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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**

#### **THE ACQUISITION**

The Board is pleased to announce that on 22 March 2017 (before trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company as guarantor entered into the Share Purchase Agreements with the Sellers, pursuant to which the Sellers have agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, representing an aggregate of approximately 9.41% of the total issued H Shares and 2.76% of the total issued share capital of the Target Company as at the date of this announcement, at an aggregate Consideration of HK\$900 million.

The Target Company is a joint stock limited company incorporated in PRC, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1528). Based on its announcement dated 19 December 2016, the Target Group is a leading home improvement and furnishings shopping mall operator in the PRC, and the Target Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both portfolio shopping malls and managed shopping malls. The Target Group is also involved in O2O platform business, bulk procurement, sale of pre-paid cards, internet finance, home design and decoration, as well as logistics and delivery services.

## **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 22 March 2017 (before trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company as guarantor entered into the Share Purchase Agreements with the Sellers, pursuant to which the Sellers have agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, representing an aggregate of approximately 9.41% of the total issued H Shares and 2.76% of the total issued share capital of the Target Company as at the date of this announcement, at an aggregate Consideration of HK\$900 million.

Save for the identity of each of the Sellers, the number of Sale Shares to be sold by each of the Sellers and the consideration payable therefor, the key terms of the Share Purchase Agreement I and the Share Purchase Agreement II are identical. The principal terms of the Share Purchase Agreements are set out as follows:

## **THE ACQUISITION**

### **Date**

22 March 2017 (before trading hours of the Stock Exchange)

### **Parties**

Seller under Share Purchase Agreement I:	Seller A, being Springwood Investment SRL, an international society with restricted liability organised and licensed under the Societies with Restricted Liability Act, CAP. 318B of the laws of Barbados
Seller under the Share Purchase Agreement II:	Seller B, being Candlewood Investment SRL, an international society with restricted liability organised and licensed under the Societies with Restricted Liability Act, CAP. 318B of the laws of Barbados

Purchaser: the Purchaser, being Fuhui Capital Investment Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company

Guarantor: the Company

As at the date of this announcement, each of Seller A and Seller B is the beneficial owner of 181,170,145 and 338,054,924 H Shares in the Target Company respectively, representing approximately 17.05% and 31.81% of the total issued H Shares and 5.00% and 9.33% of the total issued share capital of the Target Company respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Sellers and their ultimate beneficial owner, being Warburg Pincus & Co., are third parties independent of the Group and its connected persons. According to Seller A, it is principally engaged in the investment holding business. According to Seller B, it is principally engaged in the investment holding business.

### **Shares to be acquired**

Pursuant to the Share Purchase Agreement I, the Purchaser has agreed to acquire Sale Shares I, being 34,892,411 H Shares of the Target Company. Pursuant to the Share Purchase Agreement II, the Purchaser has agreed to acquire Sale Shares II, being 65,107,589 H Shares of the Target Company.

The Sale Shares, being an aggregate of 100,000,000 H Shares, are listed on the Main Board of Stock Exchange and traded in Hong Kong dollars, and represent an aggregate of approximately 9.41% of the total issued H Shares and 2.76% of the total issued share capital of the Target Company as at the date of this announcement.

The Sale Shares shall be sold free and clear of any options, rights to acquire, mortgages, pledges, liens, charges, security interests, equities, pre-emptive rights and other encumbrances, title retentions, claims, counterclaims, trust arrangements and third party rights, together with all rights and benefits attaching to them as at Closing (including, without limitation, the right to receive all dividends, distributions or other rights in respect of the Sale Shares declared, made or distributed by the Target Company at or after Closing but subject to the paragraphs headed "Dividends" below).

## **The Consideration**

The consideration for the Acquisition shall be HK\$9 per H Share, with the aggregate Consideration being HK\$900 million, of which HK\$314,031,699 shall be payable to Seller A and HK\$585,968,301 shall be payable to Seller B. The Consideration shall be payable by the Purchaser to each of the Sellers in cash on Closing. The Consideration will be funded by internal resources of the Group.

The Consideration was arrived at after arm's length negotiations between each of the Sellers and the Purchaser on normal commercial terms with reference to the prevailing market price. The Directors consider the Consideration is fair and reasonable and is on normal commercial terms.

## **Condition precedent**

The Acquisition is not subject to any conditions precedent.

## **Closing**

Closing of the sale and purchase of the Sale Shares I under the Share Purchase Agreement I and the sale and purchase of the Sale Shares II under the Share Purchase Agreement II shall take place as close as is reasonably practicable to simultaneously on the Closing Date or the Deferred Closing Date (as defined below).

Immediately after Closing, the Group will hold approximately 9.41% of the total issued H Shares and 2.76% of the total issued share capital of the Target Company and the Target Company will be accounted for as available-for-sale investments of the Group in its financial statements.

## **Lock Up**

Pursuant to the Share Purchase Agreements, subject to the paragraph below, each of the Sellers has undertaken to the Purchaser that (except for the sale of its respective Sale Shares pursuant to the Share Purchase Agreements) from the Closing Date and on or prior to the date being 3 months after the Closing Date (the "**Lock-up Period**") it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Purchaser) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares of the Target Company or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares or such other securities, in cash or otherwise.

For the period commencing from the date of the Share Purchase Agreements and ending on 31 March 2017 (or such other period as the parties may agree in writing), each of the Sellers shall be entitled to sell, transfer or otherwise dispose of up to 30% of its shareholding in the Target Company as at the date of the Share Purchase Agreements to a third party purchaser (the “**Second Purchaser**”), provided that the price for each share (taking into account the amount for each share payable by such third party purchaser upon receipt of any dividends declared by the Target Company on or after 20 March 2017 and up to 31 December 2017 in relation to such sale shares) shall not be less than HK\$10.

### **Right of First Offer**

Pursuant to the Share Purchase Agreements, each of the Sellers has undertaken to the Purchaser that in the event a Seller proposes to sell or otherwise dispose of any shares of the Target Company held by it within 6 months after the end of the Lock-up Period, such Seller shall first notify the Purchaser and the Second Purchaser its intention of sale or disposal in writing and the Purchaser and the Second Purchaser shall have the right to offer (the “**ROFO Offer**”) to such Seller to purchase all (but not part of) such shares by delivering a written notice (the “**Offer Notice**”) to such Seller stating the relevant offer price and other terms (if any). Each of the Sellers may (i) accept the ROFO Offer with the highest offer price, or (ii) accept the ROFO Offers on a pro rata basis where the ROFO Offers from the Purchaser and the Second Purchaser are at the same offer price, or (iii) reject the ROFO Offers. If a Seller rejects the ROFO Offers, it may within a period of 60 days sell all of the offered shares to a third party purchaser on terms no less favourable to the Seller than those set out in the Offer Notice.

### **Dividends**

Pursuant to the Share Purchase Agreements, the Purchaser has undertaken with each of the Sellers that:

- (a) it shall, within 3 Business Days upon receipt of any dividends declared by the Target Company on or after 20 March 2017 to 31 December 2017 in relation to Sale Shares I and Sale Shares II respectively, pay to each of the Sellers an amount equal to such dividends free from any withholding tax by making payment into each of the Sellers’ bank account as designated by each of the Sellers in writing, provided that such amount (free from any withholding tax) shall be capped at HK\$34,892,411 and HK\$65,107,589 respectively (the “**Cap**”). Any amount in excess of the Cap respectively during this period of time shall be for the account of the Purchaser; and

- (b) if the Purchaser sells, transfers or otherwise disposes of any interests in any of the Sale Shares prior to 31 December 2017, the Purchaser shall remain liable to pay to each of the Sellers the respective full amount as would have been payable under paragraph (a) above had it still held all of the Sale Shares at the relevant time.

## **Guarantee**

Pursuant to the Share Purchase Agreements, the Company, as guarantor, shall unconditionally and irrevocably guarantee to each of the Sellers as a continuing obligation that the Purchaser will comply properly and punctually with its obligations under the paragraphs headed “Dividends” above, and the Company shall be a primary obligor and shall be deemed a principal debtor in respect of the Purchaser’s obligations thereunder.

## **Termination**

The Share Purchase Agreements may be terminated:

- (a) by agreement in writing between the Sellers and the Purchaser at any time; or
- (b) by the Purchaser by giving written notice to the Sellers at any time prior to Closing if there is any suspension of dealings in the Sale Shares for a period for three trading days or longer, or any breach of any of the representations, warranties and undertakings by the Sellers or certain force majeure events.

Furthermore, if the trading of the Sale Shares on the Stock Exchange is suspended immediately before Closing, the Purchaser shall have the right to (i) defer Closing to the date when such suspension is lifted; or (ii) terminate the Share Purchase Agreements (other than the survival provisions) by giving notice in writing to the Sellers starting from the 4th day of such suspension.

If the contract notes in respect of the Sale Shares have not been stamped by the Stamp Office at least two Business Days prior to the Closing Date, the initial Closing Date shall be deferred to the date which is two Business Days after the date when the Sellers receive the stamped contract notes from the Stamp Office (the “**Deferred Closing Date**”). If Closing for whatever reason does not take place on the Closing Date or such Deferred Closing Date due to the default of a party, the non-defaulting party may terminate the Share Purchase Agreements (other than the survival provisions), and if applicable, each of the Sellers shall repay to the

Purchaser the amount of any stamp duty paid by the Purchaser for and on behalf of each of the Sellers; if the Stamp Office fails to give an assessment within two weeks from the date of submission of the contract notes, either party may terminate the Share Purchase Agreements (other than survival provision) and the parties shall withdraw the stamping application.

Following termination of the Share Purchase Agreements, the Share Purchase Agreements shall be of no further effect and no party shall be under any liability to any other in respect of the Share Purchase Agreements and the parties shall be released and discharged from their respective obligations thereunder, in each case except for the repayment obligations of the Sellers as set out in the paragraph above (if applicable), any cause of action accrued or any liability arising before or in relation to such termination or under any of the survival provisions.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1528). Based on its announcement dated 19 December 2016, the Target Group is a leading home improvement and furnishings shopping mall operator in the PRC, and the Target Group mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under “Red Star Macalline” through the operation and management of both portfolio shopping malls and managed shopping malls. The Target Group is also involved in O2O platform business, bulk procurement, sale of pre-paid cards, internet finance, home design and decoration, as well as logistics and delivery services.

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 2016 are as follows:

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	9,282,393	8,756,120
Profit/(loss) before taxation	5,727,242	5,942,357
Profit/(loss) after taxation	4,368,410	4,369,755
Net asset value	47,687,675	45,268,204

## **REASONS FOR AND THE BENEFITS OF THE ACQUISITION**

The Group is principally engaged in businesses of plastic pipes and fittings, building materials, interior decoration products and an O2O platform “Lesso Mall”.

The Directors consider that the Target Company is not only a valuable investment, but it is also a good strategic investment opportunity for the Group. The Acquisition may create long-term commercial synergies with the Group’s manufacturing and trading business, O2O platform business, and will enhance the Group’s leadership in the building materials industry.

The Directors are of the view that the terms of the Share Purchase Agreements are fair and reasonable and the entering into of 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 Share Purchase Agreements
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays and public holidays in Hong Kong and a day on which typhoon signal no. 8 or above or a black rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks Hong Kong are open for general banking business
“BVI”	the British Virgin Islands
“Closing”	completion of the sale and purchase of the Sale Shares



“Closing Date”	31 March 2017 or such other date as agreed by the Sellers and the Purchaser in writing
“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
“H Shares”	the H share(s) with a nominal value of RMB1.00 each in the share capital of the Target Company, which is/are listed on the Stock Exchange and traded in HK\$
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Purchaser”	Fuhui Capital Investment Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	100,000,000 H Shares, being the aggregate of Sale Shares I and Sale Shares II
“Sale Shares I”	34,892,411 H Shares to be sold by Seller A pursuant to Share Purchase Agreement I
“Sale Shares II”	65,107,589 H Shares to be sold by Seller B pursuant to Share Purchase Agreement II
“Seller A”	Springwood Investment SRL, an international society with restricted liability organised and licensed under the Societies with Restricted Liability Act, CAP. 318B of the laws of Barbados
“Seller B”	Candlewood Investment SRL, an international society with restricted liability organised and licensed under the Societies with Restricted Liability Act, CAP. 318B of the laws of Barbados
“Sellers”	collectively, Seller A and Seller B
“Share Purchase Agreement I”	the share purchase agreement dated 22 March 2017 entered into between the Purchaser, Seller A and the Company in relation to the acquisition of Sale Shares I by the Purchaser
“Share Purchase Agreement II”	the share purchase agreement dated 22 March 2017 entered into between the Purchaser, Seller B and the Company in relation to the acquisition of Sale Shares II by the Purchaser
“Share Purchase Agreements”	collectively, Share Purchase Agreement I and Share Purchase Agreement II
“Shareholders”	holder(s) of the Share(s)
“Shares”	the shares of the Company
“Stamp Office”	the stamp office of the Inland Revenue Department of the Government of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taiwan”	the Republic of China
“Target Company”	Red Star Macalline Group Corporation Ltd., a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1528)
“Target Group”	the Target Company and its subsidiaries

\* *for identification purpose only*

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

Hong Kong, 22 March 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.*