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La Chapelle

上海拉夏貝爾服飾股份有限公司

Shanghai La Chapelle Fashion Co., Ltd.

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

(Stock code: 06116)

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF PREFERRED SHARES IN BECOOL

THE SHARE PURCHASE AGREEMENT

The Board announces that LaCha Fashion (a wholly-owned subsidiary of the Company) has signed and became a party to the Share Purchase Agreement on 17 February 2017, pursuant to which each Investor (including LaCha Fashion) has agreed to, severally but not jointly, subscribe for the New Preferred Shares to be issued by BeCool on the terms and conditions set forth in the Share Purchase Agreement. Under the Share Purchase Agreement, BeCool has also agreed to issue to each Investor a warrant on the Closing Date, pursuant to which each Investor shall be entitled but not obligated to purchase New Preferred Shares on the terms and conditions set forth in the relevant warrant instrument. The aggregate consideration payable by LaCha Fashion to BeCool for the Investment, assuming the warrant to be issued to LaCha Fashion is exercised in full, is US\$1,463,464. The aggregate consideration payable by LaCha Fashion to BeCool for the Investment, assuming the warrant to be issued to LaCha Fashion is not exercised, is US\$731,732. In addition, pursuant to the Share Purchase Agreement LaCha Fashion shall cause the Company to enter into a loan agreement with Chengdu BeCool, under which the Company shall provide the Loan to Chengdu BeCool for a term of six months and in the principal amount of RMB5,000,000 bearing a simple interest rate of 6% per annum, which interest accrued will be waived if: (i) the Closing consummates before or on the Long-Stop Date, (ii) the Closing with respect to LaCha Fashion fails to occur due to reasons solely attributable to LaCha Fashion and/or the Company, or (iii) the Closing with respect to LaCha Fashion fails to occur due to any governmental disapprovals or rejections without fault by certain parties including BeCool, the Dora Dream Entities, LaCha Fashion and/or the Company. The Loan is subject to extension for another six months at the discretion of Chengdu BeCool upon the failure of LaCha Fashion and the Company to obtain the governmental approvals and consents with respect to LaCha Fashion's subscription of its New Preferred Shares prior to the expiration of the Loan.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, LaCha Fashion is a wholly-owned subsidiary of the Company. Since LC Funds VII is an associate of LC Fund IV, and LC Fund IV indirectly controls Good Factor Limited, a substantial shareholder of the Company, LC Fund VII and LC Parallel Fund VII are connected persons of the Company. As such, the transactions contemplated under the Transaction Documents would constitute a connected transaction of the Company under Rule 14A.23.

As the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement exceeds 0.1% but is less than 5% under Rule 14A.76 of the Listing Rules, the transactions contemplated under the Transaction Documents are subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

While none of the Directors has any material interest in the Share Purchase Agreement, for good corporate governance purpose, Mr. Li Jiaqing has abstained from voting on the resolutions of the Board approving the Share Purchase Agreement and the Investment. Save as disclosed above, no Director is required to abstain from voting on the resolution of the Board approving the Share Purchase Agreement and the Investment.

INTRODUCTION

The Board announces that LaCha Fashion (a wholly-owned subsidiary of the Company) has signed and become a party to the Share Purchase Agreement on 17 February 2017, pursuant to which each Investor (including LaCha Fashion) has agreed to, severally but not jointly, subscribe for the New Preferred Shares to be issued by BeCool on the terms and conditions set forth in the Share Purchase Agreement. Under the Share Purchase Agreement, BeCool has also agreed to issue to each Investor a warrant on the Closing Date, pursuant to which each Investor shall be entitled but not obligated to purchase New Preferred Shares on the terms and conditions set forth in the relevant warrant instrument. The aggregate consideration payable by LaCha Fashion to BeCool for the Investment, assuming the warrant to be issued to LaCha Fashion is exercised in full, is US\$1,463,464. The aggregate consideration payable by LaCha Fashion to BeCool for the Investment, assuming the warrant to be issued to LaCha Fashion is not exercised, is US\$731,732. In addition, pursuant to the Share Purchase Agreement LaCha Fashion shall cause the Company to enter into a loan agreement with Chengdu BeCool, under which the Company shall provide the Loan to Chengdu BeCool for a term of six months and in the principal amount of RMB5,000,000 bearing a simple interest rate of 6% per annum, which interest accrued will be waived if: (i) the Closing consummates before or on the Long-Stop Date, (ii) the Closing with respect to LaCha Fashion fails to occur due to reasons solely attributable to LaCha Fashion and/or the Company, or (iii) the Closing with respect to LaCha Fashion fails to occur due to any governmental disapprovals or rejections without fault by certain parties including BeCool, the Dora Dream Entities, LaCha Fashion and/or the Company. The Loan is subject to extension for another six months at the discretion of Chengdu BeCool upon the failure of LaCha Fashion and the Company to obtain the governmental approvals and consents with respect to LaCha Fashion's subscription of its New Preferred Shares prior to the expiration of the Loan.

TERMS OF THE SHARE PURCHASE AGREEMENT

Date of which LaCha Fashion became a party 17 February 2017

Parties

- (i) BeCool;
- (ii) LaCha Fashion;
- (iii) LC Fund VII;
- (iv) LC Parallel Fund VII;
- (v) Other Series A Plus Investor; and
- (vi) Other Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, BeCool, Other Series A Plus Investor, the Other Parties and the ultimate beneficial owners of the foregoing are third parties independent of the Company and its connected persons.

Conditions Precedent

The completion of the Investment is subject to the satisfaction and/or waiver (if applicable) of certain conditions precedent as set out in the Share Purchase Agreement, mainly including (i) the completion of the restructuring of BeCool so that it will hold the Dora Dream Entities by way of a variable interest entity structure, and the delivery of the executed Restructuring Documents; (ii) the entering into of the Transaction Documents; and (iii) the adoption of the amended and restated memorandum and articles of association of BeCool.

Long-Stop Date 30 June 2017

Sale and Issuance of the New Preferred Shares and Consideration BeCool shall issue and allot to each Investor the corresponding New Preferred Shares as set forth below at a per share price of US\$0.278058275.

Entity	Number of New Preferred Shares to be Subscribed	Consideration (US\$)
LC Fund VII	14,400,784	4,004,257
LC Parallel Fund VII	1,481,569	411,963
LaCha Fashion	2,631,579	731,732
Other Series A Plus Investor	789,474	219,520

After completion of the abovementioned subscription, the shareholding structure of BeCool will be as follows:

Entity	Number of Shares (Calculated on an As-Converted Basis)	Percentage (%)
LC Fund VII	14,400,784	9.07
LC Parallel Fund VII	1,481,569	0.93
LaCha Fashion	2,631,579	1.66
Other Series A Plus Investor	789,474	0.50
Others	<u>139,520,123</u>	<u>87.84</u>
Total:	<u>158,823,529</u>	<u>100</u>

Issuance of Warrants

BeCool shall issue to each Investor on the Closing Date a warrant pursuant to which each Investor shall be entitled but not obligated to purchase the corresponding additional New Preferred Shares within the warrant period at the exercise price and number as set forth below.

Warrant Period

The warrant may be exercised by each Investor during the period commencing from the Closing Date and ending on the earlier of (i) the six-month anniversary of the Closing Date; or (ii) the closing date of BeCool's next round financing prior approved under BeCool's articles of association.

Exercise of Warrants

Pursuant to the relevant warrant instrument, the exercise price of the warrant is US\$0.278058275 per New Preferred Share. Assuming the warrants are exercised in full by all the Investors, the number of New Preferred Shares to be allotted by BeCool and the corresponding total exercise price are set forth below.

Entity	Number of New Preferred Shares Allotted Upon Full Exercise of Warrant	Warrant Exercise Price (US\$)
LC Fund VII	14,400,784	4,004,257
LC Parallel Fund VII	1,481,569	411,963
LaCha Fashion	2,631,579	731,732
Other Series A Plus Investor	2,588,735	719,819

Assuming the warrants to be issued have been exercised in full by all the Investors, the shareholding structure of BeCool will be as follows:

Entity	Number of Shares (Calculated on an As-Converted Basis)	Percentage (%)
LC Fund VII	28,801,568	16.00
LC Parallel Fund VII	2,963,138	1.65
LaCha Fashion	5,263,158	2.93
Other Series A Plus Investor	3,378,209	1.88
Others	<u>139,520,123</u>	<u>77.54</u>
Total:	<u>179,926,196</u>	<u>100</u>

Determination of consideration

The consideration of the Investment was arrived at after arm's length negotiations between BeCool and the Investors, having considered (i) the historical financial performance of the Dora Dream Entities; (ii) the net asset value per Share and (iii) the long-term business prospects and development of the Dora Dream Entities. LaCha Fashion intends to settle the consideration through the internal funds of the Company.

THE PRINCIPAL TERMS OF THE NEW PREFERRED SHARES

According to the amended and restated memorandum and articles of association to be adopted by BeCool prior to the completion of the Investment, the principal terms of the New Preferred Shares are set out below:

Liquidation Preference

In the event of any liquidation, dissolution or winding up of BeCool, the companies involved in the variable interest entity structure to be established pursuant to the Share Purchase Agreement, or any subsidiaries controlled either by equity or contract or otherwise of the foregoing (collectively, the “**Group Companies**”), either voluntary or involuntary, distributions to the shareholders of BeCool shall be made in the following manner (after satisfaction of all creditors’ claims and claims that may be preferred by law):

- (a) Each holder of the New Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of BeCool to the holders of the Ordinary Shares, the holders of the Original Preferred Shares or any other class or series of shares by reason of their ownership of such shares, an amount equal to one hundred percent (100%) of their issue price (as set forth below) for each New Preferred Share it holds, plus all accrued or declared but unpaid dividends on its New Preferred Shares (the “**Preference Amount**”). If upon the occurrence of the liquidation, dissolution or winding up of the Group Companies, the assets and funds thus distributed among the holders of the New Preferred Shares shall be insufficient to permit the payment to such holders of the full Preference Amount, then the entire assets and funds of BeCool legally available for distribution shall be distributed ratably among the holders of the New Preferred Shares in proportion to the Preference Amount each such holder is otherwise entitled to receive.
- (b) After setting aside or paying in full the Preference Amount as described above, the remaining assets (if any) of BeCool available for distribution to shareholders of BeCool, if any, shall be distributed to the holders of New Preferred Shares, Original Preferred Shares and Ordinary Shares on a pro rata basis, based on the number of Ordinary Shares then held by each such holder on an as-converted basis.

Conversion Rights

Each New Preferred Share shall be convertible, at the option of the holder thereof, at any time after the issuance of such New Preferred Share into such number of fully paid and non-assessable Ordinary Shares as determined by dividing the issue price of such New Preferred Share (with respect to each New Preferred Share, initially at US\$0.278058275 per share, as appropriately adjusted for share splits, share dividends, combinations, recapitalizations and similar events with respect to the New Preferred Shares) by the conversion price of such New Preferred Share (as set forth below), determined as hereinafter provided, in effect at the time of the conversion.

Conversion Price

The initial conversion ratio for New Preferred Shares to Ordinary Shares is 1:1 as of the date of adoption of the amended and restated memorandum and articles of association of BeCool. The price at which Ordinary Shares shall be issuable upon conversion of the New Preferred Shares shall initially be equal to their issue price (as set forth above) and shall be subject to adjustment provided in the amended and restated memorandum and articles of association of BeCool.

Voting

Except as otherwise required by law or as set forth in the amended and restated memorandum and articles of association of BeCool, the holder of any New Preferred Shares shall be entitled to the number of votes equal to the number of Ordinary Shares into which such New Preferred Shares could be converted at the record date for determination of the shareholders of BeCool entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of the shareholders of BeCool is solicited, such votes to be counted together with all other shares of BeCool having general voting power and not counted separately as a class except as otherwise provided herein.

Dividend

No dividend, whether in cash, in property or in shares of the capital of BeCool, shall be paid on or declared and set aside at any time unless and until all accrued but unpaid dividends on the New Preferred Shares have been paid in full (calculated on as-converted basis) in preference to any dividend on the Original Preferred Shares and the Ordinary Share.

INFORMATION OF THE PARTIES

The Company

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

LaCha Fashion

LaCha Fashion is a company incorporated in Hong Kong with limited liability, and a wholly owned subsidiary of the Company. It mainly engages in investment holding.

BeCool

BeCool is an exempted company incorporated in the Cayman Islands. It mainly engages in investment holding. Pursuant to the Share Purchase Agreement, BeCool will hold the Dora Dream Entities (which own and operate the Dora's Dream brand, a women's apparel leasing platform, in the PRC) through a variable interest entity structure.

LC Fund VII and LC Parallel Fund VII

LC Fund VII and LC Parallel Fund VII are partnerships organised and existing in the Cayman Islands and controlled by Legend Capital, one of the leading venture capital institutions in China. The core businesses of Legend Capital are positioned in the start-up venture investment and expansion-stage growth investment.

REASON AND BENEFIT FOR THE INVESTMENT

The Group is principally engaged in designing, marketing and selling apparel products with a focus on mass-market ladies' casual wear in the PRC. The Dora Dream Entities to be held by BeCool through its variable interest entity structure mainly engage in rental services for a wide selection of ladies' apparel products ranging from casual wear to formal costumes. Entering into the Share Purchase Agreement will help the Group benefit from the development of Dora Dream, participate in the possible new opportunity and new business model in the apparel industry, and leverage on Dora Dream's integrated online leasing platform for the future growth of the Group.

All Directors (including independent non-executive directors of the Company) consider that the Investment and the Share Purchase Agreement have been entered into in the usual and ordinary course of business of the Group on normal commercial terms, and the terms of the Share Purchase Agreement (including the amount paid or payable pursuant to the Share Purchase Agreement to BeCool) and any other Transaction Documents to be entered by LaCha Fashion are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, LaCha Fashion is a wholly-owned subsidiary of the Company. Since LC Funds VII is an associate of LC Fund IV, and LC Fund IV indirectly controls Good Factor Limited, a substantial shareholder of the Company, LC Fund VII and LC Parallel Fund VII are connected persons of the Company. As such, the transactions contemplated under the Transaction Documents would constitute a connected transaction of the Company under Rule 14A.23.

As the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement exceeds 0.1% but is less than 5% under Rule 14A.76 of the Listing Rules, the transactions contemplated under the Transaction Documents are subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

While none of the Directors has any material interest in the Share Purchase Agreement, for good corporate governance purpose, Mr. Li Jiaqing has abstained from voting on the resolutions of the Board approving the Share Purchase Agreement and the Investment. Save as disclosed above, no Director is required to abstain from voting on the resolution of the Board approving the Share Purchase Agreement and the Investment.

DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

BeCool	BeCool (Cayman) Limited, an exempted company incorporated in the Cayman Islands
Board	the board of Directors
Chengdu BeCool	Chengdu BeCool Technology Co., Ltd (成都必酷科技有限公司), a company incorporated in the PRC with limited liability
Closing	the closing of the subscription of the New Preferred Shares under the Share Purchase Agreement
Closing Date	the date of closing specified by the parties to the Share Purchase Agreement as soon as practical after the satisfaction or otherwise waiver of the conditions precedents as set out in the Share Purchase Agreement, or at such other time as mutually agreed upon by the parties
Company	Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司), a joint stock company established in the PRC with limited liability and the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 06116)
Director(s)	the director(s) of the Company

Dora Dream Entities	Chengdu BeCool, Chengdu Dora's Dream Technology Co., Ltd. (成都多啦衣夢科技有限公司) and Chengdu Dora's Dream Brand Management Co., Ltd. (成都多啦衣夢品牌管理有限公司), companies incorporated in the PRC with limited liability
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of PRC
Investment	the transactions entered into by LaCha Fashion as contemplated under the Share Purchase Agreement (including the possible subscription of additional New Preferred Shares pursuant to the warrant to be issued by BeCool to LaCha Fashion on the Closing Date)
Investor(s)	the investor(s) who have entered into or will become a party to the Share Purchase Agreement, being LC Fund VII, LC Parallel Fund VII, LaCha Fashion and the Other Series A Plus Investor
LaCha Fashion	LaCha Fashion I Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
Legend Capital	Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司), a private equity and venture capital investment entity which controls LC Funds VII and LC Fund IV
LC Fund IV	LC Fund IV, L.P., which controls Good Factor Limited and is an indirect substantial shareholder of the Company
LC Fund VII	LC Fund VII, L.P., a partnership organised and existing under the laws of Cayman Islands
LC Funds VII	LC Fund VII and LC Parallel Fund VII
LC Parallel Fund VII	LC Parallel Fund VII, L.P., a partnership organised and existing under the laws of Cayman Islands
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Loan	the loan in the amount of RMB5,000,000 for a term of six months under the loan agreement to be entered into between the Company and Chengdu BeCool pursuant to the Share Purchase Agreement
Long-Stop Date	the long-stop date of the Share Purchase Agreement, being 30 June 2017
New Preferred Share(s)	the Series A plus preferred share(s) of BeCool
Ordinary Share(s)	the ordinary share(s) of BeCool
Original Preferred Share(s)	the Series A preferred share(s) of BeCool

Other Series A Plus Investor	an investor that will become a party to the Share Purchase Agreement, being a company to be incorporated in the British Virgin Islands with limited liability
Other Parties	the parties that have entered into or will become a party to the Share Purchase Agreement apart from BeCool, LaCha Fashion, LC Funds VII and the Other Series A Plus Investor
PRC	the People's Republic of China and for the purpose of this announcement, it excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
Restructuring Documents	the restructuring documents to be entered into for the Dora Dream Entities to be controlled by BeCool through a variable interest entity structure
RMB	Renminbi, the lawful currency of the PRC
Share(s)	all the issued share(s) of BeCool, including the Ordinary Shares, the Original Preferred Shares and the New Preferred Shares
Share Purchase Agreement	the share purchase agreement which LaCha Fashion signed and became a party to on 17 February 2017 in respect of the investment in BeCool
Stock Exchange	The Stock Exchange of Hong Kong Limited
Transaction Documents	the Share Purchase Agreement, the shareholders agreement, the restricted share agreements, the indemnification agreement, and the management rights letter to be entered into by the relevant parties

By Order of the Board
Shanghai La Chapelle Fashion Co., Ltd.
Mr. Xing Jiaxing
Chairman

Shanghai, the PRC, 17 February 2017

As of the date of this announcement, the executive directors of the Company are Mr. Xing Jiaxing, Mr. Wang Yong and Mr. Wang Wenke; the non-executive directors of the Company are Mr. Li Jiaqing, Mr. Lu Weiming, Mr. Cao Wenhai, Ms. Wang Haitong and Mr. Luo Bin; the independent non-executive directors of the Company are Mr. Mao Jianong, Dr. Chen Jieping, Mr. Chen Wei and Mr. Chan, Wing Yuen Hubert.