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Cabbeen

Cabbeen Fashion Limited

卡賓服飾有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2030)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE EQUITY INTEREST IN THE TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT

The Board announces that on May 17, 2019 (after trading hours), Cabbeen China entered into the Equity Transfer Agreement with Precise Investment, the Target Company and Mr. Yang, pursuant to which, Cabbeen China conditionally agreed to acquire from Precise Investment the entire registered capital of the Target Company for a tentative Consideration of RMB105.5 million, subject to the final re-computation based on the formula as set out in the Equity Transfer Agreement at the date of Completion. The Target Company is the registered and beneficial owner of the Property as at the date of this announcement. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Precise Investment is wholly-owned by Mr. Yang, the chairman, an executive Director and a controlling shareholder of the Company. Precise Investment, being an associate of Mr. Yang, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Equity Transfer Agreement and transactions contemplated thereunder constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is more than 5%, the transactions contemplated under the Equity Transfer Agreement is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the transactions contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION AND DESPATCH OF CIRCULAR

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Mr. Yang and his associates and any Shareholder(s) with a material interest in the Equity Transfer Agreement will be required to abstain from voting on the ordinary resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. Mr. Yang and his associates, as well as Mr. Ng (being a supervisor of the Target Company) and Mr. Ke (being the brother-in-law of Mr. Yang) have abstained from voting on the Board resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yung Kwok Tsui, Mr. Honghui Chen and Mr. Ming Shu Leung, has been established to advise the Independent Shareholders, among other things, whether the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole. Opus Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder.

A Circular containing, among other things, (a) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (b) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (c) the notice of EGM, will be despatched to the Shareholders on or before June 7, 2019.

INTRODUCTION

The Board announces that on May 17, 2019 (after trading hours), Cabbeen China entered into the Equity Transfer Agreement with Precise Investment, the Target Company and Mr. Yang, pursuant to which Cabbeen China conditionally agreed to acquire from Precise Investment the entire registered capital of the Target Company for a tentative Consideration of RMB105.5 million (subject to the final re-computation).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized below:

- Date** : May 17, 2019
- Parties** : (a). Cabbeen China (as purchaser)
(b). Precise Investment (as vendor)
(c). Mr. Yang (as guarantor)
(d). Junyuan Development (as target company)
- Subject matter** : Pursuant to the Equity Transfer Agreement, Precise Investment shall transfer the entire registered capital of the Target Company to Cabbeen China subject to and in accordance with the terms and conditions of the Equity Transfer Agreement.
- Consideration** : The Consideration for the transfer of the entire registered capital of the Target Company is tentatively RMB105.5 million. Such tentative Consideration was determined based on the following factors:
- (a) the unaudited net liabilities of the Target Company as at April 30, 2019 of approximately RMB8.1 million;
 - (b) the revaluation surplus of the Property, being the difference between (i) the appraised value of the Property as at March 31, 2019 of approximately RMB171.8 million based on the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer (the “**Independent Valuer**”); and (ii) the book value of the Property as at April 30, 2019 of RMB51.3 million;

- (c) impairment of the entire balance of the long-term equity investment of the Target Company as at April 30, 2019 of RMB6.25 million; and
- (d) impairment of the entire balance of the construction in progress of the Target Company as at April 30, 2019 of RMB0.6 million.

The tentative Consideration shall be subject to the final re-computation by the parties to the Equity Transfer Agreement using the following formula:

- the unaudited net asset/(liabilities) of the Target Company as at May 31, 2019;
- + the revaluation surplus of the Property, being the difference between (i) the appraised value of the Property as at March 31, 2019 of approximately RMB171.8 million based on the valuation report prepared by the Independent Valuer; and (ii) the book value of the Property as at May 31, 2019;
- impairment of the entire balance of the construction in progress of the Target Company of RMB0.6 million;
- impairment of the entire balance of the long-term equity investment of the Target Company of RMB6.25 million;
- amount of debt incurred by the Target Company as of the date of the Completion;
- amount of accounts receivable which has not been collected as of the date of the Completion; and
- impairment for any other assets of the Target Company as of the date of Completion to the extent Cabbeen China considers reasonable,

provided that the Consideration shall not exceed RMB108.0 million in any event.

The Consideration will be satisfied by the internal resources of the Group.

Payment schedule : The Consideration shall be settled in two instalments in the following manner:

- (a) RMB50.0 million shall be settled by Cabbeen China within seven business days from the date of Completion; and
- (b) the remaining amount shall be settled by Cabbeen China within two months upon Precise Investment having fulfilled its obligations under the Equity Transfer Agreement, the Target Company having completed the registration with relevant PRC authorities on the equity transfer and Cabbeen China having received the updated business license of the Target Company.

Conditions precedent : Completion is subject to the satisfaction of certain conditions precedent as set out below:

- (a) all necessary corporate and governmental authorizations and/or approvals having been obtained, including approvals from the Independent Shareholders at the EGM and approvals from Cabbeen China and Precise Investment, in relation to the Equity Transfer Agreement and the transactions contemplated thereunder;
- (b) the audit results of the Target Company prepared by the auditor appointed by Cabbeen China being in line with the representations and warranties made by Precise Investment;
- (c) the financial accounts of the Target Company are true and clear and shall have been represented and warranted by Precise Investment in writing to Cabbeen China to the same effect;

- (d) no laws, rules or regulations have been promulgated by the jurisdictions of the parties to the Equity Transfer Agreement which would render transactions contemplated under the Equity Transfer Agreement illegal, invalid and unenforceable;
- (e) there being no events, facts, conditions, changes or other circumstances which may have a material adverse effect on the assets, financial structure, liabilities, technology, earnings prospects and normal operations of the Target Company;
- (f) the statements, discourses, representations and warranties made by Precise Investment under the Equity Transfer Agreement remaining to be true, accurate and complete; and
- (g) Precise Investment having fulfilled its obligations in respect of the warranties and undertakings made by it under the Equity Transfer Agreement and not having breached any terms of the Equity Transfer Agreement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Guarantor : The Guarantor has agreed to, irrevocably and unconditionally, guarantee and warrant Cabbeen China for all of the obligations and undertakings given by Precise Investment under the Equity Transfer Agreement, including but not limited to any potential liabilities in connection with the taxation, indebtedness, and/or other legal aspects of the Target Company.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The Target Company is the owner of the Property, a part of which is being leased by the Group for RMB1.7 million per annum for office, storage and staff dormitory purposes. The relevant lease is a continuing connected transaction of the Company. By acquiring the Target Company, the Property will become the Group's asset, which the Group can utilize for its future expansion. The Group adopts a multi-brand strategy and focuses on e-commerce business which requires a highly responsive supply chain. It has also been developing a few new brands in recent years. Given the order size of each stock keeping unit and scale of operations of new brands are generally small, the Group has been facing challenges in working with quality suppliers at reasonable price and predictable lead time. Considering the obstacles in supply chain management, the management of the Company considers to overcome this by developing its production facilities for core products.

The Group is currently evaluating a number of options to best utilize the Property, including partnership with existing or other suppliers to develop enhanced production facilities. Enhancing the relevant production facilities in the Property would involve upgrades of information system and machinery, and will enable better managed manufacturing operations and allow the Group and its strategic suppliers to collect and share data about customer demands, production schedules, and inventory levels. These enhancements will enable the supply chains to respond quickly to changing market conditions and customer demands. The management of the Company is of the view that such centralized production facilities have the added benefit of being close to the Group's existing logistics center, which is located at sections of Liantang, Gushan, Dongan Villages, Hanjiang Town, Shihu Road East, Shishi City, Fujian Province, the PRC (中國福建省石獅市石湖路東側蚶江鎮蓮塘、古山、東安村段), for the development of the Group's e-commerce business and multi-brand strategy. As the Group is only utilizing part of the Property, after the Completion, the Group will also be poised to utilize other parts of the Property to further strengthen its manufacturing capabilities if necessary. In addition, as the Property will become the Group's asset after the Completion, the Group's lease expense will be reduced and the relevant continuing connected transactions will cease.

The Directors (excluding the independent non-executive Directors who will express their views after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, being members of the Independent Board Committee, reserve their opinion pending the provision of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Mr. Yang, the chairman, an executive Director and a controlling shareholder of the Company, is the sole shareholder of Precise Investment and thus has a material interest in the transactions contemplated under the Equity Transfer Agreement. Mr. Ng (being a supervisor of the Target Company) and Mr. Ke (being the brother-in-law of Mr. Yang) are also considered to have a material interest in the transactions contemplated under the Equity Transfer Agreement. Accordingly, Mr. Yang, Mr. Ng and Mr. Ke have abstained from voting on the resolutions passed by the Board to approve the Equity Transfer Agreement. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the Equity Transfer Agreement and none of them was required to abstain from voting on the resolutions passed by the Board to approve the Equity Transfer Agreement.

INFORMATION OF THE PARTIES

Cabbeen China is a wholly-owned subsidiary of the Company engaging in the wholesale of apparel, accessories and footwear in the PRC.

Precise Investment is a company incorporated under the laws of Hong Kong. It is wholly-owned by Mr. Yang and thus is a connected person of the Company under the Listing Rules. Precise Investment has no business operations other than holding equity interest in the Target Company and another company incorporated in the PRC that is principally engaged in investments holding.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC. As the date of this announcement, the Target Company has no business operations and its assets mainly consisted of the Property, representing approximately 66.0% of its total assets according to the management accounts of the Target Company as at December 31, 2018.

Set out below is the financial information of the Target Company for each of the financial years ended December 31, 2017 and 2018 as prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended	
	December 31,	
	2017	2018
	(unaudited)	(audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net loss before tax	(1,513.9)	(3,047.1)
Net loss after tax	(1,719.8)	(3,047.1)

As at April 30, 2019, the unaudited net liability position of the Target Company was approximately RMB8.1 million. The original acquisition cost of the Target Company and the Property was approximately HK\$8.0 million (representing the registered capital of the Target Company paid by Precise Investment) and RMB76.6 million, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Precise Investment is wholly-owned by Mr. Yang, the chairman, an executive Director and a controlling shareholder of the Company. Precise Investment, being an associate of Mr. Yang, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is more than 5%, the transactions contemplated under the Equity Transfer Agreement is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is more than 5 % but less than 25 %, the transactions contemplated under the Equity Transfer Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION AND DESPATCH OF CIRCULAR

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any Shareholder(s) who has a material interest in the transactions contemplated under the Equity Transfer Agreement is required to abstain from voting on the relevant resolution at the EGM. Mr. Yang, the chairman, an executive Director and a controlling shareholder of the Company, is the sole shareholder of Precise Investment and thus has a material interest in the transactions contemplated under the Equity Transfer Agreement. Accordingly, Mr. Yang and his associates and any Shareholder(s) with a material interest in the Equity Transfer Agreement will abstain from voting on the ordinary resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yung Kwok Tsui, Mr. Honghui Chen and Mr. Ming Shu Leung, has been established to advise the Independent Shareholders, among other things, whether the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

Opus Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder.

A Circular containing, among other things, (a) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (b) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (c) the notice of EGM, will be despatched to the Shareholders on or before June 7, 2019.

DEFINITIONS

In the announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cabbeen China”	Cabbeen Clothing (China) Co., Ltd.* (卡賓服飾(中國)有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Circular”	the circular to be despatched to the Shareholders in relation to, among others, the Equity Transfer Agreement on or before June 7, 2019

“Company”	Cabbeen Fashion Limited (卡賓服飾有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the transfer of the entire registered capital of the Target Company of up to RMB108.0 million (subject to the final re-computation), as set out in the Equity Transfer Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated May 17, 2019 entered into by and among Cabbeen China, Precise Investment, the Target Company and Mr. Yang
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Equity Transfer Agreement and transactions contemplated thereunder

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than Mr. Yang and his associates and any Shareholder(s) with a material interest in the Equity Transfer Agreement
“Junyuan Development” or “Target Company”	Shishi City Junyuan Development Company Limited* (石獅市駿源發展有限公司), a company established under the laws of the PRC and wholly-owned by Mr. Yang
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ke”	Mr. Rongqin Ke, an executive Director of the Company and the brother-in-law of Mr. Yang
“Mr. Ng”	Mr. Siu Keung Ng, an executive Director and the chief executive officer of the Company
“Mr. Yang” or “Guarantor”	Mr. Ziming Yang, the chairman, an executive Director, a controlling shareholder of the Company and the brother-in-law of Mr. Ke
“PRC”	the People’s Republic of China, for the purpose of this announcement specifically excludes Macau Special Administrative Region of the People’s Republic of China, Hong Kong and Taiwan
“Precise Investment”	Precise Investment Limited (精卓投資有限公司), a company incorporated under the laws of Hong Kong with limited liability and wholly-owned by Mr. Yang

“Property”	the properties located at Industry Park, Baogai Town, Shishi City, Fujian Province, the PRC, including two parcels of land with a total site area of 45,241.80 square meters, and ten industrial and ancillary buildings with a total gross floor area of 96,445.25 square meters
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the shares in the ordinary capital of the Company with a par value of HK\$0.1
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

By Order of the Board
Cabbeen Fashion Limited
Ziming Yang
Chairman

Hong Kong, May 17, 2019

As at the date of this announcement, the executive directors of the Company are Mr. Ziming YANG, Mr. Siu Keung NG and Mr. Rongqin KE; and the independent non-executive directors of the Company are Mr. Yung Kwok TSUI, Mr. Honghui CHEN and Mr. Ming Shu LEUNG.