

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

La Chapelle

上海拉夏貝爾服飾股份有限公司

Shanghai La Chapelle Fashion Co., Ltd.

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

(Stock code: 06116)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A PROPERTY HOLDING COMPANY

THE DISPOSAL

On 19 June 2020, the Vendor (a wholly-owned subsidiary of the Company) entered into a Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, representing 100% of the equity interest in the Target Company, for the Consideration of approximately RMB725,000,000 subject to the terms and conditions of the Sale and Purchase Agreement.

Upon completion of the Disposal, the Target Company will cease to be a direct subsidiary of the Vendor and an indirect subsidiary of the Company and the financial results as well as the assets and liabilities of the Target Company will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but are all less than 75%, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major transaction of the Company, and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE SSE LISTING RULES

According to the relevant provisions of the SSE Listing Rules and the Articles of Association, the Disposal shall be subject to the approval of the Shareholders at the EGM.

EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the Disposal contemplated thereunder, and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolution.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Disposal and (ii) the notice of the EGM and other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2020, which is more than fifteen (15) business days after the date of this announcement, to allow for sufficient time to prepare the information to be disclosed in the circular.

GENERAL

Shareholders and potential investors should note that the Disposal is subject to certain conditions and may or may not materialise. There is no assurance that the Disposal will proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

THE DISPOSAL

On 19 June 2020, the Vendor (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest from the Vendor at the consideration of approximately RMB725,000,000 subject to the terms and conditions of the Sale and Purchase Agreement.

Sale and Purchase Agreement

Date	19 June 2020
Vendor	The Vendor, being La Chapelle Apparel (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司), a wholly-owned subsidiary of the Company

Purchaser	<p>The Purchaser, being Shanghai Shihuai Logistics Co., Ltd.* (上海世淮物流有限公司)</p> <p>To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is a party independent of the Company and its connected person.</p>
Subject matter – assets to be disposed of	The Target Equity Interest held by the Vendor. The underlying asset held by the Target Company is the Target Property.
Consideration	<p>The total Consideration for the Target Equity Interest is approximately RMB725,000,000 and is calculated as follows:</p> <ul style="list-style-type: none"> (i) RMB712,000,000, which is the estimated value of the Target Property on the basis that there are no encumbrances over the Target Property agreed upon by the Vendor and the Purchaser (“Estimated Target Property Valuation”). (ii) minus: the absolute value of the net debt amount of the Target Company as shown in the adjusted net assets statement made in accordance with the net asset adjustment principle as agreed by the Vendor and the Purchaser in writing from time to time on the date of the issuance of the Target Company's new business licence from the AIC; (iii) plus: subject to the Target Company obtaining the VAT invoice for the Asset Transfer issued by the Vendor and confirmed by the Purchaser, (i) 40% of the book value of the output VAT as confirmed by the Purchaser arising from the Asset Transfer by the Target Company or (ii) RMB14,000,000 (whichever is the lesser).
Terms of payment	The Vendor and the Purchaser have agreed that on the Completion Date or the next business day following the Completion Date, the Purchaser shall pay RMB140,000,000 as the first instalment of the Consideration (the “ First Instalment ”).

On (i) the date on which the adjusted net asset statements are agreed upon between the parties or (ii) on the expiration of 20 business days after the Asset Transfer is fully completed and confirmed by the Purchaser (whichever occurs later), the Purchaser shall pay to the Vendor the balance of (i) the Consideration minus (ii) the First Instalment, the Third Instalment and the Fourth Instalment (the “**Second Instalment**”).

On the date being sixty (60) days following (i) the Completion Date; (ii) the date on which the Target Company obtains the drainage permit related to the Target Property; or (iii) the Asset Transfer is completed and confirmed by the Purchaser (whichever occurs later), the Purchaser shall pay the Vendor RMB300,000,000 (the “**Third Instalment**”).

Within one year following the Completion Date, the Purchaser shall pay RMB103,270,000 to the Vendor, unless otherwise agreed by the parties (the “**Fourth Instalment**”).

Basis of Consideration:

The Company conducted thorough market research and investor inquiry, and selected the counterparty for the Disposal on the principle of ensuring the Company’s maximum interests after having conducted in-depth communication and negotiations. The Consideration was decided upon arm’s length negotiations, taking into account the current status of the Target Property, the latest market conditions and terms of payment.

Conditions precedent:

Completion of the Disposal is subject to the satisfaction or waiver of the following conditions (the “**Conditions**”):

- (a) the Target Company having submitted to the market supervision and administration bureau where the Target Company is registered (“**AIC**”): (i) the registration application for the transfer of the Target Equity Interest; (ii) the documents for the replacement of the Target Company’s existing legal representatives, directors, supervisors and managers with the designated persons appointed by the Purchaser; (iii) the Target Company’s adoption of the new articles of association; (iv) specifying in the business licence application the additional scope of business to include “the lease and operation of factory buildings and warehouses” (collectively the “**AIC Application**”), and the Target Company having obtained the updated business licence issued by the relevant registration authority as well as registration and filings in respect of the Target Company confirming all changes under the AIC Application have been registered (the “**AIC Approval**”);
- (b) the Vendor having transferred the property rights in the Target Property to the Target Company and complete such other actions as agreed between the Purchaser and the Vendor in writing from time to time (the “**Asset Transfer**”); and
- (c) the satisfaction of other conditions agreed in writing between the Purchaser and the Vendor from time to time (in which case; the Company will disclose such additional conditions (if any) as and when necessary in accordance with the Listing Rules).

Further, the Sale and Purchase Agreement shall only become effective after: (i) the Purchaser has confirmed in writing to the Vendor that it has obtained the approval of the advisory committee of the Purchaser’s indirect shareholder, CBRE Phase I (Shanghai) Equity Investment Fund Partnership (Limited Partnership) * (邦魏理仕一期(上海)股權投資基金合夥企業(有限合夥)), for entering into the Sale and Purchase Agreement and (ii) the Vendor has confirmed in writing to the Purchaser that Shareholders’ approval from the EGM has been obtained.

Other than the AIC Approval and Shareholders' approval to be obtained in the EGM, the Vendor shall, and shall procure the Target Company to, satisfy all the other Conditions (unless otherwise waived by the Purchaser) and submit the AIC Application to the AIC within five (5) business days of satisfaction of the Conditions.

The Vendor shall use its best endeavours to ensure, and procure the Target Company to ensure, that the Conditions are satisfied in time to complete the Disposal on or before 30 September 2020 ("**Longstop Date**"). If the Conditions are not satisfied on or before the Longstop Date or a later date as determined by the Purchaser, the Purchaser may notify the Vendor in writing to terminate the Sale and Purchase Agreement. The First Instalment will be returned to the Purchasers if the Conditions are not satisfied before the Longstop Date.

Except for the AIC Approval and the Shareholder's approval in the EGM, the Purchaser may notify the Vendor in writing to waive any other Condition. Any such waiver does not affect the Vendor's obligation to satisfy any other condition(s) as soon as possible following completion.

Completion:

Subject to the satisfaction of all the Conditions (unless otherwise waived by the Purchaser), Completion shall take place on the second business day after the Target Company obtains the AIC Approval or such other date that may be agreed by the Vendor and the Purchaser (the "**Completion Date**").

REASONS FOR AND BENEFITS OF THE DISPOSAL

Due to the challenges brought about by changes in the internal and external environment, the Company has been in a period of strategic adjustment in the past two (2) years. The sale of the Target Equity Interest can effectively revitalise the Company's long-term assets and provide financial support for the development of its core business. The Disposal meets: (i) the Company's business development objectives and needs; (ii) is conducive to optimising the Company's asset and liability structure, concentrating resources to strengthen the Company's core competitiveness; and (iii) further enhances the Company's ability to continue its operations, thereby promoting the smooth implementation of the Company's adjustment and transformation. The Disposal will not have a significant impact on the Company's normal operations.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal and the transactions contemplated thereunder (including the Consideration and terms of payment) are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

After preliminary calculations by the Company, the Disposal is expected to generate a gain of approximately RMB337.22 million. The pre-tax gain from the Disposal is equal to the Estimated Target Property Valuation minus the book value of the Target Property minus the commitment fee minus the Target Company's net debt. In view of the market uncertainties, including the Asset Transfer and subsequent performance of the Disposal, and the actual value of the Target Property in the property valuation report, the final amount is subject to the audit of the Company's accountants.

The actual gain or loss arising from the Disposal shall be determined based on the net asset value of the Target Company as at the Completion Date. The above calculation and accounting treatment are subject to changes on the actual Completion Date.

USE OF PROCEEDS FROM THE DISPOSAL

The Group intends to apply proceeds from the Disposal for financing principal business development, repayment of debts (including but not limited to entrusted loans and project financing) and/or general working capital of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 6 December 2019. It is a wholly-owned subsidiary of the Vendor and an indirect subsidiary of the Company. It is currently an investment holding company and is principally engaged in warehousing services, loading and unloading handling services, real estate brokerage services, as well as property management.

As the Target Company is newly established, the net profits (both before and after taxation) attributable to the Target Company for the last two financial years required to be disclosed under Rule 14.58(7) of the Listing Rules is not available as at the date of this announcement.

The Company will in due course appoint a qualified accountant to conduct an audit on the Target Company pursuant to the SSE Listing Rules and will appoint a property valuer to appraise the value of the Target Property pursuant to the Listing Rules, and ensure that the official accountant report and property valuation report of the Target Company and Target Property, respectively, will be obtained prior to the EGM. The Company will make prompt disclosure in accordance with the relevant regulations at the relevant time.

As at the date of this announcement, the entire equity interest in the Target Company is held by the Group. Upon completion of the Disposal, the Target Company will cease to be a direct subsidiary of the Vendor and an indirect subsidiary of the Company and their financial results as well as assets and liabilities of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET PROPERTY

The Target Property is located at 116 Guangzhou East Road, Taicang City, Jiangsu Province in the PRC, with an area of 128,273.70 square metres over four buildings, and the land use rights area is 126,922.12 square metres over a total of two land plots, of which one land plot is for land storage, and the order for industrial land (the “**Target Property**”).

As at 31 March 2020, the original book value of the Target Property amounted to RMB464.64 million, the accrued depreciation and amortization amount was RMB77.99 million and the net book value was RMB386.64 million.

According to the valuation report issued by Bandung (Shanghai) Assets Appraisal Co., Ltd.* (萬隆(上海)資產評估有限公司) (the “**Bandung Valuation Report**”), pursuant to the valuation date of 31 March 2019, the total value of the Target Property was RMB386,645,500.

The Company mortgaged the Target Property and pledged the Target Equity Interest as security for the entrusted loans in the amount of RMB550 million. Please refer to the overseas regulatory announcement the Company dated 27 November 2019 and 18 December 2019 for further details.

As at the date of this announcement, the Company is actively negotiating a solution with the entrusted loan creditors to release the mortgage and pledge of the Target Property and the Target Company.

INFORMATION ON THE GROUP

The Group is principally engaged in the design, marketing and sale of apparel products with a focus on mass-market ladies’ casual wear in the PRC. The Company strives to offer customers fashions through apparel products under 5 brands, including La Chapelle, Puella, 7.Modifier, Candie’s and La Babite.

INFORMATION ON THE VENDOR

The Vendor is a company established under the laws of PRC with limited liability and is a wholly-owned subsidiary of the Company. The Vendor is principally engaged in clothing and retail in the PRC. Its scope of business includes design, produce, process, and sell apparel and apparel; distribute apparel, apparel, shoes and hats, leather products, luggage, apparel fabrics, clothing accessories, needle textiles, daily necessities, bedding, craft gifts, sports goods, cosmetics etc.

FINANCIAL INFORMATION OF THE VENDOR

The financial information of the Vendor is set out below and is based on its unaudited financial statements for the year ended 31 December 2019, prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended December 2019 <i>RMB</i> (unaudited)	For the three months ended 31 March 2020 <i>RMB</i> (unaudited)
Total asset value	1,370,065,700	1,338,033,300
Net asset value	(223,995,000)	(285,145,200)
Operating income	1,554,271,900	134,813,400
Net profit/(loss)	(304,225,300)	(61,150,200)

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the PRC with limited liability (sole proprietorship of foreign legal person). Its scope of business includes domestic cargo transportation agency, investment management, warehousing services (except hazardous chemicals), loading and unloading services, business management consulting. The ultimate beneficial owner of the Purchaser is CBRE I (Shanghai) Equity Investment Fund Partnership (Limited Partnership) who owns the entire equity interests in the Purchaser and, as of 31 December 2019, had total assets of RMB2,423.46 million, and net assets were RMB2,374.65 million, the operating income in 2019 was RMB116 million, and the net profit was RMB87.01 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but are all less than 75%, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a major transaction of the Company, and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE SSE LISTING RULES

According to the relevant provisions of the SSE Listing Rules and the Articles of Association, the Disposal shall be subject to the approval of the Shareholders at the EGM.

EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the Disposal contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the Disposal contemplated thereunder, and therefore, no Shareholder is required to abstain from voting at the EGM for the relevant resolution.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Disposals and (ii) the notice of the EGM and other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2020, which is more than fifteen (15) business days after the date of this announcement to allow for sufficient time to prepare the information to be disclosed in the circular.

GENERAL

Shareholders and potential investors should note that the Disposal is subject to certain conditions and may or may not materialise. There is no assurance that the Disposal will proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“A Shares”	RMB-denominated ordinary share(s) of the Company of RMB 1.00 each, all of which are issued in the PRC, subscribed in RMB and listed on the Shanghai Stock Exchange (stock code: 603157)
“AIC”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Conditions precedent” in this announcement
“AIC Application”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Conditions precedent” in this announcement

“AIC Approval”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Conditions precedent” in this announcement
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Asset Transfer”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Conditions precedent” in this announcement
“Bandung Valuation Report”	has the meaning ascribed to it in the section headed “Information on the Target Property” in this announcement
“Board”	the board of Directors
“Company”	Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A Shares and H Shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively
“Conditions”	the conditions to completion specified under the Sale and Purchase Agreement as set out in the section headed “Sale and Purchase Agreement – Conditions precedent” in this announcement
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal (being approximately RMB725,000,000) pursuant to the terms of the Sale and Purchase Agreement as set out in the section headed “The Disposal – Sale and Purchase Agreement – Consideration” in this announcement
“Completion Date”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Completion” in this announcement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Target Equity Interest by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder

“Estimated Target Property Valuation”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Consideration” in this announcement
“First Instalment”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Terms of payment” in this announcement
“Fourth Instalment”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Terms of payment” in this announcement
“Group”	the Company and its subsidiaries
“H Shares”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and are traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longstop Date”	has the meaning ascribed to it in the section headed “The Disposal – Sale and Purchase Agreement – Conditions precedent” in this announcement
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Shanghai Shihuai Logistics Co., Ltd.* (上海世淮物流有限公司), a company incorporated under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 June 2020 entered into between the Vendor and the Purchaser in respect of the Target Equity Interest
“Share(s)”	the A Share(s) and the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares

“SSE”	The Shanghai Stock Exchange
“SSE Listing Rules”	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Taicang Xiawei Storage Co., Ltd. (太倉夏微倉儲有限公司), a wholly-owned subsidiary of the Vendor and indirect subsidiary of the Company.
“Target Equity Interest”	100% of the equity interest in the Target Company
“Target Property”	has the meaning ascribed to it in the section headed “Information on the Target Property” in this announcement
“VAT”	value added tax
“Vendor”	La Chapelle Apparel (Taicang) Co., Ltd.* (拉夏貝爾服飾(太倉)有限公司), a wholly-owned subsidiary of the Company
“%”	per cent

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

Shanghai, the People’s Republic of China
21 June 2020

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

* For identification purpose only