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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)

**TERMINATION OF CONTINUING CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION IN RELATION TO
MANUFACTURE OF APPAREL PRODUCTS**

**TERMINATION OF THE 2020 NINGBO CHISAGE INDUSTRIAL FRAMEWORK
MANUFACTURING AGREEMENT**

Reference is made to the announcement of the Company dated 1 April 2022 in relation to the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement. On 3 April 2023, Muyue Garment (an indirect wholly-owned subsidiary of the Company) entered into the Termination Agreement with Ningbo Chisage Industrial to terminate the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement by mutual consent.

THE 2023 CHISAGE APPAREL FRAMEWORK MANUFACTURING AGREEMENT

The Board is pleased to announce that, on 3 April 2023, Muyue Garment (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Chisage Apparel Framework Manufacturing Agreement with Chisage Apparel (an associate of Mr. Yang, a non-executive Director and a substantial shareholder of the Company), pursuant to which Chisage Apparel agreed to manufacture and supply apparel products, in particular top products, for the Group from time to time.

LISTING RULES IMPLICATIONS

The Termination Agreement

As the continuing connected transaction under the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement was terminated, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

The 2023 Chisage Apparel Framework Manufacturing Agreement

Mr. Yang is a non-executive Director and a substantial shareholder of the Company. Chisage Apparel is a company with Mr. Yang controlling the exercise of 30% or more of the voting power at the general meetings. Hence, Chisage Apparel is an associate of Mr. Yang and a connected person of the Company. Accordingly, the transactions under the 2023 Chisage Apparel Framework Manufacturing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the respective highest proposed annual cap for the maximum procurement amounts payable by the Group under the 2023 Chisage Apparel Framework Manufacturing Agreement for the years ending 31 December 2023, 2024 and 2025 is expected to be above 0.1% but less than 5.0%, the transactions 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.

TERMINATION OF THE 2020 NINGBO CHISAGE INDUSTRIAL FRAMEWORK MANUFACTURING AGREEMENT

Reference is made to the announcement of the Company dated 1 April 2022 in relation to the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement. As disclosed in the aforesaid announcement, Muyue Garment, being an indirect wholly-owned subsidiary of the Company, entered into the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement with Ningbo Chisage Industrial, pursuant to which Ningbo Chisage Industrial agreed to manufacture apparel products for the Group for a term commencing from 10 June 2020 to 9 June 2023.

On 3 April 2023, Muyue Garment was notified by Ningbo Chisage Industrial that due to its internal group restructuring, it will no longer manufacture apparel products for the Group. Therefore, Muyue Garment entered into the Termination Agreement with Ningbo Chisage Industrial on 3 April 2023 to terminate the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement by mutual consent with effect from 3 April 2023. Upon termination of the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement and subject to the fulfillment of any orders made by Muyue Garment before 3 April 2023, the parties shall be released from all obligations thereunder. There were no disputes between the Company and Ningbo Chisage Industrial before entering into the Termination Agreement.

The historical procurement amounts paid or payable by the Group to Ningbo Chisage Industrial for the years ended 31 December 2021 and 2022 as well as the period from 1 January 2023 to 3 April 2023 were RMB41,244,953, RMB36,304,487 and RMB23,825,772 (unaudited and represent the procurement amounts of the orders made by the Group to Ningbo Chisage Industrial as of 3 April 2023, some orders of which may take delivery after the date of this announcement) respectively.

The Board believes that entering into of the Termination Agreement will not cause any material adverse impact on the Group's business and operational activities.

THE 2023 CHISAGE APPAREL FRAMEWORK MANUFACTURING AGREEMENT

Background

The Board is pleased to announce that, on 3 April 2023, Muyue Garment (an indirect wholly-owned subsidiary of the Company) entered into the 2023 Chisage Apparel Framework Manufacturing Agreement with Chisage Apparel (an associate of Mr. Yang, a non-executive Director and a substantial shareholder of the Company), pursuant to which Chisage Apparel agreed to manufacture and supply apparel products, in particular top products, for the Group from time to time.

Summary of the terms of the 2023 Chisage Apparel Framework Manufacturing Agreement

The principal terms of the 2023 Chisage Apparel Framework Manufacturing Agreement are as follows:

Date:	3 April 2023
Parties:	Muyue Garment and Chisage Apparel
Term:	Commencing from 3 April 2023 and expiring on 31 December 2025. The 2023 Chisage Apparel Framework Manufacturing Agreement may be automatically renewed unless either party gives written notice to the other of its intention to terminate the agreement within 15 days prior to the expiry of the term.
Subject Matter:	Pursuant to the 2023 Chisage Apparel Framework Manufacturing Agreement, Chisage Apparel agreed to manufacture and supply apparel products, in particular tops products, for the Group from time to time. The Group and Chisage Apparel may, following the principal terms of the 2023 Chisage Apparel Framework Manufacturing Agreement, from time to time enter into separate apparel manufacturing agreements to set out the specific terms and conditions of particular orders, such as specifications, quantity, unit price and payment terms.
Pricing Policy:	The manufacturing prices are determined with reference to the cost of material and production cost negotiated between the Group and its suppliers (including independent third party suppliers and Chisage Apparel). Prior to each order, the Group generally obtains quotes from a minimum of three suppliers (including at least two independent third party suppliers) selected from its approved suppliers list. When reviewing quotes, the Group also considers various other factors, including but not limited to historical relationships with potential suppliers, quality of the products, time required for delivery and production capacity as required by relevant orders. Under such circumstances, the Group will select the supplier who can meet its requirements provided the quote is not more than 5% higher than the lowest price quoted. In addition, the purchase amount from suppliers with higher price quotes shall not be more than 20% of the Group's total annual purchase amount from all suppliers of similar type of products.

The Directors are of the view that the transactions under the 2023 Chisage Apparel Framework Manufacturing Agreement will be conducted on normal commercial terms and not be prejudicial to the interest of the Company's minority shareholders.

Proposed annual caps

The table below sets out the proposed annual caps for the procurement amounts payable by the Group to Chisage Apparel:

<i>(RMB)</i>			
For the period from		For the year ending 31 December	
3 April 2023 to			
31 December 2023		2024	2025
57,000,000		87,000,000	100,000,000

In determining the respective proposed annual caps above, the Directors have considered the forecast on production capacity available to the Group (with not more than 15% estimated growth each year from 2023 to 2025 due to limitation on production capacity) and the seasonality of the demand of apparel products as required by the Group, the historical figures of similar transactions with Ningbo Chisage Industrial and the potential increase in procurement volume due to the Group's business expansion plan as well as potential increase in labor costs.

REASONS FOR ENTERING INTO OF THE TERMINATION AGREEMENT AND THE 2023 CHISAGE APPAREL FRAMEWORK MANUFACTURING AGREEMENT

On 3 April 2023, Ningbo Chisage Industrial notified the Group that due to internal restructuring, it will no longer manufacture apparel products for the Group as the manufacturing capacity has been transferred to Chisage Apparel. In order to regulate the matters in connection with the termination of the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement, Muyue Garment and Ningbo Chisage Industrial entered into the Termination Agreement. In view of the Termination Agreement and given the continuous need for the Group in respect of the manufacturing and procurement of apparels products, the Group entered into the 2023 Chisage Apparel Framework Manufacturing Agreement having terms and conditions substantially the same as the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement with Chisage Apparel to maintain the existing level of manufacturing efficiency.

The Group is principally engaged in design, marketing and sales of apparel products of menswear, womenswear, kidswear and other fashion segments in the PRC. Chisage Apparel has extensive experience in apparel manufacturing business. The Board believes that entering into of the 2023 Chisage Apparel Framework Manufacturing Agreement enables the Group to leverage the expertise of and the high quality manufacturing services offered by Chisage Apparel, so as to enhance the competitiveness of the Group.

As Mr. Yang is a controlling shareholder of Chisage Apparel, Mr. Yang has abstained from voting on the Board resolutions approving (i) the Termination Agreement, and (ii) the 2023 Chisage Apparel Framework Manufacturing Agreement and the proposed annual caps.

The Directors (including the independent non-executive Directors but excluding Mr. Yang who has abstained from voting) are of the view that (i) the terms of the Termination Agreement, which was entered into in the ordinary and usual course of business of the Company and is fair and reasonable and in the interests of the Company and its shareholders as a whole, have been arrived at after arm's length negotiations, and are on normal commercial terms; and (ii) the 2023 Chisage Apparel Framework Manufacturing Agreement, which was entered into after arm's length negotiation and in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms and the proposed annual caps for the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

The Company and Muyue Garment

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

Muyue Garment is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacture, wholesale and retail of apparel and crafted products.

Ningbo Chisage Industrial and Chisage Apparel

Ningbo Chisage Industrial is a limited liability company established in the PRC and is principally engaged in, among others, manufacture of apparel and sales of knitted goods. It is owned as to 52% by Chisage Holding Group Co., Ltd. (中哲控股集團有限公司) ("**Chisage Holding**") and 48% by Yinboxing Investment Co., Ltd. (銀博興投資有限公司). Yinboxing Investment Co., Ltd. is owned by Ms. Xu as to 70%, Mr. Yang as to 20% and Ms. Zhang Lingling as to 10%. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Ms. Zhang Lingling is a third party independent of the Company and its connected persons.

Chisage Apparel is a limited liability company established in the PRC and is principally engaged in the wholesale, retail and manufacture of apparel products and textile raw materials. It is directly wholly owned by Chisage Holding.

Chisage Holding is principally engaged in manufacture and sales of apparel products. It is owned by Ningbo Zhonghui Investment Co., Ltd. (寧波中匯投資有限公司) (“**Ningbo Zhonghui**”) as to 60% and Ningbo U and K Investment Consulting Co., Ltd. (寧波優迪凱投資諮詢有限公司) (“**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 Equity Investment Partnership (Limited Partnership) (寧波榮哲股權投資合夥企業(有限合夥)) (“**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 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)) (“**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 equity interests in which Ms. Xu is interested.

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DEFINITIONS

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

“2020 Ningbo Chisage Industrial Framework Manufacturing Agreement”	the framework manufacturing agreement dated 10 June 2020 and entered into between Muyue Garment and Ningbo Chisage Industrial in relation to manufacture of apparel products
“2023 Chisage Apparel Framework Manufacturing Agreement”	the framework manufacturing agreement dated 3 April 2023 and entered into between Muyue Garment and Chisage Apparel in relation to manufacture and supply of apparel products
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Chisage Apparel”	Chisage Apparel Group Co., Ltd. (中哲服飾集團有限公司), a limited liability company established in the PRC and ultimately controlled by Mr. Yang
“Company”	Mulsanne Group Holding Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Stock Exchange
“Director(s)”	the director(s) 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 and a substantial shareholder of the Company
“Ms. Xu”	Ms. Xu Hongxia, the spouse of Mr. Yang
“Muyue Garment”	Ningbo Muyue Garment Co., Ltd. (寧波慕悅製衣有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Ningbo Chisage Industrial”	Ningbo Chisage Industrial Technology Co., Ltd. (寧波中哲實業科技有限公司) (formerly known as Ningbo Chisage Apparel Co., Ltd. (寧波中哲製衣有限公司)), a limited liability company established in the PRC and ultimately 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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Termination Agreement”	the termination agreement dated 3 April 2023 entered into between Muyue Garment and Ningbo Chisage Industrial to terminate the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement
“%”	per cent

By Order of the Board
Mulsanne Group Holding Limited
TANG Shun Lam
Chairman

Hong Kong, 3 April 2023

As at the date of this announcement, the Board comprises Mr. YU Yong as executive Director; Mr. TANG Shun Lam, Mr. YANG Herong, Mr. CHEN Scott Yue, Mr. YOUNG Christopher and Mr. TIAN Min as non-executive Directors; and Mr. GU Jiong, Mr. LIAO Xiaoxin and Ms. XU Yanyun as independent non-executive Directors.