	255.97	3,109,526.98	3,005,876.10
11	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171411	Room 19-4, Ningbo Center Building	Reinforced concrete	2019/4/29	384.18	5,005,111.67	4,838,274.63
12	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171417	Room 19-5, Ningbo Center Building	Reinforced concrete	2019/4/29	255.97	3,109,526.98	3,005,876.10
13	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171418	Room 19-6, Ningbo Center Building	Reinforced concrete	2019/4/29	394.63	5,301,112.09	5,124,408.33
14	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170163	Room 19-7, Ningbo Center Building	Reinforced concrete	2019/4/29	266.86	3,504,851.39	3,388,022.99

No.	Property Right Certificate No.	Name of Building/Structure	Structure	Date of Completion	Gross Floor Area (m ²)	Original Book Value (RMB)	Net Book Value (RMB)
15	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170167	Parking Space 2-87, Ningbo Center	—	2019/4/29	13.2	206,110.00	199,239.68
16	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170369	Parking Space 3-138, Ningbo Center	—	2019/4/29	13.2	168,635.45	163,014.25
17	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170371	Parking Space 3-139, Ningbo Center	—	2019/4/29	13.2	168,635.45	163,014.25
18	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170174	Parking Space 3-140, Ningbo Center	—	2019/4/29	13.2	168,635.45	163,014.25
19	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170169	Parking Space 3-141, Ningbo Center	—	2019/4/29	14.88	206,110.00	199,239.68

2. Other major physical assets in book are as follows:

Item	Book Value (RMB)	Location	Description
Cash	33,161.68	Financial department	accounts and the actual status are consistent, transferable
Inventory — raw materials	2,523,819.52	Warehouse	accounts and the actual status are consistent, transferable
Inventory — circulating materials in stock	49,431.48	Warehouse	accounts and the actual status are consistent, transferable
Inventory — finished products	249,546,004.36	Warehouse	accounts and the actual status are consistent, transferable
Inventory — work in progress	1,935,221.10	Warehouse	accounts and the actual status are consistent, transferable
Fixed assets — machinery and equipment	1,030,811.76	Factory	accounts and the actual status are consistent, under normal service conditions
Fixed assets — vehicle	71,895.29	Factory	accounts and the actual status are consistent, under normal service conditions
Fixed assets — electronic equipment	2,539,316.29	Factory	accounts and the actual status are consistent, under normal service conditions

(4) The Intangible Assets Reporting by the Company That Are or Are Not in Book**1. *The intangible assets reporting by the company that are in book***

The intangible assets are various kinds of software purchased, the original book value and net book value of which are RMB1,638,121.17 and RMB1,101,626.13, respectively.

2. *The intangible assets reporting by the company that are not in book*

As of the valuation base date, no intangible assets that are not in book were identified in the appraised entity.

(v) Off-balance-sheet Assets Reporting by the Company

As of the valuation base date, no other operating financing leasing assets, compensation for concluded litigation, expenses payable and other contingent liabilities reported by the appraised entity.

(vi) Reference to Assets Relating to Conclusions as Set Out in Reports Issued by Other Institutions

There was no reference to reports issued by other institutions in this valuation.

IV. TYPE OF VALUE**(1) Definition of type of value**

Type of value refers to value attribute and expression form of asset valuation result, namely, value connotation. Type of value needs to match the occurrence of asset behaviour.

(2) Type of value in this valuation

The type of value in this valuation is market value in view of the purpose of this valuation and the specific circumstances of the subject of valuation.

Market value refers to the estimated amount of an asset to be traded at which a willing purchaser and a willing vendor will carry out normal transaction at arm's length on the valuation base date under rational circumstances without any coercion or suppression.

V. VALUATION BASE DATE

- (1) According to the request of Consignor, the valuation base date is 31 December 2019.
- (2) The valuation base date is determined through negotiation between the Consignor and the appraised entity according to the following specific conditions:
 1. The valuation base date is consistent with the time of accounting statements, so as to facilitate the utilization of accounting information.
 2. The valuation base date is close to the date of valuation, so as to reduce the adjustment of real assets and increase the accuracy and transparency of market price inquiry and credit investigation.
 3. The valuation base date is close to the realization date of the purpose of this evaluation to the maximum extent, which helps ensure that the valuation results serve the valuation purpose effectively.
- (3) In this asset valuation, the definition of asset valuation scope, determination of valuation value and selection of valuation parameters are all determined according to the external economic environment and market conditions of the current day. All the pricing standards in this report are valid value standards on the valuation base date.

VI. BASIS FOR VALUATION

The laws and regulations of the country, local governments and relevant departments, as well as the documents and data referred to in the asset valuation mainly include:

(1) Basis of conduct

Resolution of the Fifth Session of the Second Board of Directors of Ningbo Shanshan Fashion Brand Management Co., Ltd.* (寧波杉杉時尚服裝品牌管理有限公司).

(2) Legal basis

1. The Assets Valuation Law of the People's Republic of China (Order of the President of the P.R.C. No. 46 on 2 July 2016)
2. The Company Law of the People's Republic of China (Order of the President of the P.R.C. No. 15 on 26 October 2018)
3. The Urban Real Estate Administration Law of the People's Republic of China (Order of the President of the P.R.C. No. 72 on 30 August 2007)

4. Provisions on the Administration of Urban Real Estate Transfer (Decree No. 45 of the Ministry of Construction of the P.R.C.) and Detailed Rules for the Implementation of The Urban Real Estate Administration Law of the People's Republic of China formulated by Shanghai
5. The Enterprise Income Tax Law of the People's Republic of China (Order of the President of the P.R.C. No. 63)
6. Provisional Regulations of the People's Republic of China on Value-Added Tax (Decree No. 691 of the State Council)
7. Rules on the Implementation of the Provisional Regulations on Value-Added Tax of the People's Republic of China (Decree No. 50 of Ministry of Finance and State Administration of Taxation)
8. Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36)
9. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, 2019 No. 39)

(3) Basis of standards

1. Asset Evaluation Standards-Basic Standards (Cai Zi [2017] No. 43)
2. Code of Ethics for Assets Assessment (CAS [2017] No. 30)
3. Asset Evaluation Practicing Standards-Asset Evaluation Procedures (CAS [2018] No. 36)
4. Asset Evaluation Practicing Standards-Asset Valuation Report (CAS [2018] No. 35)
5. Asset Evaluation Practicing Standards-Contract on Asset Evaluation Entrustment (CAS [2017] No. 33)
6. Asset Evaluation Practicing Standards-Asset Valuation Methods (CAS [2019] No. 35)
7. Asset Evaluation Practicing Standards-Asset Evaluation Files (CAS [2018] No. 37)
8. Asset Evaluation Practicing Standards-Use of Expert Work and Related Reports (CAS [2017] No. 35)
9. Asset Evaluation Practicing Standards-Enterprise Value (CAS [2018] No. 38)

10. Asset Evaluation Practicing Standards-Intangible Assets (CAS [2017] No. 37)
11. Asset Evaluation Practicing Standards-Real Estate (CAS [2017] No. 38)
12. Asset Evaluation Practicing Standards-Machinery Equipment (CAS [2017] No. 39)
13. Guidelines for Business Quality Control of Asset Evaluation Agencies (CAS [2017] No. 46)
14. Guidance on Value Type for Asset Evaluation (CAS [2017] No. 47)
15. Guidance on Legal Ownership of Asset Evaluation Object (CAS [2017] No. 48)
16. Criteria for Real Estate Valuation (GB/T50291–2015)
17. Accounting Standards for Business Enterprises

(4) Basis of ownership

1. Business license;
2. Articles of association;
3. Copy of property ownership certificates;
4. Copy of vehicle registration certificates;
5. Purchase contracts or invoices of important assets and project contracts;
6. Financial statements of the appraised entity;
7. Other contracts, accounting vouchers and other data related to the acquisition and use of enterprise assets.

(5) Pricing basis

1. Audit report, balance sheet, detailed statement of asset inspection and other data;
2. Manual of Data and Parameters Commonly Used in Assets Valuation published by Beijing Science and Technology Press;
3. Mechanical and Electrical Product Quotation Manual (latest edition of the Mechanical and Electrical Product Price Information Center of the Ministry of Machine-Building Industry);
4. Other price-related information data on the valuation base date;

5. Contracts, accounting vouchers, account books and other accounting materials related to the acquisition and use of assets of the appraised entity;
6. Detailed Statement of Forecast and Application for Profit of Asset Valuation provided by the appraised entity;
7. Detailed statement of assets and liabilities entrusted for valuation;
8. List of appraised assets filled out after on-site check and verification;
9. Information of Straight Flush Ifind Financial Information Platform
10. Schedule of Rates for Construction and Installation Project currently implemented in Zhejiang;
11. Typical project cost indicator in Zhejiang;
12. Price information data of building materials in Zhejiang;
13. Urban benchmark land price and parcel land price in Zhejiang;
14. Local bid, auction and listing market information;
15. Price-related information data of the market on the valuation base date;
16. Various types of supporting information related to the valuation collected by the appraiser.

(6) Reference data and others

1. Manual of Data and Parameters Commonly Used in Assets Valuation (Economic Science Press);
2. Catalogue of Obsolete Products of Machinery Industry;
3. Data by on-site inspection and verification;
4. Relevant construction and installation drawing data of the entrusted appraised assets;
5. Other supporting information related to the entrusted appraised assets;
6. Other relevant information.

VII. VALUATION METHODS

(1) Basic methods for asset evaluation

The basic methods for asset evaluation specified in Asset Evaluation Standards-Basic Standards, Asset Evaluation Practicing Standards-Enterprise Value and relevant asset evaluation standards include the market approach, income approach and asset-based approach.

1. Market approach

The market approach refers to the method of evaluating the value of assets through direct comparison or simulation analysis by using the recent transaction price of the same or similar assets in the market. The application of market approach shall meet the following preconditions:

- (1) A well-developed and active capital market is available;
- (2) There are the same or similar reference objects in the capital market, or there are sufficient trading cases;
- (3) The value influence factors between the reference object and the subject of valuation are clear and can be quantified, and relevant data can be collected and reasonable and effective.

2. Income approach

The income approach refers to the method of valuating the value of the subject of evaluation by capitalizing or discounting the anticipated income. The prerequisites for the application of income approach are as follows:

- (1) The purchasing price of the asset purchaser shall not exceed the present value converted from the anticipated income of the enterprise (or similar enterprise equivalent to the enterprise and having the same degree of risk);
- (2) The anticipated income of the valuated assets can be predicted and measured in monetary terms;
- (3) The risks borne by the assets owners to obtain the anticipated income can be predicted and measured in monetary terms;
- (4) Expected profit-making years of the appraised assets can be predicted;
- (5) Enterprises can continue to operate and guarantee their profitability through continuous self-compensation and renewal.

3. *Asset-based approach*

The asset-based approach refers to the valuation approach to determine the value of the subject of evaluation by valuating the value of the on-balance sheet and off-balance sheet assets and liabilities based on the balance sheet of the appraised entity as at the valuation base date. The prerequisites for the application of the asset-based approach are as follows:

- (1) The individual assets of the appraised entity can be confirmed and the historical information obtained is complete;
- (2) The current approach to purchase and build the appraised assets and the corresponding social average cost data can be investigated and obtained.

Market approach, income approach and cost method in enterprise value valuation, and other valuation methods derived from the above three basic valuation methods together constitute a system of asset valuation methods, and there are internal relations and different characteristics among the various evaluation methods. The three basic evaluation methods are to express the value of assets from different angles. In the valuation, it is necessary to select an appropriate valuation method according to the purpose of economic behaviour and the specific conditions of the subject of valuation.

(2) Selection of valuation methods

According to relevant national standards and regulations on asset valuation, necessary verification and technical investigation have been conducted on assets within the scope of entrusted valuation, and other procedures as we deem necessary have been implemented. Based on this, the applicability of asset-based approach, market approach and income approach is analyzed and judged. Asset-based approach and income approach are adopted to value the total value of shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd.

1. *Analysis of applicability of market approach*

The market approach is to compare the subject of valuation with the reference enterprise and the enterprise, shareholders' equity, securities and other equity assets that have been traded in the market to determine the value the subject of valuation. The two methods commonly used in the market approach are the transaction case comparison method and the listed company comparison method. At present, there are not many property rights exchange markets or transaction cases of similar enterprises in China, similar equity asset trading market is not yet active, and similar transaction object information is still lack of transparency, so it is difficult to obtain sufficient and reliable operation and finance information. In the capital market, there are few listed companies in the same industry, in the same scale and in the same business type, and the operating business and financial data of the listed companies differ greatly from the appraised entity, which is not comparable. It is difficult to obtain an appropriate

value ratio or economic indicator to establish a corresponding evaluation system and conduct regression analysis, so it is difficult to use the market approach for valuation.

2. *Analysis of applicability of asset-based approach*

(1) Analysis of the completeness of enterprise's historical data

The appraised entity has been operating for many years, with orderly management and sound accounting. The information on assets and liabilities of the enterprise is complete. The quantity of assets can be determined according to financial data and construction data, and the authenticity of use status and quantity record can be verified through on-site inspection.

(2) Feasibility of asset value valuation

After inspection of assets, the asset composition of the appraised entity is clear, and relevant information required to value the current market value of the assets can be obtained from the open market, which meets the requirements for cost valuation.

The residue rate of the assets included in the subject of valuation can be estimated by estimating the serviceable life of the assets on the basis of the economic service life, so as to estimate the residue rate in the general sense. On the basis of on-site inspection and collection of relevant data, the substantive depreciation rate, functional depreciation rate and economic depreciation rate shall be considered, and then the residue rate can be estimated.

Therefore, it is assumed that under the premise of continuous operation, the enterprise to be appraised can be valued by the asset-based approach from the perspective of cost acquisition approach.

3. *Applicability of income approach*

To value the total value of shareholders' equity of the appraised entity from the perspective of the shareholder is to judge the total value of shareholders' equity of the appraised entity by taking the overall profitability of the asset complex composed of multiple or many single assets as the subject of valuation. The applicability of the income approach is analyzed from three aspects: valuation purpose, the satisfaction degree of the premise of the income approach and the completeness of historical financial data of the enterprise.

(1) Judgment of valuation purpose

The purpose of this valuation is to objectively and truly reflect the fair market value of the appraised entity when Ningbo Shanshan Fashion Brand Management Co., Ltd.* (寧波杉杉時尚服裝品牌管理有限公司) plans to

transfer the equity of Le Coq Sportif (Ningbo) Co., Ltd. This cannot be limited only to consider the subject of valuation in a single way by the sum of the value of each individual asset. Instead, it is also necessary to add a number of perspectives, take the subject of valuation as an organic whole by integrating various factors such as the operation status and the profitability in the future of the appraised entity, and judge the total value of shareholders' equity from the way of return, so as to be more conducive to the realization of this valuation.

(2) Judgment of the satisfaction degree of the premise of the income approach

According to the comprehensive analysis of the historical development, industry, asset structure, profitability and market share of various products of Le Coq Sportif (Ningbo) Co., Ltd., the appraiser believes that the overall assets of Le Coq Sportif (Ningbo) Co., Ltd. involved in this valuation have the following characteristics:

- A. The assets of the appraised entity are business assets whose property rights are clear and sound, and the enterprise has the conditions for continuous operation.
- B. The appraised entity has stable operation and good development trend, and its assets are the overall assets whose future income can be measured in monetary terms. It is shown that the operating income of the enterprise can flow into in the form of monetary measurement, the matching cost can flow out in the form of monetary measurement, and the inflow and outflow of other economic benefits can also be measured in monetary terms. Therefore, the anticipated income from the profitability of the enterprise's overall assets can be measured in monetary terms.
- C. The risks borne by the appraise enterprise's assets can be measured in monetary terms. The risks of the enterprise are mainly policy risk, industry risk, operation risk and financial risk, which can be measured in in monetary terms.

(3) Judgment of the completeness of enterprise assets records and historical financial data

The appraised entity owns orderly management and sound accounting, complete records of assets and liabilities, complete data and historical financial data subject to compliant independent audit. The enterprise's operating income, costs and expenses in the first two years can be obtained, which can provide reference for enterprise's future operation forecast.

Therefore, through the above analysis, income approach is suitable to this valuation project.

According to the above comprehensive analysis, asset-based approach and income approach are adopted to value the total value of owners' equity of the appraised entity, respectively.

(3) Asset-based approach is adopted to value the market value of assets and liabilities on the book of the enterprise

The valuation methods of individual assets and liabilities in the asset-based approach are as follows:

1. Monetary capital includes cash and bank deposits. We check the cash on hand and then verify the cash amount on the valuation base date according to the check results; we verify the bank deposits by letter of confirmation, and check the bank statement and the balance adjustment table of bank deposits. The appraised value is determined based on the verified book value after the monetary capital is verified to be correct.

2. *Accounts receivable and other receivables*

For various receivables, the appraiser checks and verifies the account books and original vouchers, and checks large-amount receivables through letter of confirmation and relevant substitutive procedures. Based on the analysis of business contents and age, we determine the appraised value of the amount expected to be recovered in full according to the book value after the check and verification. The amount that cannot be recovered with concrete evidence is determined to be zero. For the amount that is not expected to be recovered in full but cannot be recovered or cannot be recovered in full without concrete evidence, we determine a certain proportion of risk loss on the basis of analyzing the business contents one by one and age analysis. Specifically, the appraised value = book value \times (1- risk loss rate), and the accrued bad debt reserve is valued as zero.

3. *Prepayments*

For all kinds of prepayments, we determine the appraised value by estimating the value of assets or rights formed by the corresponding goods that they can recover. The appraised value is the verified book value of those whose corresponding goods can be recovered. For prepayments with concrete evidence that the corresponding goods or interests cannot be recovered, they are verified one by one and the appraised value is zero. Where it is likely that part of the prepayments will not be collected back, the valuation is conducted with reference to the valuation method of receivables.

4. *Cost method is adopted to value the inventory*

The inventory in this valuation is raw materials, revolving materials in stock, finished products and unfinished products.

- For the purchased inventory-raw materials and revolving materials in stock, the appraised value is determined based on the verified book value for the purchased inventory with short inventory time, strong liquidity and little change in market price.
- For finished products, the appraiser adopts full cost valuation, and considers the discount rate for the products produced in previous years by analyzing the market sales of the products.
- For unfinished products, the book value after check and verification is taken as the appraised value in the valuation because of the short input time of labor and material cost, low completion degree and little change in value.

5. *Other current assets*

Other current assets are pre-paid income tax, and the verified book value is used as the appraised value in the valuation.

6. *Buildings*

We use the market comparison approach to appraise buildings. The market comparison approach is to investigate and understand the comparable cases of similar objects of valuation, and to obtain the market value of objects of valuation by revising the transaction situation, transaction date, regional factor and individual factor.

The basic formula is as follows:

Real estate value of subject of valuation = real estate value of comparable case × correction coefficient of transaction situation × correction coefficient of transaction date × correction coefficient of regional factor × correction coefficient of individual factor.

7. *Fixed assets of equipment*

Machinery equipment, electronic equipment and vehicles are appraised by using cost method.

Appraised value = replacement full price × residue rate

Replacement full price refers to the total cost of re-purchasing, constructing, or forming assets in a completely new state that is identical or substantially similar to the subject of valuation under current conditions. Replacement full price is composed of the current market price at the time point of the valuation base date, freight and miscellaneous charges, installation and commissioning expenses and other reasonable expenses. Namely:

Replacement full price = equipment purchase price + freight and miscellaneous charges, installation and commissioning expenses + other reasonable expenses – deductible value-added tax

Determination of replacement full price of domestic equipment

The replacement full price of equipment is determined with the sum of the current market value plus the reasonable transportation and installation cost by making an inquiry in the market.

Freight and miscellaneous charges and installation expenses are usually determined in accordance with the budget estimate indicators relating to freight and miscellaneous charges, equipment foundation fees and installation and commissioning expenses in Budget Preparation Method for Construction Projects of Machinery Industry and the Budget Estimate Indicators (Ji Xie Ji (1995) No. 1041) issued by the Ministry of Machine-Building Industry on 29 December 1995, by the type of equipment.

Other reasonable expenses mainly refer to capital costs. For the equipment with long construction period and large quantity of value, its capital costs are calculated according to the construction period and payment method; for the equipment with short construction period and small quantity of value, the capital costs are generally excluded.

The residue rate reflects the ratio of the current value of the subject of valuation to the replacement full price in a new state. When the residue rate is based on the service life method, the calculation formula is:

Service life method residue rate = remaining service life/(used service life + remaining service life) × 100%;

The remaining service life is determined according to the utilization rate, load, maintenance, original manufacturing quality, failure frequency, heavy and medium repair, technical transformation and environmental conditions of the professional personnel. For the equipment (e.g. vehicles) with legal service life, the remaining service life = legal service life – used service life.

The residue rate of the simple equipment with low value and technology content is appraised by the service life method, while the residue rate of the equipment with high value and technology content is valued by the service life method and technical observation (scoring) method. Different evaluation methods are used to determine the corresponding weights, and the weighted average method is adopted to determine the integrate residue rate of the appraised equipment. The two evaluation methods are set to be 40% of service life method and 60% of technical observation (scoring) method.

Integrate residue rate = residue rate of technical observation method × 60% + Service life method residue rate × 40%

The residue rate of vehicles is determined in accordance with Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Decree No. 12 for 2012) jointly issued by Ministry of Commerce, NDRC, Ministry of Public Security and Ministry of Environmental Protection on 27 December 2012. According to the lower principle, the theoretical residue rate is determined by the two methods of vehicle mileage and service life (in which the remaining service life method is adopted for vehicles without mandatory retirement life). Finally, according to the use condition, maintenance level and whether there is any damage, replacement, renovation, the integrate residue rate is determined.

The replacement full price is multiplied by the residue rate to obtain the appraised value of the equipment.

For the equipment purchased in earlier years, the appraised value shall be determined at the second-hand market price. Fixed assets that have been scrapped with physical existence shall be appraised according to the estimated recoverable amount.

8. *Intangible assets*

The software in intangible assets is appraised by market approach.

9. *Long-term expenses to be apportioned*

For long-term expenses to be apportioned, we review their legality, reasonableness, authenticity and accuracy, as well as expenses and amortization, and determine the appraised value based on the book value of the audit for the expenses with subsequent rights or equity.

10. *Deferred income tax assets*

Deferred income tax assets are recognized by the enterprise on the basis of the deductible temporary differences and the results calculated at the applicable income tax rate. The appraiser investigates and understands the causes and formation process of the differences, and verifies whether the differences will result in the generation of deductible amount when determining the taxable income during the period of asset recovery or liability repayment in the future and whether the audited amount is in accordance with the accounting system of the enterprise and the relevant provisions of the tax law before conducting valuation.

11. *Other non-current assets*

Other non-current assets are prepaid vehicle parking fees and equipment fees, and the appraised value is confirmed according to the book value verified without error.

12. *Liabilities*

The valuation of corporate liabilities is mainly based on the review and verification of book records, review of contracts, tax return and other data. We verify the large amount payables by letter of confirmation, and take the actual liability amount assumed by the appraised entity after the valuation base date as the appraised value of the liability.

(4) Income approach is adopted to value the total value of shareholders' equity of the enterprise

The income approach adopts the cash flow model of the enterprise entity, that is, the whole cash inflow of the enterprise deducts the cost and the remaining part of necessary investment. It is the after-tax cash flow that the enterprise can provide to all investors (including equity investors and creditor investors) for a certain period of time.

This valuation is based on all the cash flows of the enterprise in the next several years, and the whole value of the enterprise is calculated by discounting at an appropriate discount rate. By adding the value of surplus assets, the value of non-operating assets, deducting the value of non-operating liabilities, and then deducting the value of interest-bearing debts, the total value of shareholders' equity can be obtained. Calculation formula:

$$E = B - D \quad (1)$$

Where:

E: The total value of shareholders' equity of the appraised entity

B: The whole value of the appraised entity

D: Value of interest-bearing debt of the subject of valuation

$$B = P + \sum C_i \quad (2)$$

P: Value of the operating assets of the appraised entity

$\sum C_i$: Value of long-term investment, other non-operating or surplus assets existing on the valuation base date of the appraised entity

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

Where:

R_i : Anticipated income (free cash flow) of the appraised entity for the i^{th} year in the future.

r: Discount rate

n: The future forecast period of the subject of valuation.

VIII. IMPLEMENTATION PROCESS AND SITUATION OF APPRAISAL PROCEDURES

The Company assigned asset appraiser to form valuation project teams. It underwent early preparation works, commencement of fieldwork in the enterprise, commencement of valuation work, completion of fieldwork and the issuance of valuation report. Detailed processes are shown below:

(1) Confirmation of basic information of valuation

When undertaking the valuation, we confirmed the relevant parties such as the consignor, the appraised entity, other users of the assets valuation report, valuation purpose, the subject of valuation and the scope of valuation, type of value, valuation base date, valuation assumptions, and limitations through various ways such as communication with consignor and checking of information as well as the preliminary survey.

(2) Entering into of asset valuation commission contract

According to the specific circumstances of the valuation, after comprehensive analysis of our professional competence and independence, and evaluation of risks of the project, we determined to undertake the valuation and entered into the asset valuation commission contract with the consignor.

(3) Formulation of asset valuation plan

We formulated a reasonable asset valuation plan based on the characteristics, scale and complexity of this valuation project and we shall revise, supplement the asset valuation plan during the course of asset valuation in tandem with the circumstances in a timely manner.

(4) Fieldwork

We performed fieldwork necessary to check the subject of valuation as required by the circumstances of the valuation, and guided the appraised entity in examining assets, preparing valuation information, verifying assets and checking of data, including collating asset valuation declaration form with relevant financial statements, general ledger and subsidiary ledger of the appraised entity, verified the relevant information and took necessary measures to ensure the credibility of the information source. We conducted necessary on-site inspection on properties and other physical assets to have a better understanding of the usage and function of the assets.

(5) Valuation method determination and information collection

We determined appropriate valuation methods by understanding the subject of valuation and assets within the scope of valuation. Meanwhile, we collected market information and data relating to asset valuation, which shall be supplemented with the necessary information as required during the course of valuation.

(6) Financial and operational analysis and review of profit forecast

We conducted analysis on historical operational performance, revenue, cost and expense formation and the reasons for their changes, business model, earnings-generating capacity and development trend, comprehensive strength, management level, profitability, development capacity and competitive edge of the appraised entity. The profit forecast prepared by the enterprise was reviewed according to the financial plan and development plan of the appraised entity, as well as the analysis on economic condition and market development condition.

(7) Validation and estimating and in-house review

We organized information provided by the appraised entity and market information and data collected. Based on the analysis of financial operation condition of the appraised entity, we properly adopted valuation methods in accordance with the fundamental principles and standard requirements of valuation to derive the preliminary valuation conclusion. We synthetically analyzed the quantity, quality and selection rationality of the information, materials and parameters to reach the asset valuation conclusion. The Valuer shall prepare the asset valuation report according to the valuation standard and necessary internal review shall be conducted.

(8) Issuance of asset valuation report

We presented the asset valuation report to the consignor in a proper way through necessary communication with the consignor and parties concerned, took into consideration feedback on the valuation result from different parties and guided the consignor and other users of the report to correctly understand the valuation result.

IX. VALUATION ASSUMPTIONS**(1) Fundamental assumptions**

1. Trading assumptions: If the subject of valuation is in the course of transaction processes, it is assumed that the asset appraiser will conduct valuation according to simulated marketplace situation, including transaction conditions of the subject of valuation. The result of the valuation is an estimate of the price at which the subject of valuation is most likely to be transacted.

2. Open market assumptions: If the subject of valuation and its assets involved are traded in the open market where each of the buyer and the seller is provided with equal opportunity and time to have access to adequate market information, it is assumed that the trading behaviours of both the buyer and the seller are conducted under voluntary, rational, non-mandatory conditions.

3. Enterprise going concern assumptions: It is assumed that the appraised entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose: The assumption about the use of an asset for an existing purpose is an assumption about the conditions under which the asset is to enter the market and the use status of the asset under such market conditions. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

5. Asset in situ use assumption: In situ use assumption refers to the assumption that the assets will remain in the original place or the original place of installation for continuous use.

(2) Macroeconomic environment assumptions

1. No major change in the existing national economic policy;
2. No significant change in bank credit interest rate, exchange rate and tax rate;
3. No significant change in the social and economic environment of the region where the appraised entity is located;
4. The development trend of the industry of the appraised entity is stable, and remains stable with the existing laws, regulations and economic policies related to the production and operation of the appraised entity;

(3) Assumption of state of the subject of valuation on the valuation base date

1. Save for the knowledge as to the appraiser, it is assumed that the purchase, acquisition or development processes of the subject of valuation and its assets involved are in compliance with relevant national laws and regulations.

2. Save for the knowledge as to the appraiser, it is assumed that the subject of valuation and its assets involved bear no defects of rights, liabilities and restrictive conditions that may affect their value, and it is presumed that considerations, taxes and amounts payable relating to the subject of valuation and its assets involved have been fully settled.

3. Save for the knowledge as to appraiser, it is assumed that the subject of valuation and its tangible assets involved are free from any major technical failure that may affect their continuous usage, that such assets contain no hazardous substances that may adversely influence their value, and that the places where such assets are located are subject to no hazardous materials and other harmful environmental conditions that may cause detrimental impacts on the value of such assets.

(4) Prediction assumptions under income approach***1. General assumptions***

(1) It is assumed that the enterprise involved with the subject of valuation will continue to operate according to its original operation purpose and operation manner after the realization of the economic activities relevant to the valuation purpose and the revenue is predictable;

(2) It is assumed that the enterprise involved with the subject of valuation remains at the same management level as at the valuation base date (or as those of general market participants) in its subsequent operation, regardless of the future ownership management level's influence on the anticipated income of the enterprise;

(3) The accounting policies adopted in the future earnings forecast are basically consistent with all the major aspects of the accounting policies adopted by the appraised entity in previous years and at the time of compiling this report;

(4) No significant change in tax policy and current tax rate;

(5) The calculation of the revenue is conducted in accordance with the accounting years in the PRC and occurs evenly;

(6) No other unpredictable factors or force majeure having major influence on the appraised entity;

(7) Possible synergy upon the implementation of this economic activity is not considered for future earnings.

2. *Special assumptions and major parameters*

(1) The future income forecast of the appraised entity involved in the income approach is based on the income forecast jointly recognized by the management layer of the appraised entity and its shareholders.

(2) There is no significant change in the supply and price of raw materials and auxiliary materials consumed in the production and operation of the appraised entity; there is no unforeseeable significant change in the product price of the appraised entity;

(3) The leased site for business operation may be renewed upon expiration; the operating period and license may be extended upon expiration;

(4) There is no significant change in the financial structure and capital scale of the appraised entity within the future operating period;

The appraiser determines that the assumptions provided by the management layer are valid on the valuation base date according to the requirements of applying the income approach to value the enterprise, and deduces corresponding valuation conclusions based on these assumptions. If there is a significant change in the future economic environment or other assumptions are not valid, the appraiser will not be liable for possible derivation of different valuation results due to changes in the assumptions.

(5) Limitation assumptions

1. This valuation report assumes that the legal documents, technical information and operational information and other information provided by the consignor are authentic, and we bear no legal liabilities arising from the assets ownership of the subject of valuation.

2. Unless otherwise stated, this valuation report assumes that the results of fieldwork of tangible assets identified through their visible physical appearance are roughly consistent with their actual economic service life. Specific technical check was not performed on technical data, situation, structure and attachments.

X. VALUATION CONCLUSION

(1) Valuation results

The market value valuation results of the total shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date under continuous operation are as follows:

1. *Asset-based approach*

As at the valuation base date, the book value of the assets of Le Coq Sportif (Ningbo) Co., Ltd. amounted to RMB428.6749 million, the appraised value was RMB444.3089 million, and the added value was RMB15.634 million, with the value-added ratio of 3.65%; the book value of liability amounted to RMB251.5457 million, and the appraised value was RMB252.9697 million, and the added value was RMB1.424 million, with the value-added ratio of 0.57%; the book value of the total shareholders' equity amounted to RMB177.1292 million, the appraised value was RMB191.3391 million, and RMB14.2099 million, with the value-added ratio of 8.02%, as shown in the table below:

Consolidated Table of the Asset Valuation Conclusion

Valuation base date: 31 December 2019

Unit: RMB0,000

Items		Book value A	Appraised value B	Amount of depreciation or appreciation C = B – A	Appreciation rate % D = C / A × 100%
Current assets	1	34,796.25	36,188.78	1,392.53	4.00
Non-current assets	2	8,071.24	11,042.11	2,970.87	36.81
Total assets	20	42,867.49	44,430.89	1,563.40	3.65
Current liabilities	21	23,383.50	23,522.00	138.50	0.59
Non-current liabilities	22	1,771.07	1,774.97	3.90	0.22
Total liabilities	23	25,154.57	25,296.97	142.40	0.57
Owners' equity (shareholders' equity)	24	17,712.92	19,133.91	1,420.99	8.02

For details of the valuation conclusion under the asset-based approach, please refer to the detailed statement of asset valuation.

2. *Valuation result under the income approach*

The market value of the total shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date amounted to RMB241 million, RMB177.1292 million higher than the book value, with a value of RMB63.8708 million added to the valuation and a value-addition ratio of 36.06%.

The key data and assumptions used in the above assessments are as follows:

Revenue growth rate within the five-year period: 5.21%–8.86%

Net profit margin on sales: 2.92%–5.20%

The revenue growth rate within the five-year period and net profit margin on sales are determined based on the historical data of the enterprise in the last three years and the analysis of the prospects of the industry where the enterprise operates.

Weighted cost of capital (discount rate): 11.20%

The weighted average cost of capital (WACC) is the rate of expected return from an investment by shareholders of the enterprise and interest-bearing creditors, determined based on the weighted average method using the proportion of the owners' equity and interest-bearing debts in the capital structure of the enterprise, the calculation formula is:

$$WACC = \frac{E}{D + E} \times K_e + \frac{D}{D + E} \times (1 - t) \times K_d$$

Wherein:

WACC: Weighted average cost of capital

E : Market value of equity

D : Market value of debts

Ke : Cost of equity capital

Kd : Cost of debt capital

t : Income tax rate

For equity capital cost, the capital asset model pricing (CAMP) is adopted to determine the equity capital cost. The calculating formula is as follows:

$$K_e = R_f + ERP \times \beta L + R_c$$

Wherein:

R_f : Risk-free return rate;
 ERP : Market risk premium;
 βL : Systematic risk coefficient of equity;
 R_c : Enterprise specific risk adjustment coefficient;

The valuation result under the income approach is taken as the valuation conclusion of this valuation report.

(2) Analysis and application of valuation results

1. Analysis of valuation results

The income approach is adopted to value the shareholders' equity value of the enterprise, with a result of RMB241 million. The asset-based approach is used to value the shareholders' equity value of the appraised entity, with a result of RMB191.3391 million. The difference between the two is RMB49.6609 million, and the reasons for the difference between the two methods are roughly as follows:

Asset-based approach valuation takes the cost replacement of assets as the value standard, which reflects the socially necessary labor (cost of purchase and construction) consumed by the investment of assets, and the cost of purchase and construction will change with the change of national economy. However, income approach valuation takes the anticipated income of assets as the value standard, reflecting the size of the assets' operating capacity (profitability) which will usually be affected by macro economy, government control, business management, and effective use of capital. It should be normal to produce inconsistent results under two different accounting approaches, and the reasons for the difference between the two methods are mainly as follows:

First, it reflects the high efficiency and strong profitability of the asset operation of the enterprise, resulting in a certain degree of asset premium that cannot be accounted in the tangible assets; second, there may be some intangible assets that cannot be accounted in the production and operation of the enterprise, such as advantages in the franchise field, patent technology, proprietary technology, marketing network, R & D talents, management team and goodwill of the enterprise. These factors cannot be reflected in the corresponding asset value in the asset-based approach valuation, so the valuation result of the income approach is higher than that of the asset-based approach to some extent.

2. *Application of valuation results*

Asset-based approach and income approach are adopted to value the total value of shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date, respectively. For the purpose of this project, the result of the income approach valuation is a reflection of the market value reflected in the profitability of the enterprise formed by the comprehensive elements of Le Coq Sportif (Ningbo) Co., Ltd. It fully reflects the core value of the enterprise, such as technical advantage, R & D advantage, marketing pipeline relationship and management team accumulated by the enterprise for many years, which is more reasonable than the valuation conclusion of the asset-based approach. Therefore, the valuation conclusion under income approach is adopted as the valuation conclusion.

(3) Final valuation conclusion

According to the above analysis and valuation results, under the aforesaid valuation assumptions and restrictive conditions, the valuation conclusion of this valuation report is that the total value of shareholders' equity of Le Coq Sportif (Ningbo) Co., Ltd. on the valuation base date is RMB241 million.

(4) Terms of validity of valuation results

The valuation conclusion of this asset valuation report shall be valid within one year from the valuation base date, that is, the validity period of the valuation conclusion shall be from 31 December 2019 to 30 December 2020.

XI. SPECIAL NOTICES

(1) The list of assets and liabilities involved in the subject of valuation shall be reported and confirmed by the consignor and the appraised entity; the report is based on the premise that data provided by the appraised entity are true, legal and complete. The valuation company does not independently review the evidentiary data or liabilities related to economic behaviour resolutions, business licenses, warrant and accounting vouchers provided by the appraised entity, nor is it responsible for the authenticity of the aforesaid data.

(2) The asset appraiser has conducted fieldwork of the subject of valuation and the assets involved in the valuation report; the asset appraiser has given necessary attention to the legal ownership status of the subject of valuation and the assets involved, has examined the legal ownership data of the subject of valuation and the assets involved, has truthfully disclosed the discovered problems, and has requested the consignor and relevant parties to improve property rights to meet the requirements of issuing the valuation report.

(3) In the absence of special notices from the consignor and the appraised entity and the appraisers are not generally aware by professional experience, the asset valuation institute and the asset valuation professionals shall not be liable for the flaws in the enterprise that may affect the valuation of total equity value of shareholders

(4) The impact of liquidity factors on the valuation conclusion is not considered in this valuation.

(5) The impact of controlling equity premium on the valuation conclusion is not considered in this valuation.

(6) Since the appraised entity is an ordinary VAT taxpayer, the appraised value of fixed assets and equipment is exclusive of VAT.

(7) The valuation results do not take into account the related taxes that may exist in the depreciation or appreciation of the value other than the intercourse funds.

(8) In July 2019, the appraised entity signed a mortgage contract with Ningbo Yinzhou Branch of Bank of China numbered Yinzhou 2019 Rendi 084 (the master contract is the current fund loan contract of RMB16 million signed with Bank of China numbered Yinzhou 2019 Renjie No. 331, with a loan amount of RMB16 million and a loan term of one year), with a maximum amount of claims of RMB31.1 million. The mortgage date is from 19 July 2019 to 31 December 2029. The list of collaterals is as follows:

Location	Property No.	Construction area (m ²)	Purpose	Property Owner
Room 18-1, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171412	286.06	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-2, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169947	286.06	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-3, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169944	255.99	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-4, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169939	384.21	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-5, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169926	255.99	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-6, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0169917	394.65	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 18-7, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171414	266.88	Office	Le Coq Sportif (Ningbo) Co., Ltd.

As of the valuation base date, the loan has not been repaid. This valuation does not take into account the impact of the mortgage on the valuation results.

(9) In July 2019, the appraised entity signed a mortgage contract with Ningbo Yinzhou Branch of Bank of China numbered Yinzhou 2019 Rendi 085 (the master contract is the fixed assets loan contract signed with Bank of China numbered Yinzhou 2018 Rengu No. 017, with a loan amount of RMB28.72 million and a loan term of five years), with a maximum amount of claims of RMB31.5 million. The mortgage date is from 19 July 2019 to 31 December 2029. The list of collaterals is as follows:

Location	Property No.	Construction area (m ²)	Purpose	Property Owner
Room 19-1, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170247	286.57	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-2, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170215	286.57	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-3, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170160	255.97	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-4, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171411	384.18	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-5, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171417	255.97	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-6, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0171418	394.63	Office	Le Coq Sportif (Ningbo) Co., Ltd.
Room 19-7, Ningbo Central Building	Zhe (2019) Ning Bo Shi Yin Zhou Bu Dong Chan Quan No. 0170163	266.86	Office	Le Coq Sportif (Ningbo) Co., Ltd.

As of the valuation base date, the loan of RMB23.4547 million has not been repaid. This valuation does not take into account the impact of the mortgage on the valuation results.

(10) This valuation does not consider the adverse impact of large-scale outbreak of COVID-19 on the operation of the enterprise in early 2020.

XII. INSTRUCTIONS FOR USE RESTRICTIONS OF ASSET VALUATION REPORT

1. The asset valuation report can only be used for the purpose and use specified in the valuation report. At the same time, the valuation conclusion reflects the current fair market price determined by the subject of valuation under the principle of open market for the purpose of this valuation, and does not take into account mortgage and guarantee matters that may be undertaken in the future, and the impacts of an additional price implicated by a special party on the appraised value. At the same time, the report does not consider the effect of changes in national macroeconomic policies and natural forces and other force majeure on asset prices. When the foregoing conditions and the principle of continuous operation followed in the valuation change, the valuation conclusion will generally become invalid. The valuation institute shall not be liable for the failure of the valuation results as a result of changes in these conditions.

The prerequisite for the establishment of this asset valuation report is that this economic behaviour complies with relevant provisions of national laws and regulations and is approved by relevant departments.

2. When all or part of the contents of the valuation report are extracted, quoted or disclosed in the public media, the valuation institute shall review relevant contents, unless otherwise agreed by laws, regulations and relevant parties.

3. If the consignor or other users of the asset valuation report fail(s) to use the asset valuation report according to the scope of use specified in the laws and administrative regulations and the asset valuation report, the asset valuation institute and the asset appraiser shall not be liable.

4. No institute or individual shall become a user of the asset valuation report other than the consignor, other users of the asset valuation report specified in the asset valuation commission contract and users of the asset valuation report specified by laws and administrative regulations.

5. Users of the asset valuation report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equal to the realizable price of the subject of valuation. The valuation conclusion should not be regarded as the guarantee of the realizable price of the subject of valuation.

6. The valuation conclusion disclosed in this asset valuation report is valid only for the economic behaviour described in the asset valuation report, and the valuation conclusion is valid for one year from the valuation base date.

XIII. DATE OF ASSET VALUATION REPORT

The date of this asset valuation report is 30 March 2020

NOTICE OF EGM

杉杉品牌運營股份有限公司

Shanshan Brand Management Co., Ltd.

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

(Stock Code: 1749)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR 2020

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting for 2020 (“EGM”) of Shanshan Brand Management Co., Ltd. (the “**Company**”) will be held at Conference Room, Third floor of Building B1, Shanshan New Energy Base, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the People's Republic of China (the “**PRC**”) on Monday, 22 June 2020 at 10 a.m. for the purpose of considering and, it thought fit, passing the following resolution:

BY WAY OF ORDINARY RESOLUTION:

1. “**THAT**

- (a) the equity transfer agreement (the “**Equity Transfer Agreement**”) dated 29 April 2020 between Ningbo Shanshan Fashion Brand Management Co., Ltd.* (寧波杉杉時尚服裝品牌管理有限公司), a wholly-owned subsidiary of the Company as the transferor and Ningbo Shanshan Rongguang Apparel Co., Ltd.* (寧波杉杉榮光服飾有限公司) as the transferee (a copy of which has been produced to the EGM marked “**A**” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved and confirmed; and
- (b) any one or more of the directors of the Company be and is/are hereby authorized for and on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry and implement the Equity Transfer Agreement and all the transactions contemplated thereunder.”

For and on behalf of

Shanshan Brand Management Co., Ltd.

Yan Jingfen

Executive Director and Joint Company Secretary

NOTICE OF EGM

Notes:

- a. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Saturday, 6 June 2020 to Monday, 22 June 2020, both days inclusive, during which period no Share transfers will be registered. Since the register of members of the Company will be closed from Wednesday, 6 May 2020 to Friday, 5 June 2020, both days inclusive, for the 2020 annual general meeting, the 2020 first H shareholders' class meeting and the 2020 first domestic shareholders' class meeting to be held on Friday, 5 June 2020, unregistered holders of Shares who wish to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant share certificates to (in case of H Shareholders) the H Share Registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or (in case of Domestic Shareholders) registered office address at the office of the Board of Directors, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province in PRC, no later than 4:30 p.m. on Tuesday, 5 May 2020.
- b. Shareholders who intend to attend the EGM should complete the reply slip for the EGM and return it by hand or by fax (fax number: (852) 2890-9350) or by post to (in case of H Shareholders) the H Share Registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or (in case of Domestic Shareholders) the Company's registered office address at the office of the Board of Directors, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province not later than 20 days before the date of EGM, i.e., on or before Tuesday, 2 June 2020.
- c. A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
- d. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, at the EGM in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of H Shares of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- e. The instrument appointing the proxy must be in writing and signed by the appointor or his/her attorney duly authorised in writing, or if the appointer is a legal person, either under a legal person's seal or signed by its director or an attorney duly authorised in writing.
- f. In order to be valid, the proxy form of Shareholders for the EGM must be deposited by hand or by fax or by post to (in case of H Shareholders) the H Share Registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or (in case of Domestic Shareholders) the Company's registered office address at the office of the Board of Directors, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, not less than 24 hours before the time for holding the EGM or any adjournment thereof for taking the poll. Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above EGM or any adjournment thereof (as the case may be) if they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- g. The EGM (or any adjournment thereof) is expected to be concluded within a day. Shareholders or their proxies attending the EGM (or any adjournment thereof) shall be responsible for their own travelling and accommodation expenses.

* *For identification purpose only*

As at the date hereof, the executive Directors are Mr. Cao Yang, Mr. Luo Yefei and Ms. Yan Jingfen; the non-executive Directors are Mr. Zhuang Wei, Mr. Yang Feng and Ms. Hui Ying; and the independent non-executive Directors are Mr. Au Yeung Po Fung, Mr. Wang Yashan and Mr. Wu Xuekai.