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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)

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 5 November 2020 (after trading hours of the Stock Exchange), the Purchaser (a non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors (comprising (i) Xingjun (a company indirectly wholly-owned by Mr. Wong (the chairman of the Company, an executive Director and the controlling Shareholder)), (ii) Mr. Lin, an executive Director of the Company and (iii) Mr. Huang, a director and supervisor of certain insignificant subsidiaries of the Group) and the Target Company, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Equity Interest (representing 55% equity interest of the Target Company) for an aggregate consideration of RMB39,115,450 (equivalent to approximately HK\$45,348,000). Upon Completion, the Target Company will become a non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Xingjun is a company indirectly wholly-owned by Mr. Wong. Mr. Wong is the chairman of the Company, an executive Director and the controlling Shareholder interested in 68.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, Xingjun is a connected person of the Company under the Listing Rules.

Mr. Lin is an executive Director of the Company, and is also a connected person of the Company under the Listing Rules.

Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratios (as defined in the Listing Rules) for the Acquisition are between 0.1% and 5%. Accordingly, the Acquisition constitutes a non-exempt connected transaction and is subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement and following the Acquisition (if occurs), the Target Company has a Shareholder's Loan from Xingjun. Pursuant to Rule 14A.90 of the Listing Rules, since the Shareholder's Loan is (i) conducted on better than normal commercial terms and (ii) not secured by the assets of the Group, the Shareholder's Loan is fully exempt from shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 5 November 2020 (after trading hours of the Stock Exchange), the Purchaser (a non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors and the Target Company, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Equity Interest (representing 55% equity interest of the Target Company) for an aggregate consideration of RMB39,115,450 (equivalent to approximately HK\$45,348,000).

The principal terms of the Sale and Purchase Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date

5 November 2020

Parties

Purchaser: Guangzhou KingHing Construction Technology Ltd.*(廣州景興建築科技有限公司), a non wholly-owned subsidiary of the Company

Vendors:

- (1) Foshan Star Excel Property Development Co., Ltd.* (佛山市星俊置業發展有限公司), a company indirectly wholly-owned by Mr. Wong with 51% shareholding interest in the Target Company
- (2) Mr. Lin, an executive Director of the Company with 2% shareholding interest in the Target Company
- (3) Mr. Huang, a director and supervisor of certain insignificant subsidiaries of the Group with 2% shareholding interest in the Target Company

Target Company: Guangdong Lingsheng Prefabricated Building Technology Co., Ltd.*(廣東領盛裝配式建築科技有限公司), a limited liability company established in the PRC, which is owned as to 51% interest by Xingjun, 2% interest by each of Mr. Lin and Mr. Huang and the remaining interest by an independent third party as at the date of this announcement

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to sell, and the Purchaser agreed to acquire, the Equity Interest of the Target Company subject to the terms and conditions of the Sale and Purchase Agreement.

Consideration and Payment

The Consideration of the Acquisition is RMB39,115,450 (equivalent to approximately HK\$45,348,000) which shall be payable by the Purchaser in cash according to the following manner:

1. within 7 business days of the execution of the Sale and Purchase Agreement, 50% of the Consideration shall be paid to the Vendors as refundable deposit (the “**Deposit**”); and
2. within 7 business days upon the receipt of the relevant documentation issued by the relevant authorities confirming the due completion of registration of change of the Equity Interest with the Administration for Market Regulation and the related taxation matters with the tax authority, the remaining 50% of the Consideration shall be paid to the Vendors.

The Consideration was determined after arm’s length negotiation among the Purchaser and the Vendors with reference to (i) the appraised value of the total equity interest in the Target Company as at the Benchmark Date by applying the asset-based approach, which amounted to RMB71,119,000 (equivalent to approximately HK\$82,451,000), as set out in the Valuation Report prepared by Foshan Dingxing Asset Appraisal Firm* (佛山市鼎興資產評估事務所), an independent asset appraisal firm, and (ii) the proportion of Equity Interest being acquired by the Purchaser under the Acquisition. The Consideration will be financed by the internal resources of the Group.

The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable, which are on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole.

Conditions Precedent

The Vendors and the Purchaser agree that in order for Completion to occur, the following conditions precedent (the “**Conditions Precedent**”) must be fulfilled (or, if applicable, waived by the Purchaser) within 45 Business Days following the execution of the Sale and Purchase Agreement:

1. the Purchaser is satisfied with the results of the due diligence exercise performed by itself on the Target Company’s financial, business, operational, legal and other areas of due diligence;
2. all necessary licenses, consents, approvals and authorisations having been obtained by the Vendors and the Target Group which are required for the execution and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder and which have not been revoked prior to the Completion Date (as defined below); and
3. the respective warranties and undertakings given by the Vendors remaining true and accurate and not misleading in all material respects until the Completion Date.

The Purchaser may waive any of the above Conditions Precedent (1) and (3) by giving notice in writing to the Vendors. For the avoidance of doubt, in the event where any of the above Conditions Precedent are not fulfilled (or, if applicable waived by the Purchaser) within 45 Business Days following the execution of the Sale and Purchase Agreement (or any such later date as agreed in writing by the Purchaser), the Sale and Purchase Agreement shall be terminated automatically, and the Vendors shall refund the Deposit to the Purchaser within three (3) Business Days following the date of termination in full without interest.

Completion

Within 45 Business Days following the (i) payment of the Deposit by the Purchaser to the Vendors and (ii) the fulfillment (or, if applicable, the waiver) of the Conditions Precedent (whichever is later), the parties shall complete the registration of change of the Equity Interest with the Administration for Market Regulation and the related taxation matters with the tax authority, and the Target Company shall duly approve an amended and restated memorandum and articles of association of the Target Company in the form satisfactory to the Purchaser.

For the avoidance of doubt, the date when the Purchaser obtains all the documentation from the relevant authorities confirming registration of change of the Equity Interest with the Administration for Market Regulation and the related taxation matters with the tax authority and the due registration of the Purchaser with the relevant authorities as the owner of the Equity Interest, such date shall be the date of Completion (the “**Completion Date**”).

Following Completion, the Target Company will become a non wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

The Principal Business of the Target Group

The principal business of the Target Group is prefabricated building materials manufacturing and engineering services. The Target Group focuses on research and development of prefabricated building technology; design, production, sales and installation of integrated sanitary ware and smart all-steel self-climbing scaffold for construction; provision of solutions on qualitative construction digital system; training of industrial workers, labor export, technical consulting and other services.

General Shareholding Information of the Target Company

The Target Company is a limited liability company with a registered capital of RMB70.0 million (equivalent to approximately HK\$81.2 million) established in the PRC, which is owned as to 51% interest by Xingjun (a company indirectly wholly-owned by Mr. Wong), 2% interest by each of Mr. Lin and Mr. Huang and the remaining interest by an independent third party as at the date of this announcement.

Set out below is the revenue, profit/loss before taxation and profit/loss after taxation of the Target Group for the years ended 31 December 2018 and 31 December 2019, as well as the nine-month period ended 30 September 2020 according to the audited consolidated financial statements (which were prepared in accordance with PRC Generally Accepted Accounting Principles) of the Target Group:

	For the year ended 31 December 2018 <i>RMB million</i>	For the year ended 31 December 2019 <i>RMB million</i>	For the period ended 30 September 2020 <i>RMB million</i>
Revenue	1.3	36.3	72.8
Profit/(Loss) before taxation	(3.3)	(20.8)	9.2
Profit/(Loss) after taxation	(3.3)	(20.8)	9.2

The book value of the net asset of the Target Group as at the Benchmark Date was approximately RMB51.1 million (equivalent to approximately HK\$59.2 million).

The aggregated original acquisition cost of the Equity Interest by the Vendors was nominal, but the original investment costs in the Target Company by each of Xingjun, Mr. Lin and Mr. Huang amounted to approximately RMB35.7 million, RMB1.4 million and RMB1.4 million (equivalent to approximately HK\$41.4 million, HK\$1.6 million and HK\$1.6 million) respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION

The Target Group is a PRC professional prefabricated building service provider, a comprehensive enterprise of whole industry chain with the core business of prefabricated building materials manufacturing and engineering services which conducts businesses of subdivided professions related to prefabricated buildings, including, among others, technical consultation, product research and development, manufacturing and production, material sales, professional subcontracting and installation services; overall arrangements of smart all-steel self-climbing scaffolds, integral bathrooms, construction measurement robots, industrial workers and such other fields. Currently, the Target Group has established extensive business cooperation with many well-known real estate companies and major general contracting enterprises for construction.

The Group engages mainly in the business of manufacturing and sales of building materials and household products, conducting renovation and installation works, environmental engineering and other related services, and operating a supply chain service platform.

The Group always looks for suitable merger and acquisition opportunities in order to expand business scale and enhance competitive advantages, and strive to increase shareholder returns. The professional qualifications and experiences of the Target Group in the manufacturing and installation, quality assurance, construction service aspects of self-climbing scaffolds will enhance the Group's further expansion of smart all-steel self-climbing scaffolds market, providing comprehensive, professional and system-wide integrated services for existing and new clients. Moreover, since the PRC government has introduced in recent years various policies to promote the development prefabricated buildings, the industry has entered a new stage of rapid development. The Board believes that the acquisition of the Target Company and its subsidiaries will help the Group actively grasp the development opportunities of prefabricated buildings, further strengthen the whole industry chain layout of its building materials and home furnishing sector, and the potential synergies with the Group's building materials and home furnishing businesses will be created, thereby promoting the business growth. Therefore, the Board believes that the acquisition of the Target Company and its subsidiaries will be in the best interests of the Group and its shareholders.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable, and the entering into of the Acquisition is in the interest of the Group and the Independent Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Purchaser

The Purchaser is a limited liability company established in the PRC and is a non wholly-owned subsidiary of the Company, and is principally engaged in investment holding, manufacturing and lease of aluminium formwork.

The Vendors

Xingjun is a limited liability company established in the PRC and is principally engaged in investment holding. As Xingjun is indirectly wholly-owned by Mr. Wong, it is a connected person of the Company under the Listing Rules.

Mr. Lin is an executive Director of the Company, and is a connected person of the Company under the Listing Rules.

Mr. Huang is a director and supervisor of certain insignificant subsidiaries of the Group, and is not a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules.

The Target Company

The Target Company was established in April 2018 as an investment holding company headquartered in Foshan, Guangdong. The Target Company, together with its subsidiaries, are primarily engaged as professional service providers for prefabricated construction. For more information on the principal business of the Target Group, please refer to the section above headed "The Principal Business of the Target Group".

LISTING RULES IMPLICATIONS

Xingjun is a company indirectly wholly-owned by Mr. Wong. Mr. Wong is the chairman of the Company, an executive Director and the controlling Shareholder interested in 68.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, Xingjun is a connected person of the Company under the Listing Rules.

Mr. Lin is an executive Director of the Company, and is a connected person of the Company under the Listing Rules.

Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) for the Acquisition are between 0.1% and 5%. Accordingly, the Acquisition constitutes a non-exempt connected transaction and is subject to the reporting and disclosure requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement and following the Acquisition (if occurs), the Target Company has a Shareholder's Loan from Xingjun. Pursuant to Rule 14A.90 of the Listing Rules, since the Shareholder's Loan is (i) conducted on better than normal commercial terms and (ii) not secured by the assets of the Group, the Shareholder's Loan is fully exempt from shareholders' approval, annual review and all disclosure requirements 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, Ms. Zuo Xiaoping and Mr. Lin are considered to have a material interest in the transactions contemplated under the Sale and Purchase Agreement, and had abstained from voting at the Board meeting approving the Acquisition.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, save for the above, no other Director has a material interest in the transactions contemplated under the Sale and Purchase Agreement, and therefore no other Director is required to abstain from voting on the Board resolution in relation to the Acquisition.

DEFINITIONS

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

“Acquisition”	the acquisition of the Equity Interest of the Target Company pursuant to the Sale and Purchase Agreement
“Benchmark Date”	30 September 2020, being the benchmark date for the valuation of the equity interest in the Target Company as set out in the Valuation Report
“Board”	the board of Directors
“Business Days”	a day (other than any Saturday or Sunday) on which banks are opened in the PRC to general public for business

“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration for the Acquisition
“Directors”	the directors of the Company
“Equity Interest”	55% equity interest of the Target Company owned by the Vendors immediately before the Acquisition, including their respective registered capital together with all rights and interests related thereto
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Wong and his associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	Mr. Huang Zhuoxing, a director and supervisor of certain insignificant subsidiaries of the Group
“Mr. Lin”	Mr. Lin Dewei, an executive Director of the Company
“Mr. Wong”	Mr. Wong Luen Hei, the chairman of the Company, an executive Director and the controlling Shareholder interested in 68.49% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Purchaser”	Guangzhou KingHing Construction Technology Ltd.* (廣州景興建築科技有限公司), a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser, the Vendors and the Target Company on 5 November 2020 in respect of the Acquisition

“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)
“Shareholder’s Loan”	an interest-free shareholder’s loan in the amount of RMB70.0 million borrowed by the Target Company from Xingjun and existing as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangdong Lingsheng Prefabricated Building Technology Co., Ltd.* (廣東領盛裝配式建築科技有限公司), a limited liability company established in the PRC, which is owned as to 51% interest by Xingjun, 2% interest by each of Mr. Lin and Mr. Huang and the remaining interest by an independent third party as at the date of this announcement
“Target Group”	Target Company and its subsidiaries as at the date of this announcement
“Valuation Report”	the asset valuation report prepared by Foshan Dingxing Asset Appraisal Firm* (佛山市鼎興資產評估事務所), an independent PRC asset appraisal firm, on 24 October 2020 in respect of the equity interest in the Target Company
“Vendors”	Xingjun, Mr. Lin and Mr. Huang
“Xingjun”	Foshan Star Excel Property Development Co., Ltd.* (佛山市星俊置業發展有限公司), a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by Mr. Wong
“%”	per cent

An exchange rate of HK\$1.00 to RMB0.86256 has been adopted in this announcement for illustration purposes.

** for identification purpose only*

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

Hong Kong, 5 November 2020

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, Ms. Lan Fang, Dr. Tao Zhigang, Mr. Cheng Dickson and Ms. Lu Jiandong.