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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)**

**VOLUNTARY ANNOUNCEMENT –  
BUSINESS UPDATE IN RELATION TO ENTERING INTO  
THE JV AGREEMENT AND POSSIBLE LEASE OF  
CERTAIN LAND PARCELS**

This is a voluntary announcement made by the Company to inform its shareholders and potential investors of the latest business update and development of the Group. Reference is made to the announcement of the Company on 11 January 2019 in relation to possible formation of a joint venture company and possible lease of certain land parcels.

**ENTERING INTO JV AGREEMENT**

On 28 March 2019, Lesso Mall, a non-wholly owned subsidiary of the Company, entered into the JV Agreement with JV Partner to further set out the terms and conditions of the joint venture (*i.e.* JV Company). As at the date of this announcement and pursuant to the JV Agreement, JV Company is owned as to 60% by Lesso Mall and 40% by JV Partner; and among other things, (i) the total initial capital commitment of JV Company of US\$87,500,000 shall be contributed in proportion to the shareholding percentage of the parties; (ii) the Company shall provide a guarantee in favour of JV Partner for certain obligations of Lesso Mall and JV Company. It is intended that JV Company shall continue to be accounted for as a non-wholly owned subsidiary of the Company and shall, subject to the fulfilment of certain conditions and in accordance with the local Myanmar laws and other relevant laws, rules and regulations, enter into the Lease Agreements as part of the Project, which is a project in Myanmar involving the construction and operation of primarily commercial, office, wholesale and retail properties together with related facilities, buildings and fixtures.

## **POSSIBLE LEASE OF CERTAIN LAND PARCELS**

Upon the fulfillment of certain conditions and in accordance with the local Myanmar laws and other relevant laws, rules and regulations, JV Company, the Landlords, Lesso Mall and JV Partner shall enter into the Lease Agreements pursuant to which JV Company will acquire leasehold rights to the Relevant Land Parcels under the Project from the Landlords for an initial term of 50 years and two further consecutive periods of 10 years each as may be approved by the MIC as set out in the Land Rights Authorization at the total rent of US\$44,000,000.

## **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios as defined under the Listing Rules for the transactions contemplated under the JV Agreement are all less than 5%, the transactions contemplated under the JV Agreement do not constitute a notifiable transaction as defined under the Listing Rules.

JV Company is an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules. As JV Company is currently owned as to 60% by Lesso Mall and 40% by JV Partner, JV Partner is a substantial shareholder of an insignificant subsidiary of the Company; and therefore notwithstanding JV Partner's interest in JV Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the execution of the JV Agreement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

With respect to the Lease Agreements that may be entered into by the Landlords, JV Partner, Lesso Mall and JV Company, the Company will re-assess the relationship (including whether JV Company is still an insignificant subsidiary at the time when these agreements are entered into) and comply with the applicable Listing Rules requirements with respect to the Lease Agreements and the transactions contemplated thereunder as and when the Lease Agreements are entered into.

On 28 March 2019, the Board has approved the JV Agreement and the underlying transactions, and the Board has confirmed that the terms of the JV Agreement and the underlying transactions are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

**As the entering into of the Lease Agreements may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares. Further announcements may be made by the Company on the Lease Agreements as and when appropriate.**

## **INTRODUCTION**

The Board is pleased to announce that on 28 March 2019, Lesso Mall, a non-wholly owned subsidiary of the Company, entered into the JV Agreement with JV Partner to further set out the terms and conditions of the joint venture (*i.e.* JV Company). As at the date of this announcement and pursuant to the JV Agreement, JV Company is owned as to 60% by Lesso Mall and 40% by JV Partner; and among other things, (i) the total initial capital commitment of JV Company of US\$87,500,000 shall be contributed in proportion to the shareholding percentage of the parties; and (ii) the Company shall provide a guarantee in favour of JV Partner for certain obligations of Lesso Mall and JV Company. It is intended that JV Company shall continue to be accounted for as a non-wholly owned subsidiary of the Company and shall, subject to the fulfilment of certain conditions and in accordance with the local Myanmar laws and other relevant laws, rules and regulations, enter into the Lease Agreements as part of the Project, which is a project in Myanmar involving the construction and operation of primarily commercial, office, wholesale and retail properties together with related facilities, buildings and fixtures.

Set out below are some of the major terms of the JV Agreement.

## **THE JV AGREEMENT**

### **Date**

28 March 2019

### **Parties**

1. Lesso Mall, a non-wholly owned subsidiary of the Company; and
2. JV Partner.

As at the date of this announcement, JV Company is an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules. As JV Company is currently owned as to 60% by Lesso Mall and 40% by JV Partner, JV Partner is a substantial shareholder of an insignificant subsidiary of the Company; and therefore notwithstanding JV Partner's interest in JV Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

## JV Company

As of the date of this announcement, JV Company is incorporated and registered as a private foreign company in Myanmar with a total issued share capital of US\$10 in which US\$6 is contributed by Lesso Mall with the remaining US\$4 from JV Partner. Therefore, JV Company is currently owned as to 60% by Lesso Mall and 40% by JV Partner, and is considered a non-wholly owned subsidiary of the Company. Since the date of its incorporation, JV Company has been a shell company with no operations; and therefore, there has been no profit attributable to it since its incorporation.

Set out below are some of the principal terms of the JV Agreement and the arrangements relating to the joint venture:

Shareholding ratio:	JV Company is held as to 60% by Lesso Mall and 40% by JV Partner.
Initial Committed Amount:	The total initial capital commitment is US\$87,500,000, which shall be contributed by Lesso Mall and JV Partner in proportion to their shareholding percentage in JV Company and payable in one or more tranches as agreed by Lesso Mall and JV Partner.
The Guarantee:	The Company shall provide a guarantee in favour of JV Partner in respect of (i) Lesso Mall's funding obligation under the JV Agreement and (ii) JV Company's obligation to pay the Total Rent under the Lease Agreements (if executed).
Conditions to funding the Initial Committed Amount:	<p>The obligation of Lesso Mall and JV Partner to fund their respective portion of the Initial Committed Amount is conditional upon (each of which may only be waived by both Lesso Mall and JV Partner):</p> <ul style="list-style-type: none"><li>(i) all necessary consents from the Stock Exchange and other regulatory authorities in Hong Kong in relation to, among other things, the JV Agreement, the Guarantee and the transactions contemplated thereunder having been obtained and not withdrawn or modified prior to the Initial Commitment Start Date;</li><li>(ii) the MIC Permit having been obtained on terms reasonably acceptable to the parties and not withdrawn or modified (save on terms reasonably acceptable to the parties) prior to the funding;</li><li>(iii) valid and subsisting land permits or land grants having been issued by the relevant Myanmar authority in respect of the Relevant Land Parcels on terms reasonably acceptable to the parties and not withdrawn, revoked or modified (save on terms reasonably acceptable to the parties);</li></ul>

- (iv) the memorandum and articles of JV Company having been registered with the relevant authorities;
- (v) all warranties, representations and undertakings given by the parties to the JV Agreement being accurate and true in all material respects as at the Initial Commitment Start Date; and
- (vi) an undertaking to lease the Relevant Land Parcels having been duly executed by the Landlords, Lesso Mall, JV Partner and JV Company.

Board composition:

- (i) Lesso Mall has the right to nominate 3 directors and the chairman of the board of directors of JV Company; and
- (ii) JV Partner has the right to nominate 2 directors and the vice-chairman of the board of directors of JV Company.

Dividend policy:

Subject to JV Company having sufficient profits available for distribution under the applicable laws, JV Company shall, immediately after the end of each financial year, cause to be distributed all of the distributable profits of JV Company to its shareholders in proportion to their shareholding percentage in JV Company after setting aside funds to meet certain working, operational and tax requirements and obligations in accordance with the JV Agreement.

Termination:

The JV Agreement shall become effective on the date of the JV Agreement and shall continue in full force and effect until terminated in accordance with the terms of the JV Agreement. The JV Agreement shall automatically be terminated upon the occurrence of any of the following:

- (i) the mutual written agreement of the parties;
- (ii) the application of the MIC Permit has been unsuccessful or rejected by the MIC and the parties agree to not submit another application;
- (iii) the transfer or the vesting by a party (or parties) of its (or their) entire shareholding in the capital of JV Company to the other party and/or its affiliate or a third party;
- (iv) the dissolution or winding up of JV Company; or
- (v) the service of a notice to terminate the JV Agreement in writing in accordance with the terms of the JV Agreement.

Non-compete: Each of Lesso Mall and JV Partner will not, and procure that each of its related parties will not, as from the date of the JV Agreement and until the expiry of three years after the relevant mall or trading centre of the Project launches its official opening, directly or indirectly be engaged, concerned or interested in any Qualifying Business or any persons or entities carrying on or engaged in any Qualifying Business.

## **POSSIBLE LEASE OF CERTAIN LAND PARCELS**

Upon the fulfillment of certain conditions and in accordance with the local Myanmar laws and other relevant laws, rules and regulations, JV Company, the Landlords, Lesso Mall and JV Partner shall enter into the Lease Agreements pursuant to which JV Company will acquire leasehold rights to the Relevant Land Parcels under the Project from the Landlords for an initial term of 50 years and two further consecutive periods of 10 years each as may be approved by the MIC as set out in the Land Rights Authorization at the total rent of US\$44,000,000. The amount of total rent was determined after arm's length negotiations between Lesso Mall and the Landlords having taken into consideration of, among others, the strategic location of the Relevant Land Parcels and a valuation report issued by an independent professional valuer which appraised the market value of the Relevant Land Parcels at US\$44,200,000 as at 18 February 2018 adopting the market approach.

**As the entering into of the Lease Agreements may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares. Further announcements may be made by the Company on the Lease Agreements as and when appropriate.**

## **INFORMATION OF THE PARTIES**

### **The Group**

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 general 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. Presently, the Group has properties reserve (self-owned or leased) in major cities in Thailand, United Arab Emirates, the United States of America, Canada and Australia, laying a solid foundation for the expansion of the business of one-stop specialized building materials, home furnishing and general consumer products platform.

## **JV Partner and the Landlords**

JV Partner is a company incorporated in Myanmar and is owned in equal shares by two Myanmar natural persons who are independent third parties from the Group as at the date of this announcement. It is principally engaged in property development in Myanmar. As mentioned above, JV Company is an insignificant subsidiary of the Company, and therefore notwithstanding JV Partner's interest in JV Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules.

The Landlords are the holders of certain property rights, title and interests in relation to the Relevant Land Parcels. As at the date of the announcement, the Landlords, together with the shareholders of JV Partner, are directors of JV Partner, and one of the Landlords is also an ultimate beneficial owner of JV Partner.

## **REASONS FOR THE ENTERING INTO OF THE JV AGREEMENT**

As mentioned above, 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 general 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 expected demand for large-scale one-stop wholesale and retail centres and demand for general consumer products and other home furnishing and building materials products in Myanmar; (ii) the strong network, solid and local experience of JV Partner and its owners in property development and wholesale and retail markets in Myanmar and the synergy and assistance that JV Partner is expected to bring to the Project and (iii) the 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 general consumer products in overseas market, the Directors believe that JV Company and the transactions contemplated under the JV Agreement have promising prospects.

Given the aforesaid reasons and benefits, the Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement and the transactions contemplated thereunder respectively are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios as defined under the Listing Rules for the transactions contemplated under the JV Agreement are all less than 5%, the transactions contemplated under the JV Agreement do not constitute a notifiable transaction as defined under the Listing Rules.



JV Company is an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules. As JV Company is currently owned as to 60% by Lesso Mall and 40% by JV Partner, JV Partner is a substantial shareholder of an insignificant subsidiary of the Company; and therefore notwithstanding JV Partner's interest in JV Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the execution of the JV Agreement does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

With respect to the Lease Agreements that may be entered into by the Landlords, JV Partner, Lesso Mall and JV Company, the Company will re-assess the relationship (including whether JV Company is still an insignificant subsidiary at the time when these agreements are entered into) and comply with the applicable Listing Rules requirements with respect to the Lease Agreements and the transactions contemplated thereunder as and when the Lease Agreements are entered into.

On 28 March 2019, the Board has approved the JV Agreement and the underlying transactions, and the Board has confirmed that the terms of the JV Agreement and the underlying transactions are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Directors have a material interest in the JV Agreement and the underlying transactions, and no Directors have abstained from voting on the board resolutions approving the JV Agreement and the underlying transactions.

## **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
“Guarantee”	the guarantee provided by the Company in favour of JV Partner for certain obligations of Lesso Mall and JV Company under the JV Agreement and the Lease Agreements (if executed)



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Commitment Start Date”	the date on which all parties shall complete their subscriptions in respect of the first tranche of the Initial Committed Amount, which shall be no later than three months from the date of grant of the MIC Permit
“Initial Committed Amount”	the total initial capital commitment of US\$87,500,000, which shall be contributed by Lesso Mall and JV Partner in proportion to their shareholding percentage in JV Company and payable in one or more tranches as agreed by Lesso Mall and JV Partner
“JV Agreement”	the joint venture agreement dated 28 March 2019 entered into between Lesso Mall and JV Partner
“JV Company”	Lesso Home Development (Yangon) Limited, a private foreign company incorporated and registered in Myanmar
“JV Partner”	Ever Investment Company Limited, a company incorporated in Myanmar
“Land Rights Authorization”	the land rights authorization in respect of the Relevant Land Parcels (which is to be applied for in the course of applying for the MIC Permit), which would be obtained prior to the leasing of the Relevant land Parcels from the Landlords to JV Company
“Landlords”	the holders of certain rights, title and interests in and to the Relevant Land Parcels, one of whom is interested in 50% of the issued share capital of JV Partner
“Lease Agreements”	the proposed lease agreements (four in total) to be entered into between JV Company, the Landlords, Lesso Mall and JV Partner where JV Company will acquire leasehold rights to the Relevant Land Parcels under the Project from the Landlords for an initial term of 50 years and two further consecutive periods of 10 years each as may be approved by the MIC as set out in the Land Rights Authorization at the total rent of US\$44,000,000
“Lesso Mall”	Lesso Mall (Myanmar) Investment Limited, a company incorporated in Hong Kong and is owned as to 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”	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 Project
“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”	a contemplated project in Myanmar involving the construction and operation of certain buildings primarily for commercial, office, wholesale and/or retail use together with related facilities, buildings and fixtures
“Qualifying Business”	The space in Yangon Region, Myanmar which has a gross floor area exceeding 200,000 square feet, being used or designated for use for the distribution, wholesale or retail trade of construction materials, home furnishings, home products and/or general consumer products
“Relevant Land Parcels”	four contemplated land parcels underlying the Project which JV Company will acquire property interests to under the Lease Agreements in Yangon Region, Myanmar, which are situated at Survey Block No. 59, Corner of Bago River and Yadanar Street, Dagon Myothit (Seikkan) Township, Yangon Region and with a total area of approximately 74.2 acres
“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

“Total Rent”	the total rent payable by JV Company to the Landlords under the Lease Agreements
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

\* For identification purposes only

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

Hong Kong, 28 March 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.*