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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)**

## **BUSINESS UPDATE IN RELATION TO POSSIBLE FORMATION OF A JOINT VENTURE COMPANY AND POSSIBLE LEASE OF CERTAIN LAND PARCELS**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform its Shareholders and potential investors of the Shares that in an effort to (i) capitalise on the “Belt and Road Initiative” and (ii) invest and develop properties for the expansion of the business of one-stop specialized platform for building materials, home furnishing and other consumer products in overseas market, the Group intends to cooperate with the Proposed JV Partner to form the Proposed JV, which will lease certain land parcels in Myanmar from the Proposed Lessors for the purpose of developing the Proposed Project, subject to the terms and conditions to be further discussed and agreed between the relevant parties.

**Shareholders and potential investors of the Shares should note that the proposed transactions contemplated may or may not materialize. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

**The Board wishes to emphasize that no binding agreement in relation to the proposed transactions contemplated has been entered into as at the date of this announcement. Further announcement(s) will be made by the Company in the event any formal agreement has been signed or as and when appropriate.**

\* For identification purposes only

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### **SCOPE OF THE POSSIBLE FORMATION OF THE PROPOSED JV AND THE PROPOSED PROJECT**

Subject to the entering of any formal agreements (including the formal JV Agreement and the Lease Agreement) between the Parties (as defined below) and the terms and conditions thereof, the proposed key terms of the proposed transactions contemplated are as follows:

#### **A. Proposed Parties**

1. Lesso Mall, a non-wholly owned subsidiary of the Company;
2. Proposed JV Partner;
3. Proposed Lessor 1, a director of the Proposed JV Partner; and
4. Proposed Lessor 2, a director and one of the ultimate beneficial owners of the Proposed JV Partner (together with Proposed Lessor 1, are hereinafter collectively referred to as the “**Proposed Lessors**”).

Lesso Mall, the Proposed JV Partner and the Proposed Lessors are hereinafter collectively referred to as the “**Parties**”.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Proposed JV Partner together with its ultimate beneficial owner(s) and the Proposed Lessors are third parties independent of the Group and its connected persons as at the date of this announcement. However, depending on the shareholding ratio of the shares to be subscribed by Lesso Mall and the Proposed JV Partner in the Proposed JV under the terms of the formal JV Agreement, the Proposed JV Partner and the Proposed Lessors may become connected persons of the Company at the subsidiary level after the formation of the Proposed JV. Therefore, any transactions to be entered into between the Parties after the formation of the Proposed JV (including the formal Lease Agreement) may become connected transactions (as defined under the Listing Rules), and in such case, the Company will comply with the applicable Listing Rules requirements in respect thereof.

## **B. Structure and Management of the Proposed JV**

1. Lesso Mall and the Proposed JV Partner shall subscribe for the shares of the Proposed JV in the ratio of 60% and 40% respectively (the “**Shareholding Ratio**”);
2. based on the Shareholding Ratio, the board of directors of the Proposed JV shall consist of five directors where Lesso Mall and the Proposed JV Partner shall be entitled to nominate three directors and two directors of the Proposed JV, respectively. A director nominated by Lesso Mall shall be the chairman and a director nominated by the Proposed JV Partner shall be the vice-chairman; and
3. the chief executive officer and the chief financial officer of the Proposed JV shall be nominated by Lesso Mall so long as Lesso Mall’s Shareholding Ratio in the Proposed JV is no less than 51% and the deputy chief executive officer and the deputy chief financial officer of the Proposed JV shall be nominated by the Proposed JV Partner so long as its Shareholding Ratio in the Proposed JV is no less than 40%.

## **C. Investment in the Proposed JV**

1. Lesso Mall shall contribute an investment of US\$52,500,000 and the Proposed JV Partner shall contribute an investment of US\$35,000,000 within 2 years from the date on which MIC issues the MIC Permit;
2. the obligations of Lesso Mall and the Proposed JV Partner to contribute the investment as set out in the paragraph above shall be subject to issue of the MIC Permit and other customary conditions precedent to be further discussed and agreed by Lesso Mall and the Proposed JV Partner in the formal JV Agreement.

Subject to the business needs and development plans of the Proposed JV, as and when required, Lesso Mall and the Proposed JV Partner may consider making further contribution to the Proposed JV. In such case, the Company will comply with the applicable Listing Rules requirements in respect thereof.

#### **D. Lease of the Project Land**

1. the Proposed JV shall acquire certain leasehold rights to the Project Land for the purpose of the Proposed Project from the Proposed Lessors for an initial term of 50 years commencing from the date of the formal Lease Agreement and the further extension of two consecutive periods of 10 years each as may be approved by the MIC at the total rent of US\$44,000,000 payable to the Proposed Lessors; and
2. if at any time during the term of the formal Lease Agreement, a longer lease term than the original lease term becomes permissible under the applicable Myanmar law or if the applicable Myanmar law subsequently permits foreign investors to obtain direct ownership of land (including the Project Land), the Proposed Lessors shall, at the request of the Proposed JV, do all things necessary for the extension or renewal of the formal Lease Agreement to the fullest extent permissible or transfer the legal and beneficial ownership of the Project Land to the Proposed JV (as applicable) without any additional cost being payable by the Proposed JV (other than these additional payment if and only to the extent so legally required).

#### **INFORMATION ABOUT THE PROPOSED JV PARTNER AND THE PROPOSED LESSORS**

The Proposed JV Partner is a company incorporated in Myanmar, and is principally engaged in property development in Myanmar. The Proposed JV Partner is owned in equal shares by two Myanmar natural persons (one of whom is Lessor 2), who are independent third parties from the Group and its connected persons as at the date of this announcement. However, depending on the shareholding ratio of the shares to be subscribed by Lesso Mall and the Proposed JV Partner in the Proposed JV under the terms of the formal JV Agreement, the Proposed JV Partner and the Proposed Lessors may become connected persons of the Company at the subsidiary level after the formation of the Proposed JV. Therefore, any transactions to be entered into between the Parties after the formation of the Proposed JV (including the formal Lease Agreement) may become connected transactions (as defined under the Listing Rules), and in such case, the Company will comply with the applicable Listing Rules requirements in respect thereof.

The Lessors are Myanmar natural persons and are the holders of certain rights and interests in the Project Land. The Lessors are both directors of the Proposed JV Partner. In addition, Lessor 2 is one of the ultimate beneficial owners of the Proposed JV Partner.

## **REASONS FOR THE POSSIBLE FORMATION OF THE PROPOSED JV AND THE PROPOSED PROJECT**

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 and property rental and other related services.

To capitalise on the “Belt and Road Initiative”, the Group has been actively developing a business line to establish a one-stop specialized platform for China’s building materials, home furnishing and other consumer products in overseas market, with a major aim to assisting China’s manufacturers with product display, sales, storage, logistics and distribution of products to customers across the world.

Taking into consideration factors including, among others, (i) the strategic and convenient location of the Project Land; (ii) the expected demand for large-scale and professional exhibition facilities, one-stop wholesale and retail centres and demand for building materials, home furnishing and consumer products in Myanmar; (iii) the Proposed Project being consistent with the Group’s strategies of investing and developing properties for the expansion of the business of one-stop specialized platform for building materials, home furnishing and other consumer products in overseas market, and (iv) the strong network, solid and local experience of the Proposed JV Partner and its owners in property development and wholesale and retail markets in Myanmar and the synergy and assistance that the Proposed JV Partner is expected to bring to the Proposed Project, the Company believes that the Proposed JV and the Proposed Project have promising prospects.

### **GENERAL**

The Board wishes to emphasize that no binding agreement in relation to the proposed transactions contemplated has been entered into as at date of this announcement, and that the Parties are still actively negotiating among themselves. Therefore, Shareholders and potential investors of the Shares should note that the proposed transactions contemplated may or may not materialize, and they should exercise caution when dealing in the securities of the Company. Further announcement(s) will be made by the Company in the event any formal agreement has been signed or as and when appropriate.

## 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 thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the possible joint venture agreement that may be entered into between Lesso Mall and the Proposed JV Partner in relation to the formation of the Proposed JV
“Lease Agreement”	the possible lease agreement that may be entered into between the Proposed Lessors, the Proposed JV and the Proposed JV Partner after, among other things, the formation of the Proposed JV and the issue of the MIC Permit, in relation to the possible lease of the Project Land by the Proposed JV from the Proposed Lessors
“Lesso Mall”	Lesso Mall (Myanmar) Investment Limited, a company incorporated in Hong Kong and is indirectly owned as to approximately 89.2% by the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MIC”	the Myanmar Investment Commission formed under the Myanmar Investment Law

“MIC Permit”	an investment permit granted by the MIC for approving, among other things, the development of the Proposed Project
“Myanmar”	the Republic of the Union of Myanmar
“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
“Project Land”	certain land parcels located in Yangon Region, Myanmar of a net site area of around 74 acres
“Proposed JV”	the possible formation of a joint venture with the Proposed JV Partner by Lesso Mall
“Proposed JV Partner”	a company incorporated in Myanmar and is principally engaged in property development in Myanmar
“Proposed Lessor 1”	a Myanmar natural person and is a director of the Proposed JV Partner as at the date of this announcement
“Proposed Lessor 2”	a Myanmar natural person and is a director, and one of the ultimate beneficial owners, of the Proposed JV Partner as at the date of the announcement
“Proposed Lessors”	Proposed Lessor 1 and Proposed Lessor 2
“Proposed Project”	the proposed project in Myanmar involving the development and management of certain property and buildings for commercial, office, retail and wholesale use together with related facilities, buildings and fixtures to be conducted by the Proposed JV on the Project Land
“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

“US\$” US dollars, the lawful currency of the United States of America

“%” per cent.

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

Hong Kong, 11 January 2019

*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 and Mr. Lin Dewei; and the independent non-executive directors of the Company are Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu, Ms. Lan Fang, Dr. Tao Zhigang and Mr. Cheng Dickson.*