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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: NEW LEASING AGREEMENTS**

Reference is made to the Prospectus. In the section headed “Connected Transactions and Relationship with the Controlling Shareholder” of the Prospectus, it was disclosed that the Company had entered into, among others, the continuing connected transactions under (i) the lease agreement with Guangdong Liansu Machinery, (ii) the lease agreement with Guangdong Liansu Electric, and (iii) the utilities agreement with Guangdong Liansu Machinery and Guangdong Liansu Electric, all of them shall expire on 31 December 2010.

On 31 December 2010, the Company, through its indirectly wholly-owned subsidiary, Guangdong Liansu Technology, entered into the New Leasing Agreements with Guangdong Liansu Machinery and Guangdong Liansu Electric, with all the terms substantially the same as the Old CCT Agreements, save that the duration shall commence on 1 January 2011 and expire on 31 December 2011.

As the applicable percentage ratios (as defined by Rule 14.07 of the Listing Rules) for the transaction amounts under the New Leasing Agreements on an annual basis are between 0.1% and 5%, the transactions contemplated under the New Leasing Agreements will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the approval of the Independent Shareholders.

## **NEW LEASING AGREEMENTS**

### **Background**

Reference is made to the Prospectus. In the section headed “Connected Transactions and Relationship with the Controlling Shareholder” of the Prospectus, it was disclosed that the Company had entered into, among others, the continuing connected transactions under (i) the lease agreement with Guangdong Liansu Machinery, (ii) the lease agreement with Guangdong Liansu Electric, and (iii) the utilities agreement with Guangdong Liansu Machinery and Guangdong Liansu Electric, all of them shall expire on 31 December 2010.

On 31 December 2010, the Company, through its indirectly wholly-owned subsidiary, Guangdong Liansu Technology, entered into the New Leasing Agreements with Guangdong Liansu Machinery and Guangdong Liansu Electric, with all the terms substantially the same as the Old CCT Agreements, save that the duration shall commence on 1 January 2011 and expire on 31 December 2011.

The principal terms are summarized as follows:

**Date: 31 December 2010**

**Parties:**

**(1) GLM Lease:**

- Guangdong Liansu Technology: is a wholly foreign-owned enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of the Company and is principally engaged in the production and development of plastic pipes, metal-plastic composite pipes, plastic production machines and plastic moulds. The Group is a manufacturer of plastic pipes and pipe fittings in the PRC.
- Guangdong Liansu Machinery: is a wholly foreign-owned enterprise incorporated in the PRC and indirectly wholly-owned by Mr Wong Luen Hei and is principally engaged in the manufacture and sale of plastic extrusion equipment.

**(2) GLE Lease:**

- Guangdong Liansu Technology
- Guangdong Liansu Electric: is a wholly foreign-owned enterprise incorporated in the PRC and indirectly wholly-owned by Mr Wong Luen Hei and is principally engaged in the manufacture and sale of electric accessories.

**Principal Terms:**

Under the GLM Lease, the Group agreed to lease part of its property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC with a gross floor area of approximately 5,200 square metres (the “GLM Property”) to Guangdong Liansu Machinery for use as its production facilities.

The term of the GLM Lease is one year commencing on 1 January 2011 and expiring on 31 December 2011.

The rent payable by Guangdong Liansu Machinery to us under the GLM Lease is RMB374,400 per annum.

Under the GLE Lease, the Group agreed to lease part of its property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC with a gross floor area of approximately 6,666 square metres (the “GLE Property”) to Guangdong Liansu Electric for use as its production facilities.

The term of the GLE Lease is one year commencing on 1 January 2011 and expiring on 31 December 2011.

The rent payable by Guangdong Liansu Electric to the Group under the GLE Lease is RMB480,000 per annum.

Under both the New Leasing Agreements, the Lessees shall bear all the third party costs, including the electricity and water charges. As the costs of utilities consumed by the Lessees on the Properties are charged by the relevant government authority on the Group, being the owner of the Properties, and not on the Lessees, the Group shall pay such utilities costs on behalf of the Lessees and the Lessees reimburse the amount of such costs to the Group (collectively, the “Utilities Arrangements”). Such Utilities Arrangements will continue for the duration of the New Leasing Agreements.

## Annual caps

Set out below are the historical value and the annual cap of the transactions contemplated under the Old CCT Agreements for the two years ending 31 December 2010 and the proposed annual cap under the New Leasing Agreements for the year ending 31 December 2011:

	Annual Cap of rental under the New Leasing Agreements (RMB)	Actual transaction value of rental under the New Leasing Agreements (RMB)	Annual Cap of the Utilities Arrangements (RMB)	Actual transaction value of the Utilities Arrangements (RMB)
2009	N/A (Note 1)	356,000	N/A (Note 1)	2,467,000
2010	854,400	854,400	8,000,000	7,000,000 (Note 2)
2011 (Proposed)	854,400	N/A (Note 3)	8,000,000	N/A (Note 3)

*Note 1: the Company was not listed in 2009.*

*Note 2: it is an estimated figure only because the actual value for the year ending 31 December 2010 is not yet available.*

*Note 3: the actual transaction has yet to occur in 2011. Only the proposed annual cap is applicable.*

The proposed annual cap for 2011 is determined by reference to the historical transaction value and the annual cap in 2010.

## Reasons for and benefits of the transactions under the New Leasing Agreements

By entering into the New Leasing Agreements, the Group can fully utilize the Properties (which are not currently used by the Group) and receive rentals.

In respect of the rental, the Directors (including the independent non-executive Directors) consider that the rent payable under the New Leasing Agreements is at market level.

In respect of the Utilities Arrangements, the amount payable by the Lessees to the Group shall be equal to the amount of utilities costs charged by the relevant government authorities on the utilities consumed by the Lessees on the Properties.

The Group may terminate the New Leasing Agreements by giving one-month notice and the Lessees shall vacate and return the Properties to their original conditions at the Lessees' own expense.

In the circumstances, the Directors (including the independent non-executive Directors) consider that the New Leasing Agreements (including the rental and the Utilities Arrangement) have been entered into in the usual and ordinary course of businesses of the Company and the terms are negotiated on an arm's length basis and on normal commercial terms, and the proposed annual cap are fair and reasonable and that the entering into the New Leasing Agreements (including the rental and the Utilities Arrangement) is in the interests of the Company and the Shareholders as a whole.

### **Relationship of with Guangdong Liansu Machinery and Guangdong Liansu Electric**

Guangdong Liansu Machinery and Guangdong Liansu Electric are companies indirectly wholly-owned by Mr. Wong Luen Hei, a Director and the controlling shareholder holding 75% of the total issued share capital of the Company. Accordingly, the Lessees are connected persons of the Company as defined under the Listing Rules.

Mr. Zuo Manlun, a Director and the chief executive officer of the Group, and Ms. Zuo Xiaoping, a Director are the brother-in-law and the wife of Mr. Wong Luen Hei, respectively. Both Mr. Wong Luen Hei, 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 New Leasing Agreements.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, 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 by Rule 14.07 of the Listing Rules) for the transactions amounts under the New Leasing Agreements on an annual basis are between 0.1% and 5%, the transactions contemplated under the New Leasing Agreements will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, and are subject to the reporting and disclosure requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the approval of the Independent Shareholders.

## DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“Board” means the board of Directors

“Director(s)” means the director(s) of the Company

“GLE Lease” means the lease agreement entered into between Guangdong Liansu Electric and Guangdong Liansu Technology dated 31 December 2010 in respect of the GLE Property

“GLE Property” means part of the Group’s property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC with a gross floor area of approximately 6,666 square metres

“GLM Lease” means the lease agreement entered into between Guangdong Liansu Machinery and Guangdong Liansu Technology dated 31 December 2010 in respect of the GLM Property

“GLM Property” means part of the Group’s property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC with a gross floor area of approximately 5,200 square metres

“Guangdong Liansu Electric” means Guangdong Liansu Electric Co., Ltd. (廣東聯塑電氣有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 4 December 2007 that does not form part of the Group and which is indirectly wholly-owned by Mr. Wong Luen Hei

“Guangdong Liansu Machinery” means Guangdong Liansu Machinery Manufacturing Co., Ltd. (廣東聯塑機器製造有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 24 May 2005 that does not form part of the Group and which is indirectly wholly-owned by Mr. Wong Luen Hei

“Guangdong Liansu Technology” means Guangdong Liansu Technology Industrial Co., Ltd. (廣東聯塑科技實業有限公司) (formerly known as Shunde Liansu Technology Industrial Co., Ltd. (順德市聯塑科技實業有限公司)), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 1 December 1999 and an indirect wholly-owned subsidiary of the Company

“Group” the Company and its subsidiaries

“Independent Shareholders” means any shareholder of the Company that is not required to abstain from voting at a general meeting (if any) to approve the transaction

“Lessees” means the lessees of the New Leasing Agreements, being Guangdong Liansu Machinery and Guangdong Liansu Electric

“Listing Rules” means The Rules Governing the Listing of Securities on the Stock Exchange

“New Leasing Agreements” means the GLM Lease and the GLE Lease

“Old CCT Agreements” means collectively, (i) the lease agreement with Guangdong Liansu Machinery, (ii) the lease agreement with Guangdong Liansu Electric, and (iii) the utilities agreement with Guangdong Liansu Machinery and Guangdong Liansu Electric, entered into before the issue of the Prospectus

“PRC” means the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau SAR and Taiwan

“Properties” means the GLE Property and the GLM Property

“Prospectus” the prospectus of the Company dated 9 June 2010

“RMB” means Renminbi, the lawful currency of the PRC

“Shareholder(s)” means the shareholder(s) of the Company

“Stock Exchange” means The Stock Exchange of Hong Kong Limited

“Utilities Arrangements” means the arrangements in relation to the payment of the costs and charges of utilities that are consumed by the Lessees as more particularly described in this announcement above

“%” per cent

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

Hong Kong, 31 December 2010

*As at the date of this announcement, the executive directors of the Company are Wong Luen Hei, Zuo Manlun, Zuo Xiaoping, Lai Zhiqiang, Kong Zhaocong, Chen Guonan, Lin Shaoquan, Huang Guirong, Luo Jianfeng; the non-executive director of the Company is Lin Dewei; and the independent non-executive directors of the Company are Bai Chongen, Fung Pui Cheung and Wong Kwok Ho Jonathan.*

\* *For identification purposes only*