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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**  
**ACQUISITION OF PROPERTIES**

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On 21 February 2022 (after trading hours), Lilang China, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which Lilang China agreed to acquire, and the Vendor agreed to sell, the Properties at a total consideration of RMB205,000,000.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Vendor is owned as to 23.22% and 6.78%, respectively, by Mr. Wang and Mr. Cai, both executive Directors and shareholders of the Controlling Shareholder. Mr. Cai is also the brother-in-law of Mr. Wang Liang Xing, a shareholder of the Controlling Shareholder, an executive Director and the brother of Mr. Wang. As such, the Vendor is regarded as an associate of Mr. Wang and Mr. Cai, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.76(2) of the Listing Rules, as each of the applicable percentage ratios in respect of the Acquisition is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## ACQUISITION OF PROPERTIES

On 21 February 2022 (after trading hours), Lilang China, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which Lilang China agreed to acquire, and the Vendor agreed to sell, the Properties at a total consideration of RMB205,000,000 on the terms and conditions as summarised below.

### THE AGREEMENT

The Agreement is based on the standard form set out by the Fujian Department of Construction (福建省建設廳) and Fujian Administration for Industry and Commerce (福建省工商行政管理局). The principal terms of the Agreement are summarised below:

#### Date

21 February 2022 (after trading hours)

#### Parties

Purchaser: Lilang China, a wholly-owned subsidiary of the Company, as the purchaser

Vendor: the Vendor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor is owned as to 23.22% and 6.78% by Mr. Wang and Mr. Cai, respectively, and as to 70% by Fujian Zhongjun Industrial Co., Ltd.\* (福建中駿置業有限公司)(“**Fujian Zhongjun**”), a wholly-owned subsidiary of China SCE Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1966).

#### Properties to be acquired

A 15-storey office building with a total gross floor area of approximately 14,898.78 square metres, three four-storey commercial villas (商業別墅) with a total gross floor area of approximately 6,126.29 square metres and a basement parking lot with a total gross floor area of approximately 6,621.42 square metres, each located at Lilang Creative Park (Plot One), Qingyang Sub-district, Jinjiang City, Fujian Province, the PRC\* (中國福建省晉江市青陽街道利郎創意園(地塊一)).

## **Consideration**

The consideration for the Acquisition is RMB205,000,000, which shall be paid by Lilang China to the Vendor in three instalments of RMB60,000,000, RMB100,000,000 and RMB45,000,000 by 1 April 2022, 1 June 2022 and 1 August 2022, respectively.

The consideration was arrived at after arm's length negotiation among Lilang China and the Vendor with reference to the market value of the Properties, as appraised by an independent property valuer at RMB205,070,000 as at 31 December 2021 taking into account on the fair market value of comparable properties located around the Properties and the estimated future income to be derived from the Properties.

Under the Agreement, if Lilang China delays in payment of any instalment of the consideration and such instalment is settled in full within 60 days after it falls due, Lilang China shall pay to the Vendor a default penalty calculated based on 0.01% of the total amount due and outstanding for each day from the second day after the date such instalment falls due until the date of full settlement of such instalment by Lilang China. If any instalment of the consideration is not settled in full within 60 days after it falls due and payable, and Lilang China fails to settle such instalment in full within 60 days after the issuance of written demand by the Vendor, the Vendor shall have the right to terminate the Agreement whereby Lilang China shall pay to the Vendor a default penalty calculated based on 1% of the total amount due as at the termination date. If, with the consent of the Vendor, Lilang China chooses to proceed with the Acquisition, Lilang China shall pay a default penalty at the same rate and following the same calculation mechanism as for the case where Lilang China settles all overdue and outstanding payments within 60 days after they fall due.

The consideration will be financed by the Group's internal resources.

## **Completion**

The Vendor shall deliver to Lilang China all the Properties by 1 May 2022 in accordance with the applicable rules and regulations of the national and local government.

If the Vendor delays in delivery of any or all of the Properties and the delivery of all the Properties takes place within 60 days after 1 May 2022, the Vendor shall pay to Lilang China a default penalty calculated based on 0.01% of all amount already paid by Lilang China to the Vendor (if any) as at the date of delivery of all the Properties for each day from the second day after 1 May 2022 until the date of delivery of all the Properties by the Vendor. If the Vendor fails to deliver all the Properties within 60 days after 1 May 2022, Lilang China shall have the right to terminate the Agreement whereby the Vendor shall return any consideration paid (if any) to Lilang China and pay to Lilang

China a default penalty calculated based on 1% of the amount already paid by Lilang China to the Vendor as at the termination date. If Lilang China chooses to proceed with the Acquisition, the Vendor shall pay a default penalty at the same rate and following the same mechanism as for the case where the Vendor delivers all Properties within 60 days after 1 May 2022.

## **REASONS FOR, AND BENEFITS OF, THE ACQUISITION**

The Group has implemented a series of business model reforms in recent years to more closely control the retail channel and reduce inventory risk. Approximately 40% of stores featuring the Group's core collection have been converted from a distributorship model to a consignment model starting from the 2021 spring and summer seasons. A majority of stores for the Group's smart casual collection have switched to a direct-to-retail model since the second half of 2020. The Group has also expanded the scale of its self-operated online shops in 2021.

Construction of the Group's new headquarters, first planned in 2015, has been completed in early 2021 and the headquarters has been in use since then. In light of the above expansion of self-operated business, the Group faces a shortage of office space to fulfil its present operational needs, and would require more office space to accommodate the extra staff it directly employs and manages.

The Properties, in particular the office building, are located adjacent to the new headquarters, newly constructed and readily available to be used as office premises, and are therefore appropriate targets to fulfil the Group's operational needs. The Company intends to use the office building primarily to provide office space for the Group's administration and property management department, order showroom, custom tailor business and e-commerce business (including administrative and live-streaming space) to support the Group's business needs.

Further, Plot One of Lilang Creative Park, where the Properties are located, comprise part of a planned construction project which would enhance the status of Lilang Creative Park as a downtown commercial area in Jinjiang City, Fujian with substantive supporting infrastructure. The Company considers that purchasing the Properties as a whole assists in establishing a commercial environment and control over properties in the area, in turn boosting the commercial value and growth potential of Lilang Creative Park.

Having considered (i) the fair market value of the Properties as appraised by the independent valuer; (ii) that the Group has surplus cash on hand, with cash and cash equivalents of approximately RMB1,353,722,000 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021; (iii) that the location and condition of the Properties are an adequate match for the Group's operational needs; and (iv) that ownership of the Properties is of substantive strategic and commercial value, the Directors (including the independent non-executive Directors but excluding Mr. Wang and Mr. Cai, who had abstained from voting on the resolution approving the Agreement and the transaction thereunder by reason of their material interest in the Agreement and the transactions contemplated thereunder), are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE COMPANY, LILANG CHINA AND THE VENDOR**

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.

Lilang China is a company established in the PRC and is principally engaged in manufacturing and wholesaling of menswear and accessories.

The Vendor is a company established in the PRC and is principally engaged in development and sales of real estate, management of self-constructed properties and real estate investment. As at the date of this announcement, it is owned as to 23.22% and 6.78% by Mr. Wang and Mr. Cai, respectively. The remaining 70% equity interest in the Vendor is owned by Fujian Zhongjun. To the best information, knowledge and belief of the Directors, Fujian Zhongjun is not a connected person of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Vendor is owned as to 23.22% and 6.78%, respectively, by Mr. Wang and Mr. Cai, both executive Directors and shareholders of Xiao Sheng International Limited, the Controlling Shareholder. Mr. Cai is also the brother-in-law of Mr. Wang Liang Xing, a shareholder of Xiao Sheng International Limited, an executive Director and the brother of Mr. Wang. As such, the Vendor is regarded as an associate of Mr. Wang and Mr. Cai and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.76(2) of the Listing Rules, as each of the applicable percentage ratios in respect of the Acquisition is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meanings when used herein:

“Acquisition”	the acquisition of the Properties pursuant to the terms of the Agreement
“Agreement”	the sale and purchase agreement dated 21 February 2022 entered into between Lilang China and the Vendor in relation to the Acquisition
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“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
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	the controlling shareholder (as defined under the Listing Rules) of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lilang China”	Lilang (China) Co., Ltd.* (利郎(中國)有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cai”	Mr. Cai Rong Hua, an executive Director and a shareholder of the Controlling Shareholder
“Mr. Wang”	Mr. Wang Cong Xing, an executive Director and a shareholder of the Controlling Shareholder

“PRC”	the People’s Republic of China
“Properties”	A 15-storey office building with a total gross floor area of approximately 14,898.78 square metres, three four-storey commercial villas (商業別墅) with a total gross floor area of approximately 6,126.29 square metres and a basement parking lot with a total gross floor area of approximately 6,621.42 square metres, each located at Lilang Creative Park (Plot One), Qingyang Sub-district, Jinjiang City, Fujian Province, the PRC* (中國福建省晉江市青陽街道利郎創意園(地塊一))
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 February 2022

*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.*

*\* for identification purpose only*