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LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED

中國聯塑集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2128)

DISCLOSEABLE TRANSACTION: ACQUISITION OF EQUITY INTEREST OF XINGFA ALUMINIUM

THE ACQUISITION

The Board is pleased to announce that on 16 April 2018 (after the Stock Exchange trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, representing an aggregate of approximately 26.28% of the issued share capital of the Target Company as at the date of this announcement, at the Consideration of HK\$973,553,609.

The Acquisition is not subject to any conditions precedent. Completion has taken place immediately upon signing of the Sale and Purchase Agreement.

The issued shares of the Target Company are listed on the Main Board of the Stock Exchange (stock code: 98). According to the Target Company's announcement of financial results for the year ended 31 December 2017, the Target Group is principally engaged in the manufacturing and sale of aluminium profiles which are applied as construction and industrial materials.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 16 April 2018 (after the Stock Exchange trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, representing an aggregate of approximately 26.28% of the issued share capital of the Target Company as at the date of this announcement, at the Consideration of HK\$973,553,609.

Principal terms of the Sale and Purchase Agreement are set out below:

THE ACQUISITION

Date

16 April 2018 (after the Stock Exchange trading hours)

Parties

- (1) Vendors:
- (i) Vendor 1 (being Mr. Luo Su), holder of 58,029,200 Sale Shares, representing approximately 13.88% of the issued share capital of the Target Company as at the date of this announcement
 - (ii) Vendor 2 (being Mr. Luo Riming), holder of 51,813,700 Sale Shares, representing approximately 12.40% of the issued share capital of the Target Company as at the date of this announcement
- (2) Purchaser: the Purchaser, being Lesso Group Holdings Limited, a wholly-owned subsidiary of the Company

Immediately prior to Completion, the Vendors were also executive directors of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors is third party independent of the Group and its connected persons.

Assets to be acquired

The Sale Shares, being an aggregate of 109,842,900 Target Shares. The Sale Shares are listed on the Main Board of Stock Exchange, and represent an aggregate of approximately 26.28% of the issued share capital of the Target Company as at the date of this announcement.

On 29 March 2018, the board of directors of the Target Company recommended payment of a final dividend of HK\$0.2 per Target Share for the year ended 31 December 2017 (the “**2017 Final Dividend**”). Pursuant to the Sale and Purchase Agreement, after Completion, upon the Purchaser’s receipt of payment regarding the 2017 Final Dividend, the Purchaser shall pay an amount equivalent to such 2017 Final Dividend to the Vendors in proportion to their holding of the Sale Shares immediately prior to Completion. Such amount payable to the Vendors is as follows:

Name of Vendor	Amount of 2017 Final Dividend
Vendor 1	HK\$11,605,840
Vendor 2	HK\$10,362,740

The Sale Shares have been sold with effect from Completion free from all encumbrances or third party rights of whatsoever nature and subject to payment of the 2017 Final Dividend to the Vendors set out above, with all rights becoming attached thereto (including the right to receive all dividends and distributions declared, made or paid on or after the date thereof, but excluding the 2017 Final Dividend).

The Consideration

The Consideration, being an aggregate of HK\$973,553,609, is payable in cash on the basis of delivery-against-payment upon Completion (subject to stamping), of which HK\$514,321,245 shall be payable to Vendor 1 and HK\$459,232,364 shall be payable to Vendor 2. The Consideration has been funded by internal resources.

The Consideration was arrived at after arm’s length negotiations between the Vendors and the Purchaser with reference to the price-to-earnings ratio of 10 times of the Target Company for the year ended 31 December 2016.

The Directors consider the Consideration (including payment of the 2017 Final Dividend to the Vendors) is fair and reasonable and is on normal commercial terms.

Condition precedent

The Acquisition is not subject to any conditions precedent.

Completion

Completion has taken place immediately upon signing of the Sale and Purchase Agreement.

After Completion, the Group holds approximately 26.28% of the issued share capital of the Target Company and the Target Company will be equity-accounted for as an associate of the Company in its financial statements.

At Completion, the Vendors resigned as directors of the Target Company, and the Group has nominated 2 persons to sit on the board of directors of the Target Company.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 98). According to the Target Company's announcement of financial results for the year ended 31 December 2017, the Target Group is principally engaged in the manufacturing and sale of aluminium profiles which are applied as construction and industrial materials.

According to the published financial statements of the Target Company, the audited consolidated financial information of the Target Company for the two years ended 31 December 2017 are as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,239,658	5,576,696
Profit before taxation	444,445	351,291
Profit after taxation	382,630	298,476
Net asset value	2,069,035	1,687,920

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sale of building materials and interior decoration products, the provision of renovation and installation works, environmental engineering and other related services, financial services, as well as property rental and other related services.

Given the increasing trend in using aluminium profiles as major construction materials in the PRC, the Directors consider the Target Company is not only a valuable investment, but it is also a good strategic investment opportunity for the Group. With the extensive experiences in the construction and industrial materials business, the Target Company accumulated various kinds of sales channels and customers portfolio. The Acquisition may create long-term commercial synergies with the Group's businesses to broaden its sales channels and expand its customers portfolio, and provide the Group with a more comprehensive product and service portfolio, thus enhancing its position as a total solution provider to customers.

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Completion”	completion of the Acquisition
“Company”	China Lesso Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules

“Consideration”	the aggregate consideration for the Acquisition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Lesso Group Holdings Limited, a wholly-owned subsidiary of the Company
“Sale Shares”	an aggregate of 109,842,900 Target Shares, as to 58,029,200 Target Shares held by Vendor 1 and as to 51,813,700 Target Shares held by Vendor 2
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 16 April 2018 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Sale Shares
“Shareholders”	holder(s) of the Share(s)
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xingfa Aluminium Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 98)
“Target Group”	the Target Company and its subsidiaries
“Target Shares”	the shares of the Target Company
“Vendor 1”	Mr. Luo Su

“Vendor 2”	Mr. Luo Riming
“Vendors”	collectively, Vendor 1 and Vendor 2
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *for identification purpose only*

By Order of the Board
China Lesso Group Holdings Limited
Wong Luen Hei
Chairman

Hong Kong, 16 April 2018

As at the date of this announcement, the executive Directors are Mr. Wong Luen Hei, Mr. Zuo Manlun, Ms. Zuo Xiaoping, Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng; the non-executive Director is Mr. Lin Dewei; and the independent non-executive Directors are Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu, Ms. Lan Fang and Dr. Tao Zhigang.