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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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 29 December 2017, the Company entered into the Machinery Purchase Agreement with Guangdong Liansu Machinery, a company indirectly wholly-owned by Mr. Wong (the chairman and executive director of the Company as well as the controlling Shareholder) in relation to the possible purchase of machinery by the Group from Guangdong Liansu Machinery during the years ending 31 December 2018, 31 December 2019 and 31 December 2020 at a price not exceeding the price offered to the Group by any Independent Third Party.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the transactions contemplated under the Machinery Purchase Agreement are between 0.1% and 5%, the transactions contemplated under the Machinery Purchase Agreement constitute non-exempt continuing connected transactions and are subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE MACHINERY PURCHASE AGREEMENT

Date

29 December 2017

Parties

Supplier:	Guangdong Liansu Machinery, a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by Mr. Wong, the principal business of which is the manufacturing, sales and services in extrusion and automation equipment.
Purchaser:	the Company

Term

36 months commencing from 1 January 2018 and ending on 31 December 2020.

Termination

The Machinery Purchase Agreement may be terminated prior to its expiration by mutual agreement, or by either party to the Machinery Purchase Agreement in the following event:

(1) the occurrence of force majeure event;

(2) any party to the Machinery Purchase Agreement having assigned the rights under the Machinery Purchase Agreement without the prior written consent of the other party;

(3) any party to the Machinery Purchase Agreement having notified that it is not going to perform its obligations thereunder prior to its expiration;

(4) any party to the Machinery Purchase Agreement having failed to perform its obligations after any grace period given;

(5) any party to the Machinery Purchase Agreement having breached any terms thereof; or

(6) any other circumstances requiring the termination of the Machinery Purchase Agreement under the law.

Subject matter of purchase

The Machinery Purchase Agreement is a master agreement which governs the supply and purchase of pipe production line series products, profiled material production line series products, cast film production line series products, extruder series products and auxiliary equipment series products etc. between the Group and Guangdong Liansu Machinery. Pursuant to the Machinery Purchase Agreement, the Group agreed to purchase (on a non-exclusive basis) equipment and machinery from Guangdong Liansu Machinery, and Guangdong Liansu Machinery agreed to supply (on a non-exclusive basis) such equipment and machinery to the Group.

The Group and Guangdong Liansu Machinery will enter into separate purchase order for each purchase, which shall stipulate the product quality, delivery details as well as price for each such purchase.

Price and annual caps

Pursuant to the Machinery Purchase Agreement, the price payable by the Group shall not exceed any quotation obtainable by the Group from Independent Third Party of similar product. The equipment to be purchased will be priced based on the following mechanism: the Group will first conduct price consultation and inspection in respect of same or similar equipment provided by Independent Third Parties. The management shall consider at least two to three comparable deals with Independent Third Party for the same period when determining whether the price for any equipment under the Machinery Purchase Agreement is reasonable. Upon discussion with the management, the Group will then negotiate the price with Guangdong Liansu Machinery by taking into account the average price obtained from comparable deals.

For the years ending 31 December 2018, 31 December 2019 and 31 December 2020, the aggregate amount of price payable by the Group to Guangdong Liansu Machinery for all purchases made pursuant to the Machinery Purchase Agreement shall not exceed RMB145 million, RMB150 million and RMB150 million respectively (the "**Annual Machinery Purchase Caps**").

In the event the Group fails to make payment in accordance with the relevant purchase order, it shall pay a penalty on the basis of 0.05% of the overdue amount calculated daily, the total amount which shall be capped at 5% of the overdue amount. In the event Guangdong Liansu Machinery fails to deliver in accordance with the relevant purchase order, it shall pay a penalty on the basis of 0.05% of the undelivered goods' purchase price calculated daily.

The Annual Machinery Purchase Caps were arrived at after considering and taking into account the expected and planned expansion and automation of the Group's production facilities, the expected quantities and types of equipment required, the market prices of such equipment, the market conditions and the expected development trend of the building material industry, as well as the expected growth in the demand and supply of the Group's products. Based on the above, the Directors considered the Annual Machinery Purchase Caps are fair and reasonable.

Reasons for and benefits of the transactions under the Machinery Purchase Agreement

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.

Guangdong Liansu Machinery is principally engaged in the manufacturing, sales and services in extrusion and automation equipment. Guangdong Liansu Machinery is familiar with the Group's requirements and is a reliable source of quality equipment at reasonable prices. Based on the above, the Directors are of the view that it is in the interest of the Group for the Group to have the arrangement in place to purchase from Guangdong Liansu Machinery.

The Directors (including the independent non-executive Directors) therefore consider that the Machinery Purchase Agreement has been entered into in the ordinary and usual course of business of the Company and the terms are on normal commercial terms which have been arrived at after arm's length negotiations between the parties thereto, and that the proposed caps in respect to the aforesaid agreement are fair and reasonable and that the entering into of the Machinery Purchase Agreement is in the interest of the Company and the Shareholders (other than Mr. Wong and his associates) as a whole.

Relationship with Guangdong Liansu Machinery

Guangdong Liansu Machinery is a company indirectly wholly-owned by Mr. Wong, 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, Guangdong Liansu Machinery is connected person of the Company under 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 and have abstained from voting at the board meeting approving the transactions contemplated under the Machinery Purchase Agreement.

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

Listing Rules implications

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the transactions contemplated under the Machinery Purchase Agreement are between 0.1% and 5%, the transactions contemplated under the Machinery Purchase Agreement constitute non-exempt continuing connected transactions and are subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

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

"Board"	the board of Directors
"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 rule 1.01 of the Listing Rules and as extended by Rule 14A.07 of the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries

"Guangdong Liansu Machinery"	Guangdong Liansu Machinery Manufacturing Co., Ltd.* (廣東聯塑機器製造有限公司), a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by Mr. Wong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) which is(are) third party independent of the Group and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Machinery Purchase Agreement"	the master agreement dated 29 December 2017 entered into between the Company and Guangdong Liansu Machinery in relation to the purchase of machinery by the Group from Guangdong Liansu Machinery
"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, the Macau Special Administrative Region of the PRC and Taiwan
"Share(s)"	share(s) of a nominal value of HK$0.05 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

"%"	per cent.

* *The English or Chinese translations in this announcement, where indicated, denote for identification only.*

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

Shunde, the PRC, 29 December 2017

As at the date of this announcement, the executive directors of the Company 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 of the Company is Mr. Lin Dewei; and the independent non-executive directors of the Company are Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu, Ms. Lan Fang and Dr. Tao Zhigang.