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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
MASTER FACTORING AGREEMENT**

The Board announces that on 8 December 2015, Shenzhen Qianhai Lesso, an indirect wholly-owned subsidiary of the Company, entered into the Master Factoring Agreement with Guangdong Liansu Electric, a company indirectly wholly-owned by Mr. Wong (the chairman and an executive director of the Company), pursuant to which, Shenzhen Qianhai Lesso shall provide Guangdong Liansu Electric with factoring facilities of not exceeding RMB200,000,000 (equivalent to approximately HK\$241,912,000). The term of the agreement is one year, taking effect from 8 December 2015 to 7 December 2016.

Guangdong Liansu Electric is a company indirectly wholly-owned by Mr. Wong, the chairman and an executive Director of the Company, and the controlling Shareholder holding approximately 68.18% of the issued share capital of the Company. Accordingly, Guangdong Liansu Electric is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the transactions contemplated under the Master Factoring Agreement are between 0.1% and 5%, the transactions contemplated under the Master Factoring 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 MASTER FACTORING AGREEMENT

Date

8 December 2015

Parties

- (i) Shenzhen Qianhai Lesso, an indirect wholly-owned subsidiary of the Company, which is engaging in the factoring business.
- (ii) Guangdong Liansu Electric, a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by Mr. Wong, the principal business of which is the manufacture and sale of electric accessories.

Term

1 year commencing from 8 December 2015 and ending on 7 December 2016.

Factoring principal amount

Factoring facility principal amount of not exceeding RMB200,000,000 (equivalent to approximately HK\$241,912,000).

Factoring arrangement

- (1) During the term of the Master Factoring Agreement, Guangdong Liansu Electric may apply for individual factoring facility. The receivables of Guangdong Liansu Electric shall be transferred to Shenzhen Qianhai Lesso with recourse against Guangdong Liansu Electric, but such transfer shall be made without notice to the payor of the relevant receivables until agreed between Guangdong Liansu Electric and Shenzhen Qianhai Lesso. The aggregate amount of receivables (which must not have been due, the “**Receivables**”) for each individual factoring facility must be maintained at a ratio equivalent to the individual facility amount divided by 70% (the “**Financing Ratio**”).
- (2) Shenzhen Qianhai Lesso and Guangdong Liansu Electric shall enter into separate individual ancillary agreements (the “**Ancillary Agreements**”) for each individual factoring facility together with the relevant transfer of Receivables, the terms of which shall be the same as and no more favourable to those offered to third party clients of Shenzhen Qianhai Lesso.

- (3) At all relevant times, the Financing Ratio must be maintained. In the event any of the Receivables shall have become due and payable prior to the due date of the individual factoring facility (the “**Due Date**”), Guangdong Liansu Electric shall transfer further Receivables to Shenzhen Qianhai Lesso, such that the Financing Ratio can be maintained. Failure to transfer further Receivables would render Guangdong Liansu Electric being obliged to repurchase the Receivables, or incur payment of penalty interest calculated by the multiplying the already due receivables by daily rate of 0.05%.
- (4) On the Due Date, Guangdong Liansu Electric shall repurchase the Receivables at a price equivalent to the sum of (i) the outstanding facility; (ii) the outstanding interest payable under the individual factoring facility; and (iii) the outstanding service fee payable under the individual factoring facility.
- (5) Guangdong Liansu Electric shall pay (i) a monthly interest at the monthly interest rate of 0.3625% of each individual factoring facility calculated on a daily basis; and (ii) a monthly service fee of monthly rate of 0.6375% of each individual factoring facility calculated on a daily basis.

The terms of the Master Factoring Agreement were negotiated on an arm’s length basis between Shenzhen Qianhai Lesso and Guangdong Liansu Electric and were on normal commercial terms based on the credit policy of Shenzhen Qianhai Lesso.

Pricing basis and factoring principal amount

Pursuant to the Master Factoring Agreement, Shenzhen Qianhai Lesso shall provide the factoring principal amount of not exceeding RMB200,000,000 (equivalent to approximately HK\$241,912,000), which was determined with reference to historical sales transactions of Guangdong Liansu Electric and taking in account the credit risk of Guangdong Liansu Electric.

The factoring amount carries monthly interest rate of 0.3625% plus monthly service fee of 0.6375% of each individual factoring facility which was determined with reference to the factors including (i) the terms of Shenzhen Qianhai Lesso provided to other clients of Shenzhen Qianhai Lesso; and (ii) the 1 year prime lending rate listed by the People’s Bank of China.

Shenzhen Qianhai Lesso was established in August 2015 and commenced its factoring business in November 2015.

Reasons for and benefits of the transactions under the Master Factoring Agreement

Guangdong Liansu Electric has experience in development and manufacturing electronic accessories since its establishment in 1995. It has developed a stable and large customer base. The Directors consider that Guangdong Liansu Electric has sufficient financial repayment ability and the safety of accounts receivable can also be assured.

In the meantime, the commercial terms (including the interest rates) offered to third parties by Shenzhen Qianhai Lesso for provision of similar facilities are no less favourable than those offered by Shenzhen Qianhai Lesso to Guangdong Liansu Electric in respect of the transactions contemplated under the Master Factoring Agreement.

Taking into account the financial background and repayment ability of Guangdong Liansu Electric, the Directors are of view that a stable revenue and cashflow stream can be generated from interest income and service fee of the factoring facility.

The factoring facility to be provided by Shenzhen Qianhai Lesso will be funded by internal resources of the Group.

The Directors (including the independent non-executive Directors) consider that the Master Factoring Agreement has been entered into in the ordinary and usual course of business of the Group and the terms are on normal commercial terms and arrived at after arm's length negotiations between the parties thereto, and that the proposed factoring principal amount is fair and reasonable and that the entering into of the Master Factoring Agreement is in the interests of the Company and the Shareholders as a whole.

Relationship with Guangdong Liansu Electric

Guangdong Liansu Electric is a company indirectly wholly-owned by Mr. Wong, the chairman of the Company, an executive Director and the controlling Shareholder holding approximately 68.18% of the issued share capital of the Company. Accordingly, Guangdong Liansu Electric is a 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. Both 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 Master Factoring 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 Master Factoring Agreement are between 0.1% and 5%, the transactions contemplated under the Master Factoring 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 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.11 of the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Liansu Electric”	Guangdong Liansu Electric Co., Ltd.* (廣東聯塑電氣有限公司), 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 People's Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Factoring Agreement”	the master factoring agreement entered into between Shenzhen Qianhai Lesso and Guangdong Liansu Electric on 8 December 2015, the major terms of which are set out in the announcement
“Mr. Wong”	Mr. Wong Luen Hei, the chairman of the Company, an executive Director and the controlling Shareholder
“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 Shares
“Shenzhen Qianhai Lesso”	Shenzhen Qianhai Lesso Commercial Factoring Co., Ltd.* (深圳前海聯塑商業保理有限公司), an indirectly wholly-owned subsidiary of the Company and wholly foreign-owned enterprise established in the PRC
“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.

* *for identification purpose only*

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.20956. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 8 December 2015

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 Dr. Tao Zhigang, Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu and Mr. Lan Fang.