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LILANZ 利郎
CHINA LILANG LIMITED

中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1234)

CONNECTED TRANSACTION: LEASE OF PROPERTY

TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 19 December 2016 in relation to the Existing Tenancy Agreement.

As the Existing Tenancy Agreement will expire on 31 December 2019, on 16 December 2019, Lilang China, a wholly owned subsidiary of the Company, entered into the New Tenancy Agreement with Jinlang Fujian, pursuant to which Lilang China agreed to lease the Premises from Jinlang Fujian for a term commencing from 1 January 2020 and ending on 30 June 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinlang Fujian is wholly owned by the Wang Brothers, who are three of the executive Directors and Controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the tenancy arrangement as contemplated under the New Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The present value of rent payable by Lilang China for the entire term under the New Tenancy Agreement, assuming that the early termination option will not be exercised, amounts to approximately RMB4,979,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) will exceed 0.1% but will not exceed 5%. Accordingly, the tenancy arrangement as contemplated under the New Tenancy Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

As disclosed in the Company's announcement dated 19 December 2016, the Premises have been leased by the Group under the Existing Tenancy Agreement for use as its headquarters at Lilang Industrial Park.

Pursuant to the Existing Tenancy Agreement entered into between Jinlang Fujian as landlord and Lilang China as lessee, Lilang China agreed to lease two parcels of land with an aggregate site area of 10,282.66 sq.m. located at Lilang Industrial Park together with several units and floors of three buildings erected thereon with an aggregate gross floor area of approximately 27,757.24 sq.m. for a term commencing from 1 January 2017 and ending on 31 December 2019. The leased area has been used by the Group for office, retail outlet and staff dormitory purposes. The monthly rent payable by Lilang China to Jinlang Fujian under the Existing Tenancy Agreement was RMB270,000. Such rent was exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the Premises.

Under the Existing Tenancy Agreement, the rent paid or payable by Lilang China to Jinlang Fujian during each of the years ended 31 December 2017, 31 December 2018 and ending 31 December 2019 amounted to RMB3,240,000.

As the Existing Tenancy Agreement will expire on 31 December 2019 and shall be renewable upon further agreement by the parties (subject to compliance with the Listing Rules), on 16 December 2019, Lilang China entered into the New Tenancy Agreement with Jinlang Fujian for the lease of the aforesaid Premises.

NEW TENANCY AGREEMENT

Date: 16 December 2019

Parties: **Lessee:** Lilang China, a wholly-owned subsidiary of the Company

Landlord: Jinlang Fujian, which relationship with the Group is more particularly set out in the paragraph headed "General" below

Premises:

Two parcels of land with an aggregate site area of 10,282.66 sq.m. located at Lilang Industrial Park together with several units and floors of three buildings erected thereon with an aggregate gross floor area of approximately 28,066.57 sq.m.. An additional gross floor area of 309.33 sq. m. has been included in the New Tenancy Agreement for the purposes of a gymnasium for staff as compared to the Existing Tenancy Agreement.

Term:

From 1 January 2020 to 30 June 2021 (both days inclusive), which shall be renewable upon further agreement by the parties (if necessary and subject to compliance with the Listing Rules). Pursuant to the New Tenancy Agreement, Lilang China may terminate the New Tenancy Agreement at any time during the term of the New Tenancy Agreement by serving not less than one month prior written notice to Jinlang Fujian.

Use:

The Premises will be used for office, retail outlet and staff dormitory purposes.

Rent:

Pursuant to the New Tenancy Agreement, the monthly rent is RMB286,000 payable within the first five business days of the relevant calendar month. Such rent is exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the Premises. The rent was arrived at after arm's length negotiation between the parties and determined by reference to the market rent of the Premises as indicated by a valuation on the rent of the Premises as at 25 November 2019 obtained from a professional valuer. The total rent payable by Lilang China to Jinlang Fujian for the entire term thereunder shall be RMB5,148,000 which shall be financed by internal resources of the Group.

REASONS FOR THE TRANSACTION

As disclosed in the Company's announcement dated 19 December 2016, the Premises have been leased by the Group under the Existing Tenancy Agreement for use as its headquarters at Lilang Industrial Park. On 16 December 2019, the Group entered into the New Tenancy Agreement as the Existing Tenancy Agreement will expire on 31 December 2019 and it is intended that the Group will continue to use the Premises as its headquarters until the construction and renovation of the new headquarters as disclosed in the 2018 annual report of the Company is completed.

The Directors (including independent non-executive Directors) are of the opinion that:

- (i) the terms (including the rent) of the New Tenancy Agreement are on normal commercial terms that are fair and reasonable; and
- (ii) the connected transaction constituted under the New Tenancy Agreement is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and wholesaling of branded menswear and related accessories in the PRC. The lessee under the New Tenancy Agreement is a wholly-owned subsidiary of the Company and is principally engaged in manufacturing and wholesaling of menswear and accessories.

Jinlang Fujian is principally engaged in, among others, investment in real estate. As at the date of this announcement, Jinlang Fujian is wholly owned by the Wang Brothers, who are three of the executive Directors and Controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the tenancy arrangement as contemplated under the New Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Wang Brothers have a material

interest in the tenancy arrangement as contemplated under the New Tenancy Agreement, each of the Wang Brothers had abstained from voting in favour of the Board resolution approving the New Tenancy Agreement.

Assuming that the early termination option will not be exercised, the present value of the rent payable for the entire term under the New Tenancy Agreement to be recognised as right-of-use asset by the Group pursuant to IFRS 16 amounts to approximately RMB4,979,000. As the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) will exceed 0.1% but will not exceed 5%, the tenancy arrangement as contemplated under the New Tenancy Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Lilang Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreement”	the tenancy agreement dated 19 December 2016 and entered into between Lilang China as lessee and Jinlang Fujian as landlord for the lease of the Premises
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards issued by International Accounting Standards Board
“Jinlang Fujian”	金郎(福建)投資有限公司 (Jinlang (Fujian) Investments Co., Ltd.), a company established in the PRC and wholly-owned by the Wang Brothers
“Lilang China”	郎(中國)有限公司 (Lilang (China) Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company
“Lilang Industrial Park”	Lilang Industrial Park, 200 Changxing Road, Jinjiang City, Fujian Province, the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Tenancy Agreement”	the tenancy agreement dated 16 December 2019 and entered into between Lilang China as lessee and Jinlang Fujian as landlord for the lease of the Premises
“PRC”	the People’s Republic of China
“Premises”	two parcels of land with an aggregate site area of 10,282.66 sq.m. located at Lilang Industrial Park together with several units and floors of three buildings erected thereon. The aggregate gross floor area under the Existing Tenancy Agreement was approximately 27,757.24 sq.m.. An additional gross floor area of 309.33 sq. m. has been included in the New Tenancy Agreement for the purposes of a gymnasium for staff, making a total gross floor area of approximately 28,066.57 sq. m.
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wang Brothers”	Messrs. Wang Dong Xing, Wang Liang Xing and Wang Cong Xing, all being executive Directors
“%”	per cent.

By order of the Board
China Lilang Limited
Wang Dong Xing
Chairman

Hong Kong, 16 December 2019

As at the date of this announcement, the executive Directors are Mr. Wang Dong Xing, Mr. Wang Liang Xing, Mr. Wang Cong Xing, Mr. Cai Rong Hua, Mr. Hu Cheng Chu, and Mr. Pan Rong Bin; and the independent non-executive Directors are Dr. Lu Hong Te, Mr. Nie Xing and Mr. Lai Shixian.