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Mulsanne Group Holding Limited

慕尚集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1817)

RENEWAL OF CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

THE 2021 NINGBO SONGHE LEASE AGREEMENT

The Board announces that on 31 December 2020, Chisage Mulsanne (an indirect wholly-owned subsidiary of the Company) (as tenant) entered into the 2021 Ningbo Songhe Lease Agreement with Ningbo Songhe (a company controlled by Mr. Yang, a non-executive Director) (as landlord) to renew the lease of certain premises located at No. 111, Shanshan Road, Haishu District, Ningbo, PRC, with gross floor area of approximately 27,000 square metres. The 2021 Ningbo Songhe Lease Agreement shall be for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

THE 2021 CHISAGE HOLDING LEASE AGREEMENT

On the same date, Chisage Mulsanne (as tenant) entered into the 2021 Chisage Holding Lease Agreement with Chisage Holding (a company controlled by Mr. Yang) (as landlord) to renew the lease of certain premises located at Tuanqiao Village, Yuanjia Village, Panhuo Street, Yinzhou District, Ningbo, PRC, with gross floor area of approximately 62,000 square metres. The 2021 Chisage Holding Lease Agreement shall be for a term of three months commencing from 1 January 2021 and expiring on 31 March 2021.

LISTING RULES IMPLICATIONS

Each of Ningbo Songhe and Chisage Holding is a company with Mr. Yang controlling the exercise of 30% or more of the voting power at the general meetings. Hence, each of Ningbo Songhe and Chisage Holding is an associate of Mr. Yang and a connected person of the Company. Accordingly, the transaction contemplated under the 2021 Ningbo Songhe Lease Agreement constitutes a connected transaction of the Company and the transaction contemplated under the 2021 Chisage Holding Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the prospectus in relation to the global offering of the Company dated 15 May 2019, where it is disclosed that the Group (as tenant) entered into various leases with Ningbo Songhe and Chisage Holding (as landlords) to lease certain premises in Ningbo in the PRC. The term of each of the leases expires on 31 December 2020.

Reference is also made to the announcement of the Company dated 2 July 2020 and the supplemental announcement of the Company dated 15 July 2020, where the Company announced that Chisage Mulsanne (as tenant) entered into the 2020 Wenmo Garment Lease Agreement with Wenmo Garment (a company controlled by Mr. Yang) (as landlord) in relation to the lease of certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC.

The 2021 Ningbo Songhe Lease Agreement

In accordance with International Financial Reporting Standard (IFRS) 16 “Leases”, the Company will recognise a right-of-use asset on its balance sheet in connection with the lease under the 2021 Ningbo Songhe Lease Agreement. Accordingly, the entering into of the 2021 Ningbo Songhe Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the 2020 Wenmo Garment Lease Agreement and the 2021 Ningbo Songhe Lease Agreement were entered into between Chisage Mulsanne (as tenant) and Wenmo Garment and Ningbo Songhe (as landlords), respectively, and the leases are of similar nature, the transaction contemplated under the 2021 Ningbo Songhe Lease Agreement shall be aggregated with the transaction contemplated under the 2020 Wenmo Garment Lease Agreement for the purpose of calculating the applicable percentage ratios set out under Rule 14.07 of the Listing Rules. The aggregate value of right-of-use assets relating to the leases under these agreements is as follows:

	Value of right-of-use assets recognised
2020 Wenmo Garment Lease Agreement	RMB62,790,218
2021 Ningbo Songhe Lease Agreement	<u>RMB13,826,698</u>
Total:	<u><u>RMB76,616,916</u></u>

The 2021 Chisage Holding Lease Agreement

The amount of rental payable by Chisage Mulsanne to Chisage Holding under the 2021 Chisage Holding Lease Agreement is expected not to exceed RMB2,200,000 for the year ending 31 December 2021. Accordingly, such amount has been set as the annual cap for the amount of rental payable by Chisage Mulsanne under the 2021 Chisage Holding Lease Agreement for the year ending 31 December 2021.

Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of each of (i) the aggregate value of right-of-use assets relating to the leases under the 2020 Wenmo Garment Lease Agreement and the 2021 Ningbo Songhe Lease Agreement and (ii) the annual cap for the amount of rental payable by Chisage Mulsanne under the 2021 Chisage Holding Lease Agreement for the year ending 31 December 2021 is above 0.1% but below 5%, the transactions contemplated thereunder are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but are exempt from independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

Reference is made to the prospectus in relation to the global offering of the Company dated 15 May 2019, where it is disclosed that the Group (as tenant) entered into various leases with Ningbo Songhe and Chisage Holding (as landlords) to lease certain premises in Ningbo in the PRC. The term of each of the leases expires on 31 December 2020.

Reference is also made to the announcement of the Company dated 2 July 2020 and the supplemental announcement of the Company dated 15 July 2020, where the Company announced that Chisage Mulsanne (as tenant) entered into the 2020 Wenmo Garment Lease Agreement with Wenmo Garment (as landlord) in relation to the lease of certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC.

THE 2021 NINGBO SONGHE LEASE AGREEMENT

The Board announces that on 31 December 2020, Chisage Mulsanne (as tenant) entered into the 2021 Ningbo Songhe Lease Agreement with Ningbo Songhe (as landlord) to renew the lease of certain premises located at No. 111, Shanshan Road, Haishu District, Ningbo, PRC.

Date: 31 December 2020 (after trading hours)

Parties: (i) Chisage Mulsanne, as tenant; and
(ii) Ningbo Songhe, as landlord

Leased Properties: Certain premises located at No. 111, Shanshan Road, Haishu District, Ningbo, PRC, with gross floor area of approximately 27,000 square metres

Term: Commencing from 1 January 2021 and expiring on 31 December 2023. A party may terminate the agreement before the expiry of its term by giving a one month's written notice to another party.

Rental: Approximately RMB427,308 per month, payable in cash semiannually in advance

The annual rental of the lease under the 2021 Ningbo Songhe Lease Agreement is approximately RMB5,127,696, which was arrived at after arm's length negotiations. Such rental has been determined by Chisage Mulsanne and Ningbo Songhe with reference to the location and size of the leased premises, the historical transaction amounts with Ningbo Songhe, the value of right-of-use asset of the leased premises, the prevailing market rates of comparable premises and the relevant taxes payable.

Usage: Office, warehouse and other ancillary purposes

Historical Figures and Value of Right-of-Use Asset

The historical annual rentals payable by Chisage Mulsanne to Ningbo Songhe for the years ended 31 December 2018 and 31 December 2019, and estimated annual rental for the year ending 31 December 2020, are set out below:

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)
Rental per annum	4,807,646	4,373,909	3,863,546

It is estimated that the leased premises under the 2021 Ningbo Songhe Lease Agreement will be recognised as a right-of-use asset at a value of approximately RMB13,826,698. Such value, which is solely based on the preliminary assessment by the management of the Company according to the available information relating to the leased premises, has not been audited by the auditors of the Company, and is therefore subject to change.

THE 2021 CHISAGE HOLDING LEASE AGREEMENT

On 31 December 2020, Chisage Mulsanne (as tenant) entered into the 2021 Chisage Holding Lease Agreement with Chisage Holding (as landlord) to renew the lease of certain premises located at Tuanqiao Village, Yuanjia Village, Panhuo Street, Yinzhou District, Ningbo, PRC.

Date: 31 December 2020 (after trading hours)

Parties:

- (i) Chisage Mulsanne, as tenant; and
- (ii) Chisage Holding, as landlord

Leased Properties: Certain premises located at Tuanqiao Village, Yuanjia Village, Panhuo Street, Yinzhou District, Ningbo, PRC, with gross floor area of approximately 62,000 square metres

Term: Commencing from 1 January 2021 and expiring on 31 March 2021. A party may terminate the agreement before the expiry of its term by giving a one month's written notice to another party.

Rental: Approximately RMB720,569 per month, payable in cash quarterly in advance

The total rental of the lease under the 2021 Chisage Holding Lease Agreement for the three months ending 31 March 2021 is approximately RMB2,161,707, which was arrived at after arm's length negotiations. Such rental has been determined by Chisage Mulsanne and Chisage Holding with reference to the location and size of the leased premises, the historical transaction amount with Chisage Holding, the prevailing market rates of comparable premises and the relevant taxes payable.

Usage: Warehouse

Historical Figures and Annual Cap

The historical annual rentals payable by Chisage Mulsanne to Chisage Holding for the years ended 31 December 2018 and 31 December 2019, and estimated annual rental for the year ending 31 December 2020, are set out below:

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)
Rental per annum	6,599,452	6,599,452	6,599,452

The amount of rental payable by Chisage Mulsanne to Chisage Holding under the 2021 Chisage Holding Lease Agreement is expected not to exceed RMB2,200,000 for the year ending 31 December 2021. Accordingly, such amount has been set as the annual cap for the amount of rental payable by Chisage Mulsanne under the 2021 Chisage Holding Lease Agreement for the year ending 31 December 2021.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 NINGBO SONGHE LEASE AGREEMENT AND THE 2021 CHISAGE HOLDING LEASE AGREEMENT

The leased premises under the 2021 Ningbo Songhe Lease Agreement and the 2021 Chisage Holding Lease Agreement have been rented by the Group as its office and warehouse and for other ancillary purposes for several years. The Directors are of the view that it is beneficial for the Group to renew the leases thereunder in order to avoid relocation costs and unnecessary disruption of daily business operation of the Group.

Having considered that the rentals payable under the 2021 Ningbo Songhe Lease Agreement and the 2021 Chisage Holding Lease Agreement reflect prevailing market rates, the Directors (including the independent non-executive Directors but excluding Mr. Yang who has abstained from voting) are of the view that the entering into of each of the 2021 Ningbo Songhe Lease Agreement and the 2021 Chisage Holding Lease Agreement is in the interests of the Company and its shareholders as a whole.

As Mr. Yang is a controlling shareholder of Ningbo Songhe and Chisage Holding, Mr. Yang has abstained from voting on the Board resolutions approving the 2021 Ningbo Songhe Lease Agreement and the 2021 Chisage Holding Lease Agreement.

The Directors (including independent non-executive Directors but excluding Mr. Yang who has abstained from voting) are of the view that the 2021 Ningbo Songhe Lease Agreement and the 2021 Chisage Holding Lease Agreement, which were entered into after arm's length negotiation and in the ordinary and usual course of business of the Group, reflect normal commercial terms, and the terms as well as the rentals for the transactions thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of Ningbo Songhe and Chisage Holding is a company with Mr. Yang controlling the exercise of 30% or more of the voting power at the general meetings. Hence, each of Ningbo Songhe and Chisage Holding is an associate of Mr. Yang and a connected person of the Company. Accordingly, the transaction contemplated under the 2021 Ningbo Songhe Lease Agreement constitutes a connected transaction of the Company and the transaction contemplated under the 2021 Chisage Holding Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The 2021 Ningbo Songhe Lease Agreement

In accordance with International Financial Reporting Standard (IFRS) 16 "Leases", the Company will recognise a right-of-use asset on its balance sheet in connection with the lease under the 2021 Ningbo Songhe Lease Agreement. Accordingly, the entering into of the 2021 Ningbo Songhe Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the 2020 Wenmo Garment Lease Agreement and the 2021 Ningbo Songhe Lease Agreement were entered into between Chisage Mulsanne (as tenant) and Wenmo Garment and Ningbo Songhe (as landlords), respectively, and the leases are of similar nature, the transaction contemplated under the 2021 Ningbo Songhe Lease Agreement shall be aggregated with the transaction contemplated under the 2020 Wenmo Garment Lease Agreement for the purpose of calculating the applicable percentage ratios set out under Rule 14.07 of the Listing Rules. The aggregate value of right-of-use assets relating to the leases under these agreements is as follows:

	Value of right-of-use assets recognised
2020 Wenmo Garment Lease Agreement	RMB62,790,218
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Total:	<u><u>RMB76,616,916</u></u>

The 2021 Chisage Holding Lease Agreement

The amount of rental payable by Chisage Mulsanne to Chisage Holding under the 2021 Chisage Holding Lease Agreement is expected not to exceed RMB2,200,000 for the year ending 31 December 2021. Accordingly, such amount has been set as the annual cap for the amount of rental payable by Chisage Mulsanne under the 2021 Chisage Holding Lease Agreement for the year ending 31 December 2021.

Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of each of (i) the aggregate value of right-of-use assets relating to the leases under the 2020 Wenmo Garment Lease Agreement and the 2021 Ningbo Songhe Lease Agreement and (ii) the annual cap for the amount of rental payable by Chisage Mulsanne under the 2021 Chisage Holding Lease Agreement for the year ending 31 December 2021 is above 0.1% but below 5%, the transactions contemplated thereunder are only subject to the reporting, annual review and announcement requirements set out in the Listing Rules but are exempt from independent shareholders' approval requirement under the Listing Rules.

GENERAL INFORMATION

The Company is an investment holding company. The principal activity of the Group is design, manufacture, marketing and sale of apparel products of menswear, sportswear and other fashion segments in the PRC.

Chisage Mulsanne is an indirect wholly-owned subsidiary of the Company. As one of the principal operating subsidiaries of the Company, it is principally engaged in design, marketing and sale of apparel products of menswear.

Ningbo Songhe is principally engaged in manufacture and sale of apparel products. It is owned by Chisage Holding as to 70% and Yinboxing Investment Co., Ltd. (銀博興投資有限公司) as to 30%. Yinboxing Investment Co., Ltd. is owned by Ms. Xu as to 70%, Mr. Yang as to 20% and Ms. Zhang Lingling as to 10%.

Chisage Holding is principally engaged in manufacture and sale of apparel products. It is owned by Ningbo Zhonghui as to 60% and Ningbo U and K Investment as to 40%. Ningbo Zhonghui is owned by Mr. Yang as to 49.08%, Ms. Xu as to 25.60%, Ningbo Rongzhe as to 20.58%, Ms. Tang Shuhua (a supervisor of Chisage Holding) as to 3.84% and Mr. Ding as to 1.00%. Ningbo Rongzhe is owned by Mr. Yang as to 90%, Mr. Yang Pingbo (Mr. Yang's son) as to 9% and Chisage Chuangye Investment as to 1%. Chisage Chuangye Investment is owned by Chisage Holding as to 99% and Mr. Ding as to 1%. Ningbo U and K Investment is owned by Mr. Yang as to 71.68% and Mr. Ding as to 28.32%.

Under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Mr. Yang, as the spouse of Ms. Xu, is deemed to be interested in the same number of shares in which Ms. Xu is interested.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“2020 Wenmo Garment Lease Agreement”	the lease agreement dated 2 July 2020 and entered into between Chisage Mulsanne as tenant and Wenmo Garment as landlord in relation to certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC
“2021 Chisage Holding Lease Agreement”	the lease agreement dated 31 December 2020 and entered into between Chisage Mulsanne as tenant and Chisage Holding as landlord in relation to certain premises located at Tuanqiao Village, Yuanjia Village, Panhuo Street, Yinzhou District, Ningbo, PRC
“2021 Ningbo Songhe Lease Agreement”	the lease agreement dated 31 December 2020 and entered into between Chisage Mulsanne as tenant and Ningbo Songhe as landlord in relation to the certain premises located at No. 111, Shanshan Road, Haishu District, Ningbo, PRC
“Board”	the board of Directors of the Company
“Chisage Chuangye Investment”	Ningbo Chisage Chuangye Investment Management Partnership (Limited Partnership) (寧波中哲創業投資管理合夥企業(有限合夥)), a limited liability company established in the PRC and controlled by Mr. Yang
“Chisage Holding”	Chisage Holding Group Co., Ltd. (中哲控股集團有限公司), a limited liability company established in the PRC and controlled by Mr. Yang
“Chisage Mulsanne”	Ningbo Chisage Mulsanne Holding Co., Ltd. (寧波中哲慕尚控股有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	Mulsanne Group Holding Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Ding”	Mr. Ding Dade, the chief financial officer and vice president of finance of the Group and a joint company secretary of the Company
“Mr. Yang”	Mr. Yang Herong, a non-executive Director
“Ms. Xu”	Ms. Xu Hongxia, the spouse of Mr. Yang
“Ningbo Rongzhe”	Ningbo Rongzhe Equity Investment Partnership (Limited Partnership) (寧波榮哲股權投資合夥企業(有限合夥)), a limited liability company established in the PRC and controlled by Mr. Yang
“Ningbo Songhe”	Ningbo Songhe Apparel Co., Ltd. (寧波松和製衣有限公司), a limited liability company established in the PRC and controlled by Mr. Yang
“Ningbo U and K Investment”	Ningbo U and K Investment Consulting Co., Ltd. (寧波優迪凱投資諮詢有限公司), a limited liability company established in the PRC and controlled by Mr. Yang
“Ningbo Zhonghui”	Ningbo Zhonghui Investment Co., Ltd. (寧波中匯投資有限公司), a limited liability company established in the PRC and controlled by Mr. Yang
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wenmo Garment”	Ningbo Wenmo Garment Co., Ltd. (寧波文墨製衣有限公司), a limited liability company established in the PRC and controlled by Mr. Yang
“%”	per cent

By Order of the Board
Mulsanne Group Holding Limited
HUANG Hanji
Chairman

Hong Kong, 31 December 2020

As at the date of this announcement, the Board comprises Mr. YU Yong as executive Director; Mr. HUANG Hanji, Mr. YANG Herong, Mr. LIN Lin, Mr. WANG Jun and Mr. Chintamani Aniruddha BHAGAT as non-executive Directors; and Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO as independent non-executive Directors.