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CHINA LIANSU 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 27 April 2012, Guangdong Liansu Technology, an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with Guangdong Liansu Machinery, a company wholly-owned by Mr Wong (the chairman and executive director of the Company as well as the controlling Shareholder) in relation to the lease of the Property by Guangdong Liansu Technology for a term commencing from 1 May 2012 and ending on 31 December 2014 at the rent of RMB276,300 per month.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the transaction contemplated under the Lease Agreement on an annual basis are between 0.1% and 5%, the transactions contemplated under the Lease 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 LEASE AGREEMENT

Date

27 April 2012

Parties

Lessor: 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 and sale of plastic extrusion equipment.

Lessee: Guangdong Liansu Technology, an indirectly wholly-owned subsidiary of the Company and a wholly foreign-owned enterprise established in the PRC, the principal business of which is the production and development of plastic pipes, metal-plastic composite pipes, plastic production machines, plastic moulds and home building material products.

Term

32 months commencing from 1 May 2012 and ending on 31 December 2014.

The Property

The Property is certain plants erected on *Lot G03-2-1, Daba Industrial Estate of Longjiang Community Residents' Committee, Longjiang Town, Shunde District, Foshan City* (佛山市順德區龍江鎮龍江社區居民委員會大壩工業園G03-2-1號地塊), which has a total floor area of 46,052.39m².

Use of the Property

Manufacturing plants

Termination

The Lease Agreement may be terminated by:

1. both parties after mutual agreement;
2. the act of following natural disasters in which case neither party shall bear any liability:
 - (a) any force majeure events caused by earthquake, fire etc. rendering the destruction or other losses of the Property;
 - (b) the confiscation of land use rights in accordance with laws as regards the land on which the Property is erected;
 - (c) the confiscation of the Property in accordance with laws by reason of social welfare; or
 - (d) the destruction of the Property or the Property being certified as dangerous property;

3. Guangdong Liansu Technology if Guangdong Liansu Machinery:
 - (a) fails to deliver the Property for over 30 days;
 - (b) delivers the Property but its conditions are non-compliant with the terms of the Lease Agreement, which seriously affect the use by Guangdong Liansu Technology; or
 - (c) refuses to carry out maintenance works as agreed in the Lease Agreement rendering Guangdong Liansu Technology unable to use the Property;

4. Guangdong Liansu Machinery if Guangdong Liansu Technology:
 - (a) fails to pay rent for over 90 days
 - (b) changes the use of the Property without prior written consent of Guangdong Liansu Machinery;
 - (c) demolishes, changes or destroy the major structure of the Property without prior consent;
 - (d) sub-let the Property without prior consent; or
 - (e) uses the Property for illegal activities.

First Right of Refusal

Guangdong Liansu Technology shall have the first right of refusal on the same terms as third party in the event Guangdong Liansu Machinery shall transfer its interest in the Property to any other third party.

Utilities Arrangement

Under the Lease Agreement, Guangdong Liansu Technology shall bear all third party costs, including electricity and water charges. As the relevant government authorities charge Guangdong Liansu Machinery, being the owner of the Property, not Guangdong Liansu Technology, for the costs of utilities consumed by Guangdong Liansu Technology in the Property, Guangdong Liansu Machinery would pay such utilities costs first and then be reimbursed by Guangdong Liansu Technology.

Annual caps

Set out below are the proposed annual caps of the transactions contemplated under the Lease Agreement for the 8 months ending 31 December 2012 and the two years ending 31 December 2014.

	Rental under the Lease Agreement (RMB) Cap	Amount under the Utilities Arrangement (RMB) Cap
For the 8 months ending 31 December 2012	2,210,400	8,500,000
For the year ending 31 December 2013	3,315,600	15,000,000
For the year ending 31 December 2014	3,315,600	18,000,000

The proposed caps for the rental under the Lease Agreement are based on the monthly rental charged under the Lease Agreement. The Group has obtained a valuation report as regards rental from Guangdong Jingxin Real Estate and Land Appraisals Co., Ltd.* (廣東京信房地產土地評估有限公司), an independent qualified professional valuer, of which the monthly rental of the Property is valued as RMB6/m² as at 17 April 2012. The professional valuer has adopted the market comparison approach. The proposed caps for the Utilities Arrangement are based on historical consumption of utilities by the Group of the production line, production capacity plan and annual utility increment charges per unit by the relevant government authorities.

Reasons for and benefits of the transactions under the Lease Agreement and the Utilities Arrangements

The Group is principally engaged in the manufacturing and sale of plastic pipes and pipe fittings. The Group has been looking for suitable plant to house and accommodate the expansion of the Group's production facilities. The Directors consider the Property suitable for the Group because of its proximity to the Group's existing facilities.

In respect of the Utilities Arrangements, the amount payable by Guangdong Liansu Technology to Guangdong Liansu Machinery shall be equal to the amount of utilities costs charged by the relevant government authorities for the utilities consumed by Guangdong Liansu Technology on the Property.

In the circumstances, the Directors (including the independent non-executive Directors) consider that the Lease Agreement (including the rental and the Utilities Arrangements) have been entered into in the ordinary and usual course of business of the Company and the terms are on normal commercial terms and arrived at after arm's length negotiations between the parties thereto, and that the proposed annual caps are fair and reasonable and that the entering into the Lease Agreement (including the rental and the Utilities Arrangements) is in the interests of the Company and the Shareholders 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 controlling Shareholder holding approximately 70% of the issued share capital of the Company. Accordingly, Guangdong Liansu Machinery 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. 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 Lease 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 transaction contemplated under the Lease Agreement on an annual basis are between 0.1% and 5%, the transactions contemplated under the Lease 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 Liansu 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 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
“Guangdong Liansu Technology”	Guangdong Liansu Technology Industrial Co., Ltd.* (廣東聯塑科技實業有限公司), an indirectly wholly-owned subsidiary of the Company and a wholly foreign-owned enterprise established in the PRC
“Lease Agreement”	the lease agreement dated 27 April 2012 entered into between Guangdong Liansu Machinery and Guangdong Liansu Technology in relation to the lease of the Property
“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
“Mr. Wong”	Mr. Wong Luen Hei, the chairman of the Company, an executive Director and the controlling Shareholder
“Utilities Arrangement”	the arrangements for the reimbursement of costs of utilities consumed by Guangdong Liansu Technology during the term of the Lease Agreement

“Property”	the certain plants erected on <i>Lot G03-2-1, Daba Industrial Estate of Longjiang Community Residents’ Committee, Longjiang Town, Shunde District, Foshan City</i> (佛山市順德區龍江鎮龍江社區居民委員會大壩工業園G03-2-1號地塊)
“PRC”	the People’s Republic of China
“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
“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
“m ² ”	square metre
“%”	per cent.

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

Hong Kong, 27 April 2012

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. Bai Chongen, Mr. Fung Pui Cheung and Mr. Wong Kwok Ho Jonathan.

** For identification purposes only*