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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.**

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 29 April 2020, the Transferor and the Transferee entered into the Equity Transfer Agreement pursuant to which the Transferor conditionally agreed to sell and the Transferee conditionally agreed to acquire the Sale Interest at a Consideration of RMB50,000,000.

The Sale Interest represents 20% equity interest of the Target Company, which is an associate company of the Group and the financial results of which have not been consolidated in the results of the Group and have been accounted for using the equity method. Immediately after the Disposal, the Transferor will cease to hold any interest in the Target Company.

LISTING RULES IMPLICATIONS

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.

A circular containing, among other things, further details of the Equity Transfer Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 26 May 2020 as the Board expects that additional time will be required for preparing the information to be contained in the circular. A notice convening the EGM will be despatched to the Shareholders in accordance with the Articles of Association, the Listing Rules and the applicable requirements under PRC laws and regulations.

Completion is subject to fulfillment of the conditions precedent as set out in the section headed "Conditions precedent" below of this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

The Board is pleased to announce that on 29 April 2020, the Transferor and the Transferee entered into the Equity Transfer Agreement pursuant to which the Transferor has conditionally agreed to sell and the Transferee has conditionally agreed to acquire the Sale Interest at a Consideration of RMB50,000,000.

THE EQUITY TRANSFER AGREEMENT

The terms and conditions of the Equity Transfer Agreement are summarised below:

Date

29 April 2020

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 Consideration was determined after arm's length negotiation between the Transferor and the Transferee, having considered the preliminarily appraised net asset value of the Target Company as at 31 December 2019 in the amount of RMB241,000,000 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.

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
- (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.

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 announcement, 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 preemptive 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).

To the Directors’ best knowledge, as of the date of this announcement, 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.

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	10,092	24,072
Profit after taxation	<u>6,551</u>	<u>16,772</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 date of this announcement; and (ii) immediately after the Disposal (assuming no further issue or repurchase of interest of the Target Company):

Shareholders	As at the date of this		Immediately	
	announcement		after the Disposal	
	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>
	<i>shares</i>	<i>%</i>	<i>shares</i>	<i>%</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.

INFORMATION OF 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 date of this announcement. 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.

REASONS FOR AND BENEFIT OF 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.

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.

FINANCIAL EFFECT OF THE DISPOSAL AND THE PURCHASE

As at the date of this announcement, 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.

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 IMPLICATIONS

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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.

A circular containing, among other things, further details of the Equity Transfer Agreement and the transactions contemplated will be despatched to the Shareholders on or before 26 May 2020 as the Board expects that additional time will be required for preparing the information to be contained in the circular. A notice convening the EGM will be despatched to the Shareholders in accordance with the Articles of Association, the Listing Rules and the applicable requirements under PRC laws and regulations.

Completion is subject to fulfillment of the conditions precedent as set out in the section headed “Conditions precedent” above of this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“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
“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 announcement or such other date as the Transferor and the Transferee may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	consideration for the transfer of the Sale Interest
“Directors”	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
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	20% of the entire equity interest of the Target Company
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the 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

By Order of the Board
Shanshan Brand Management Co., Ltd.
Zhuang Wei
Chairman

Hong Kong, 29 April 2020

As at the date of this announcement, 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.