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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 ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 25 September 2021, the Purchaser, which is a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Seller; pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of the Target Company for the Consideration of RMB100 (excluding stamp duty and other applicable transaction fees). Upon Completion, the Purchaser will become the sole shareholder of the Target Company. The Target Company will become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial results of the Group.

The Consideration was determined with reference to the original investment costs of the issued shares of the Target Company and its historical financial results taking into account other capital expenditure commitment of the Target Company to be assumed by the Group after the Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

As the Seller is a company ultimately and wholly owned by four individuals who are all connected persons of the Company, the Seller is a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) for the Acquisition is more than 0.1% but less than 5%, the Acquisition constitutes a connected transaction of the Company subject to the reporting and announcement requirements (but exempt from the circular requirements and the approval of the Independent Shareholders at the general meeting) under Chapter 14A of the Listing Rules.

As (i) Mr. Zuo Manlun, an executive Director and the chief executive officer of the Group and Ms. Zuo Xiaoping, an executive Director and the controlling Shareholder are both ultimate owners of the Seller, and (ii) Mr. Wong is the husband and brother-in-law of Ms. Zuo Xiaoping and Mr. Zuo Manlun respectively, all of Mr. Zuo Manlun, Ms. Zuo Xiaoping and Mr. Wong are considered to have a material interest in the transactions and have abstained from voting at the board meeting of the Company approving the transactions contemplated under the Share Purchase Agreement.

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SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are summarised as follows:

- Date: 25 September 2021.
- Parties: The Seller, as seller of the entire issued share capital of the Target Company.
- The Purchaser, as purchaser of the entire issued share capital of the Target Company.
- Assets to be acquired: The entire issued share capital of the Target Company, comprised of 100 issued shares in the Target Company.
- Consideration and payment terms: The Consideration being RMB100 shall be paid by the Purchaser (using its internal funds) to the Seller upon Completion.
- Conditions Precedent: The Acquisition shall become effective upon fulfilment (or where applicable, waived by the Purchaser at its sole discretion) of the following conditions:
1. the Seller obtaining the necessary approval(s) or waiver(s) from the Resident Committee and other relevant regulatory authorities approving the Acquisition (including the shareholding change of the Target Company and the Target Group);

2. the representations and warranties made by both the Purchaser and the Seller being true, accurate and complete in all material respects as the Closing Date;
3. both the Purchaser and the Seller following and obeying all relevant obligations and undertakings under the Share Purchase Agreement in all material respects as at the Closing Date; and
4. no event which would have a material adverse effect on the financial position, operation, assets, business or regulatory environment of the Target Group having occurred or may occur as at the Closing Date.

Termination: The Share Purchase Agreement may be terminated: (i) by either party upon the occurrence of a force majeure event; (ii) by the non-defaulting party if the other party loses the ability to perform the contract or the purpose of the Share Purchase Agreement cannot be realised due to a material breach by the defaulting party; or (iii) by mutual written agreement of both parties.

Stamp Duty and other applicable transaction fees: The Seller and the Purchaser shall each bear half of the stamp duty and any other applicable transaction fees in connection with the Share Purchase Agreement and the underlying transactions contemplated.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined with reference to the original investment costs of the issued shares of the Target Company and its historical financial results taking into account other capital expenditure commitment of the Target Company to be assumed by the Group after the Acquisition.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

As at the date of this announcement, the Target Company is an investment holding company and is wholly owned by the Seller. The Target Company is the sole shareholder and holding company of Guangdong Century Xinghui.

Guangdong Century Xinghui is a project company incorporated under the laws of the PRC on 24 April 2020 with registered capital of US\$10.01 million and its scope of business primarily includes the manufacturing, sale and installation of assembly boxes and metallic appliances, property leasing and property management. Pursuant to (i) a land lease agreement dated 14 May 2020 (the “**Lease Agreement**”) and (ii) a project development agreement dated 15 May 2020 (the “**Development Agreement**”, together with the Lease Agreement, collectively referred to as the “**Pre-Existing Agreements**”, as amended and supplemented from time to time), each entered into by, among others, Guangdong Century Xinghui and the Resident Committee, the Resident Committee granted to Guangdong Century Xinghui the right to rent, use and develop the Project Land for a period of 20 years (the “**Lease Period**”).

Under the Pre-Existing Agreements, within 36 months from the date when the Project Land was transferred in its entirety to Guangdong Century Xinghui for its use and development, Guangdong Century Xinghui agreed to invest RMB650 million to develop the Project Land (and may further invest at its discretion). During the Lease Period, Guangdong Century Xinghui would construct and develop, among others, buildings and plants equipped with comprehensive ancillary facilities, with an aim to develop the Project Land into a contemporary manufacturing industrial park (the “**Industrial Park**”). During the Lease Period, Guangdong Century Xinghui would have the right to use and conduct business activities on the Project Land, which would include collecting rental income from tenants of the Industrial Park.

Set out below is the revenue, loss before taxation and loss after taxation of the Target Group for the year ended 31 December 2020 according to the audited consolidated financial statements (which were prepared in accordance with Hong Kong Financial Reporting Standards) of the Target Group:

	For the year ended 31 December 2020 <i>(RMB million)</i>
Revenue	—
Loss before taxation	11
Loss after taxation	11

The book value of the net liabilities of the Target Group as at the Reference Date was approximately RMB23 million.

The aggregated original acquisition costs and investment costs of the entire issued share capital of the Target Company made by the Seller amounted to RMB100.

According to the valuation report, the value of the Target Group as at the Reference Date was approximately RMB14 million based on an asset-based approach as valued by the Independent Valuer.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Project Land, with a total site area of 376 acres, is located at the southeast end of Shunde, connected to Nansha New District of Guangzhou City to its east and Shunde New Town to its west. It is geographically placed at the heart of the golden triangle of Panyu and Nansha in Guangzhou and Shunde, which is considered as the “East Gate” to various cities in the Greater Bay Area, including Guangzhou, Shenzhen, Zhuhai, Dongguan and others.

Furthermore, as the Project Land is adjacent to the Dongxin Expressway (about 5 minutes-drive from the highway exit), it provides convenient and quick connections to other expressways and highways in the region, which includes Guangzhou Bypass Expressway, Guangzhou-Zhuhai West Line Expressway, Nansha Port Express, Guangzhou-Macao Expressway, Guangzhou-Shenzhen River Expressway and Shunde-Panyu Highway. The Shenzhen-Zhongshan Corridor, which is under construction, is expected to be completed by 2024. Upon its completion, Shenzhen city center can also be reached in about 50 minutes.

The Industrial Park is intended to attract some of the largest and most reputable enterprises in the country with the aim of developing an area focused in technological and industrial development. Going forward, the Industrial Park will leverage on its own industrial development advantages, continue to introduce upstream and downstream high-quality technology enterprises and nurture emerging industries at high standards, making contributions to the industrial development take-off in Shunde, regional industrial agglomeration and high-quality economic development.

In view of the above, the Directors believe that it is in the interest of the Group to acquire the Target Group with the right to rent, use and develop the Project Land during the duration of the Lease Period. Upon Completion, the Purchaser will own the entire equity interest of the Target Group. Taking into account the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement (including the Acquisition and the underlying transactions contemplated thereunder) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF PARTIES TO THE SHARE PURCHASE AGREEMENT

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

The Company and its subsidiaries are principally engaged in the business of manufacturing and sales of building materials and interior decoration products, environmental protection and operating a supply chain service platform.

The Seller

The Seller is an investment holding company, which is ultimately and wholly owned by four individuals who are all connected persons of the Company. The details of these four individuals are as follows:

1. Mr. Zuo Manlun is an executive Director and the chief executive officer of the Group, and he is interested in 28% of the total issued share capital of the Seller;
2. Ms. Zuo Xiaoping is an executive Director and the controlling Shareholder, and she is interested in 68% of the total issued share capital of the Seller;
3. Ms. Zuo Xiaoying is a director of a subsidiary of the Company and a sister of both Mr. Zuo Manlun and Ms. Zuo Xiaoping, and she is interested in 2% of the total issued share capital of the Seller; and
4. Mr. Liu Laiduo is the husband of Ms. Zuo Xiaoying, and he is interested in 2% of the total issued share capital of the Seller.

IMPLICATIONS UNDER THE LISTING RULES

As the Seller is a company ultimately and wholly owned by four individuals who are all connected persons of the Company, the Seller is a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) for the Acquisition is more than 0.1% but less than 5%, the Acquisition constitutes a connected transaction of the Company subject to the reporting and announcement requirements (but exempt from the circular requirements and the approval of the Independent Shareholders at the general meeting) under Chapter 14A of the Listing Rules.

As (i) Mr. Zuo Manlun, an executive Director and the chief executive officer of the Group and Ms. Zuo Xiaoping, an executive Director and the controlling Shareholder are both ultimate owners of the Seller, and (ii) Mr. Wong is the husband and brother-in-law of Ms. Zuo Xiaoping and Mr. Zuo Manlun respectively, all of Mr. Zuo Manlun, Ms. Zuo Xiaoping and Mr. Wong are considered to have a material interest in the transactions and have abstained from voting at the board meeting of the Company approving the transactions contemplated under the Share Purchase Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the contemplated acquisition of the entire issued share capital of the Target Company pursuant to the terms and conditions of the Share Purchase Agreement
“Board”	the board of Directors
“Closing Date”	the date on which the Acquisition was completed pursuant to the terms and conditions of the Share Purchase Agreement
“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”	the completion of the Acquisition
“Consideration”	the consideration to be paid by the Purchaser to the Seller at Completion for the entire issued share capital of the Target Company
“Development Agreement”	has the meaning as ascribed to it in the paragraph headed “INFORMATION OF THE TARGET GROUP” in this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Century Xinghui”	Guangdong Century Xinghui Creative Park Technology Co., Ltd.* 廣東世紀星輝創意園科技有限公司, a wholly foreign-owned enterprise established in the PRC and wholly owned by the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Guangdong Jinghua Assets Appraisal Real Estate Land Assessment Co., Ltd.* 廣東京華資產評估房地產土地估價有限公司, an independent valuer who performed the valuation of the Target Group based on an asset-based approach as at the Reference Date

“Industrial Park”	has the meaning as ascribed to it in the paragraph headed “INFORMATION OF THE TARGET GROUP” in this announcement
“Lease Agreement”	has the meaning as ascribed to it in the paragraph headed “INFORMATION OF THE TARGET GROUP” in this announcement
“Lease Period”	a period of 20 years in which the Project Land was leased to Guangdong Century Xinghui under the Pre-Existing Agreements
“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
“PRC”	the People’s Republic of China
“Pre-Existing Agreements”	has the meaning as ascribed to it in the paragraph headed “INFORMATION OF THE TARGET GROUP” in this announcement
“Project Land”	the parcel of land located at east of Xinxiang Road and north of Shunyi South Road in Wusha community, Daliang Street with land area of 376 acres
“Purchaser”	Fuller Crests Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Company
“Reference Date”	31 July 2021
“Resident Committee”	Wusha Community Resident Committee, Daliang Street, Shunde District, Foshan City* 佛山市順德區大良街五沙社區居民委員會
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Yan Sing Fu Sing Real Estate (Holdings) Limited, a company incorporated and existing under the laws of Hong Kong with limited liability and ultimately and wholly owned by four connected persons of the Company
“Share(s)”	share(s) of a nominal value of HK\$0.05 each in the capital of the Company

“Share Purchase Agreement”	the agreement dated 25 September 2021 entered into between the Purchaser and the Seller in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Century Xinghui Creative Park Investment Limited, a company incorporated and existing under the laws of Hong Kong
“Target Group”	the Target Company and its subsidiaries (including Guangdong Century Xinghui)
“%”	per cent.

* *The English or Chinese translations in this announcement, where indicated, denote for identification only.*

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

Hong Kong, 27 September 2021

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.