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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)

**CONNECTED TRANSACTION:
DISPOSAL OF NON-WHOLLY OWNED SUBSIDIARY**

THE DISPOSAL

The Board is pleased to announce that on 7 July 2017 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Target and the Purchaser (the latter being indirectly wholly-owned by Mr. Wong (the chairman of the Company, an executive Director and the controlling Shareholder)), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire (i) the Sale Interest, representing 75% equity interest of the Target; and (ii) the Sale Loan, at the Consideration of RMB56,338,000 (equivalent to approximately HK\$64,794,000), which is further subject to Adjustment. The Disposal is not subject to any conditions precedent. Upon registration of the Disposal, the Disposal Group will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATIONS

The Purchaser is indirectly wholly-owned by Mr. Wong. Mr. Wong is the chairman of the Company, an executive Director and the founder of a trust which holds the entire issued share capital of Xi Xi Development Limited, which in turn holds New Fortune Star Limited, holder of approximately 68.28% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Purchaser is a connected person of the Company under the Listing Rules.

The applicable percentage ratios (as defined in the Listing Rules) for the Disposal are between 0.1% and 5%. Accordingly, the Disposal constitutes a non-exempt connected transaction and is subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

On 7 July 2017 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Target and the Purchaser (the latter being indirectly wholly-owned by Mr. Wong (the chairman of the Company, an executive Director and the controlling Shareholder)), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire (i) the Sale Interest, representing 75% equity interest of the Target; and (ii) the Sale Loan, at the Consideration of RMB56,338,000 (equivalent to approximately HK\$64,794,000), which is further subject to Adjustment.

The principal terms of the Agreement are set out as follows:

THE DISPOSAL

Date

7 July 2017 (after trading hours of the Stock Exchange)

Parties

Vendor: the Vendor, being Guangdong Lesso Mall Co., Ltd.* (廣東聯塑五金電氣建材商城有限公司), an indirect wholly-owned subsidiary of the Company

Purchaser: the Purchaser, being Foshan Star Excel Property Development Co., Ltd.* (佛山市星俊置業發展有限公司), a company indirectly wholly-owned by Mr. Wong

According to the Purchaser, it is principally engaged in property leasing and management.

Assets to be disposed of

- (1) The Sale Interest, being 75% equity interest of the Target, representing all equity interest in the Target owned by the Group at the signing of the Agreement. The remaining 25% equity interest of the Target is held by third parties which together with their ultimate beneficial owners are, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, independent of the Group and its connected persons; and
- (2) the Sale Loan, being the loan owing by the Target to the Vendor, which as at 30 June 2017 (being the Calculation Date) amounted to RMB31,338,000 (equivalent to approximately HK\$36,042,000).

The original acquisition cost of the Target amounted to RMB56,338,000 (equivalent to approximately HK\$64,794,000).

The Consideration and Adjustment

The Consideration for the Disposal is RMB56,338,000 (equivalent to approximately HK\$64,794,000), out of which the consideration for the Sale Interest is equal to RMB25,000,000 (equivalent to approximately HK\$28,752,000) and the consideration for the Sale Loan (as of the Calculation Date) is RMB31,338,000 (equivalent to approximately HK\$36,042,000) (the "**Basic Loan Consideration**"), which shall be payable by the Purchaser to the Vendor in cash within 90 days after the date of the Agreement.

The Consideration is subject to the adjustment as follows:

The Vendor and the Purchaser shall engage third party auditors to conduct an audit on the Target's financial position as at 30 June 2017 (the "**Audit**"). The Vendor and the Purchaser agreed there be an adjustment to the Basic Loan Consideration on a dollar-for-dollar basis based on the Audit in relation to any amount due and owing to the Vendor as at 30 June 2017 (the "**Adjustment**"). However, the consideration for the Sale Loan after Adjustment should not exceed RMB50,000,000 (equivalent to approximately HK\$57,505,000).

The Consideration and the Adjustment were arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the amount injected by the Group to the Disposal Group up to the Calculation Date.

The Directors (including the independent non-executive Directors) consider the Consideration and the Adjustment are fair and reasonable, which are on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole.

The parties to the Agreement agree all liabilities of the Target incurred before Calculation Date shall be borne by the Vendor in proportion to its equity interest in the Target and those incurred after the Circulation Date shall be borne by the Purchaser in proportion to its equity interest in the Target.

Registration of transfer

Pursuant to the Agreement, the parties shall proceed with registration of transfer in relation to the Sale Interest (the "**Registration**") within 10 days after the Vendor's receipt of the Consideration (and the Adjustment, if any).

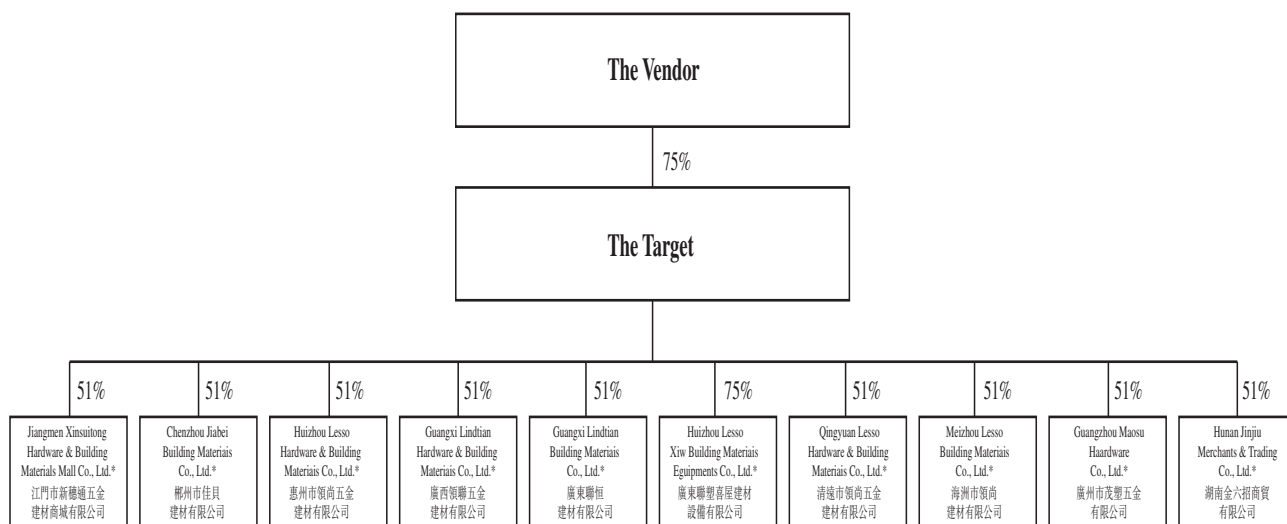
Upon Registration, the Disposal Group will cease to be subsidiaries of the Company and the Company will cease to have any interests in the Disposal Group.

Within 60 days after the Registration, the Disposal Group shall cease to use the trademarks, names and advertising materials containing the names and trademarks of “聯塑” (“Lesso”) and “領尚” (“Lesso”).

INFORMATION OF THE DISPOSAL GROUP

Lesso Mall is an online platform of products display and offline (via physical stores) trading platform in the PRC of the Group, trading hardware, electrical equipment and building materials. The Target is a company established in the PRC on 3 August 2016 with a registered capital of RMB 60,000,000 (equivalent to approximately HK\$69,006,000). The Disposal Group is principally engaged in offline trading platform (via physical stores) of building materials, hardware and interior decoration products for Lesso Mall.

As at the date of this announcement, the Target is owned as to 75% by the Vendor and is a non-wholly owned subsidiary of the Company. The remaining 25% equity interest of the Target is held by third parties which together with their ultimate beneficial owners are, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, independent of the Group and its connected persons. The following diagram shows the shareholding structure of the Disposal Group as at the date of the Agreement:



Set out below is the consolidated financial information of the Disposal Group for the period commencing from the date of the Target's establishment (being 3 August 2016) and ended on 31 December 2016, as well as the six months ended 30 June 2017, which was prepared in accordance with generally accepted accounting principles in the PRC:

	For the period ended 31 December 2016 (audited) (RMB'000)	For the six months ended 30 June 2017 (unaudited) (RMB'000)
Net loss before tax	959	2,195
Net loss after tax	<u>959</u>	<u>2,199</u>

	As at 31 December 2016 (audited) (RMB'000)	As at 30 June 2017 (unaudited) (RMB'000)
Net asset value	19,041	45,932
Net asset value attributable to the Group	<u>14,281</u>	<u>22,859</u>

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

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

Given the business of the Target in the PRC is still in early phases of development and its business model is under an exploratory stage, where substantial resources are needed, the Group has decided to focus its resources on the development and enhancement of its other existing business in order to maximise the Group's investment returns.

The Directors believe as the Disposal Group is a non-core asset of the Group, the Disposal may enhance the condition of the Group's working capital. The Disposal will not have material impacts on the operation of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms which are fair and reasonable, and the entering into of the Disposal is in the interests of the Group and the Independent Shareholders as a whole.

FINANCIAL EFFECT AND USE OF PROCEEDS

Upon Registration, the Disposal Group will cease to be subsidiaries of the Company. Based on the amount of the Consideration and the unaudited financial information of the Disposal Group as at the Calculation Date, it is estimated that the Group will record a gain of approximately RMB2,141,000 (equivalent to approximately HK\$2,462,000), which is calculated by deducting the unaudited consolidated net asset value attributable to the Group as at the Calculation Date (being RMB22,859,000) from the consideration for the Sale Interest (being RMB25,000,000).

The net proceeds from the Disposal will be used by the Group as working capital.

LISTING RULES IMPLICATIONS

The Purchaser is indirectly wholly-owned by Mr. Wong. Mr. Wong is the chairman of the Company, an executive Director and the founder of a trust which holds the entire issued share capital of Xi Xi Development Limited, which in turn holds New Fortune Star Limited, holder of approximately 68.28% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Purchaser is a connected person of the Company under the Listing Rules.

The applicable percentage ratios (as defined in the Listing Rules) are between 0.1% and 5%. Accordingly, the Disposal constitutes a non-exempt connected transaction and is subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Mr. Zuo Manlun, an executive Director and the chief executive officer of the Group, and Ms. Zuo Xiaoping, an executive Director, are the brother-in-law and the wife of Mr. Wong respectively. All of Mr. Wong, Mr. Zuo Manlun and Ms. Zuo Xiaoping are considered to have a material interest in the transactions contemplated under the Agreement, and had abstained from voting at the Board meeting approving the Disposal.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, save for the above, no other Director has a material interest in the transactions contemplated under the Agreement, and therefore no other Director is required to abstain from voting on the Board resolution in relation to the Disposal.

DEFINITIONS

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

“Adjustment”	has the meaning ascribed to it in the paragraph headed “The Consideration and Adjustment” of this announcement
“Agreement”	the agreement dated 7 July 2017 entered into between the Vendor, the Purchaser and the Target in relation to the Disposal
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Calculation Date”	30 June 2017
“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 Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest and the Sale Loan pursuant to the Agreement
“Disposal Group”	the Target together with its subsidiaries, details of which are set out in the section headed “Information of the Disposal Group” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Wong and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

“Mr. Wong”	Mr. Wong Luen Hei, the chairman of the Company, an executive Director and the founder of a trust which holds the entire issued share capital of Xi Xi Development Limited, which in turn holds New Fortune Star Limited, holder of approximately 68.28% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Foshan Star Excel Property Development Co., Ltd.* (佛山市星俊置業發展有限公司), a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by Mr. Wong
“Sale Interest”	75% equity interest in the Target owned by the Vendor as at the date of the Agreement
“Sale Loan”	the loan due and owing by the Target to the Vendor
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	Guangdong Lesso Hardware & Building Materials Co., Ltd.* (廣東領尚五金建材有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company as at the date of the Agreement
“Vendor”	Guangdong Lesso Mall Co., Ltd.* (廣東聯塑五金電氣建材商城有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

An exchange rate of HK\$1.00 to RMB0.86949 has been adopted in this announcement for illustration purposes.

** for identification purpose only*

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

Hong Kong, 7 July 2017

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.