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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)

**ANNOUNCEMENT PURSUANT TO
RULE 13.18 OF THE LISTING RULES
CONVERTIBLE LOAN FACILITIES AGREEMENT
AND
DEEMED DISPOSAL OF INTEREST IN
A WHOLLY-OWNED SUBSIDIARY**

This announcement is made pursuant to Rule 13.18 of the Listing Rules.

The Board is pleased to announce that on 6 May 2019 (after trading hours), the Company, Lesso Home and ICBCI entered into the Convertible Loan Facilities Agreement pursuant to which ICBCI agreed to make available the Convertible Loan in the aggregate amount of US\$100,000,000 to Lesso Home at an interest rate of 3% per annum and the Company agreed to guarantee Lesso Home's obligations thereunder.

Under the Convertible Loan Facilities Agreement, the Lender shall be entitled to exercise its Conversion Right to convert its outstanding participation in the Convertible Loan Amount into such number of new Lesso Home Shares as determined pursuant to the terms of the agreement. The pre-money valuation of Lesso Home, as stated in the Convertible Loan Facilities Agreement and agreed between the Company, Lesso Home and ICBCI, is US\$1,000,000,000. The issue of new Lesso Home Shares to the Lender upon the exercise of the Conversion Right will be deemed to be a disposal of interest in Lesso Home by the Company under the Listing Rules.

As the relevant applicable percentage ratios set out in the Listing Rules for the deemed disposal (representing approximately 9.1% of the total number of issued shares of Lesso Home on an enlarged and fully-diluted basis, assuming the Convertible Loan Amounts are to be converted in full by the Lender and no further changes made to the total number of issued shares of Lesso Home) are all less than 5%, the deemed disposal does not constitute a notifiable transaction as defined under the Listing Rules.

Pursuant to the Convertible Loan Facilities Agreement, it is required that as at the date of the Convertible Loan Facilities Agreement, the date of each Utilization Request and the first day of each Interest Period, (i) Mr. Wong and his family members must beneficially own (whether directly or indirectly) in aggregate at least 51% of the issued share capital of the Company and such share capital cannot be subject to any security or quasi-security, and (ii) the Company must beneficially own, directly or indirectly, at least 51% of the total number of issued shares of the Borrower; failing which it shall be an event of default under the Convertible Loan Facilities Agreement.

As at the date of this announcement, Mr. Wong and his family members are in compliance with the requirement noted above by, among other things, beneficially holding approximately 68.49% of the issued share capital of the Company. Furthermore, the Borrower is a wholly-owned subsidiary of the Company as at the date of this announcement.

The Company will, in compliance with Rule 13.21 of the Listing Rules, include appropriate disclosure in its interim and annual reports for so long as circumstances giving rise to such disclosure obligation under the Listing Rules continue to exist.

The Board is pleased to announce that on 6 May 2019 (after trading hours), the Company, Lesso Home and ICBCI entered into the Convertible Loan Facilities Agreement.

CONVERTIBLE LOAN FACILITIES AGREEMENT

Principal terms of the Convertible Loan Facilities Agreement are set out below:

Date of agreement: 6 May 2019

Parties:

1. Lesso Home (as the borrower of the Convertible Loan);
2. the Company (as the guarantor of Lesso Home); and
3. ICBCI (as the original Lender, arranger, agent and calculation agent of the Convertible Loan)

Convertible Loan: aggregate commitment amount available under the Convertible Loan is US\$100,000,000 divided into two facilities:

1. Facility A (aggregate commitment amount available is US\$60,000,000); and
2. Facility B (aggregate commitment amount available is US\$40,000,000)

Interest Rate:	3% per annum, provided that, to the extent that the Lender has converted all or part of its participation in accordance with the terms of the Convertible Loan Facilities Agreement (being the Converted Loan Amount), interest in relation to such Converted Loan Amount shall only be accrued up to the relevant Conversion Date for such amount
Default Interest Rate:	the rate per annum which is 2% per annum higher than the rate which would have applied if the unpaid sum had not become due
Availability Period:	<ol style="list-style-type: none"> 1. in relation to Facility A, the period from and including the date of the Convertible Loan Facilities Agreement to and including the date which is one month (or such other period requested by Lesso Home as agreed by ICBCI (acting reasonably in its capacity as the agent)) after the date of the Convertible Loan Facilities Agreement; and 2. in relation to Facility B, the period from and including the date of the issuance of the Overseas Projects Completion Confirmation Notice by ICBCI (in its capacity as the agent) to Lesso Home to and including the date which is one month after the issuance date of such notice (or such other period requested by Lesso Home as agreed by ICBCI (acting reasonably in its capacity as the agent))
Conditions Precedent to Utilization of the Convertible Loan:	the Convertible Loan shall be made available to Lesso Home during the Availability Period upon satisfaction of certain customary conditions precedent (including the provision of a copy of the constitutional documents and board resolutions of the Obligors, and certain representations made by the Obligors under the Convertible Loan Facilities Agreement being true in all material respects etc.)
Maturity Date:	in respect of each Facility, the date which is 36 months after the date of the utilization of that Facility

Assignment or Transfer: with respect to its rights and obligations under the Convertible Loan Facilities Agreement, the Lender may, with the prior written consent of Lesso Home, assign, or transfer by novation to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets.

The Borrower and the Guarantor may not assign any of its rights or transfer any of its rights and obligations under the Convertible Loan Facilities Agreement to any other person.

Events of Default: customary events or circumstances of default (including non-payment by an Obligor, cross default, insolvency of an Obligor and material adverse change)

Conversion Rights and Conversion Period: the Lender shall be entitled to exercise its Conversion Right to convert its outstanding participation in the Convertible Loan Amount, in whole or in part, into such number of new Lesso Home Shares pursuant to the terms of the Convertible Loan Facilities Agreement at any time prior to the earlier of either:

1. the first filing of the listing application of the Lesso Home Shares to the Qualifying Exchange; or
2. the date which is 21 days prior to the relevant Maturity Date of the relevant Facility.

Conversion Formula:

upon the exercise of the Conversion Right, the relevant participation in the Convertible Loan Amount will be converted into such number of new Lesso Home Shares as determined by the formula below:

$$A = B/C \times D$$

where

A is the number of new Lesso Home Shares to be issued to the converting Lender;

B is the relevant Convertible Loan Amount to be converted;

C is the Pre-Money Valuation; and

D is the total number of Lesso Home Shares immediately before such conversion;

provided that the conversion formula is subject to customary adjustments upon the occurrence of certain events (including the consolidation, reclassification or subdivision of the Lesso Home Shares etc.)

New Lesso Home Shares:

the new Lesso Home Shares issued upon exercise of the Conversion Right will be duly authorized and fully paid and will in all respects rank *pari passu* with the other Lesso Home Shares in issue on the Conversion Date; and any such holder(s) of the new Lesso Home Shares will be entitled to all rights, distributions or payments in respect of such Lesso Home Shares where the record date or other due date for establishment of entitlement falls on or after the relevant Conversion Date pursuant to the terms of the Convertible Loan Facilities Agreement.

If at any time prior to an IPO, the Lender (or any of its designated nominees who receive the Conversion Shares) desires to transfer (whether by sale or otherwise) all or part of the Conversion Shares otherwise than to the Lender's or such designated nominees' affiliates, it shall first give written notice to the Company of its intention to make such transfer, such that the Company shall have the option to purchase such Conversion Shares first pursuant to the terms of the Convertible Loan Facilities Agreement.

Guarantee: in consideration of the Convertible Loan, the Company agrees to irrevocably and unconditionally guarantee in favor of each Finance Party, among other things, the punctual performance by the Borrower of all its obligations under the Convertible Loan Facilities Agreement and/or other ancillary documents in connection with the Convertible Loan.

Subordination: in consideration of the Convertible Loan and pursuant to the terms of a subordination deed to be entered into between the Company, Lesso Home and ICBCI, the Company agrees to subordinate all money and liabilities now or in the future due, incurred or owing to the Company by Lesso Home under any shareholder loan agreement between the Company and Lesso Home to all money and liabilities now or in the future due, incurred or owing to any Finance Party by the Company or Lesso Home under the Convertible Loan Facilities Agreement.

INFORMATION OF THE PARTIES

Lesso Home

Lesso Home is a wholly-owned subsidiary of the Company as at the date of this announcement, and is principally engaged in building a multinational platform for Chinese manufacturers of home furnishings, building materials and other consumer products to showcase their products and facilitate the distribution and retailing of such products. Lesso Home also provides ancillary services, including marketing and branding.

The Group

The Group is principally engaged in the manufacturing and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services.

ICBCI

ICBCI is an indirect wholly-owned subsidiary of the Industrial and Commercial Bank of China Limited, a commercial bank listed on both the Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, ICBCI and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR ENTERING INTO THE CONVERTIBLE LOAN FACILITIES AGREEMENT AND USE OF THE CONVERTIBLE LOAN

The Group is principally engaged in the manufacturing and sale of building materials and interior decoration products; the provision of renovation and installation works, environmental engineering and other related services, financial services and property rental and other related services.

To capitalize on the “Belt and Road Initiative”, the Group has been actively developing a business line under the brand of “Lesso Home” to establish a one-stop specialized platform for China’s building materials, home furnishing and other consumer products in overseas market, with a major aim to assisting China’s manufacturers with product display, sales, storage, logistics and distribution of products to customers across the world.

The Directors consider that it is in the best interest of the Company and its shareholders to diversify its business scope by allowing Lesso Home to manage, operate and finance independently from the Group’s current core business. The Directors further consider that the Convertible Loan will provide Lesso Home with medium-term funding. The Convertible Loan will be primarily used as working capital and capital expenditure of Lesso Home for the development and operation of property investments, logistics and warehousing consulting, e-commerce, investment and financing business and other related businesses located outside of China. Going forward, Lesso Home will continue to use its own operating cash flow and external funding to develop and expand its business.

In light of the foregoing, the Directors consider that the Convertible Loan Facilities Agreement and the transactions contemplated thereunder (including the deemed disposal of interest in Lesso Home in the event where the Conversion Right is exercised) are entered into upon normal commercial terms following arm’s length negotiations between the parties, and that the underlying terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The issue of new Lesso Home Shares to the Lender upon the exercise of its Conversion Right will be deemed to be a disposal of interest in Lesso Home by the Company under the Listing Rules. As the relevant applicable percentage ratios set out in the Listing Rules for the deemed disposal (representing approximately 9.1% of the total number of issued shares of Lesso Home on an enlarged and fully-diluted basis, assuming the Convertible Loan Amounts are to be converted in full by the Lender and no further changes made to the total number of issued shares of Lesso Home) are all less than 5%, the deemed disposal does not constitute a notifiable transaction as defined under the Listing Rules.

SPECIFIC PERFORMANCE OBLIGATION UNDER THE CONVERTIBLE LOAN FACILITIES AGREEMENT

Pursuant to the Convertible Loan Facilities Agreement, it is required that as at the date of the Convertible Loan Facilities Agreement, the date of each Utilization Request and the first day of each Interest Period, (i) Mr. Wong and his family members must beneficially own (whether directly or indirectly) in aggregate at least 51% of the issued share capital of the Company and such share capital cannot be subject to any security or quasi-security, and (ii) the Company must beneficially own, directly or indirectly, at least 51% of the total number of issued shares of the Borrower; failing which it shall be an event of default under the Convertible Loan Facilities Agreement.

As at the date of this announcement, Mr. Wong and his family members are in compliance with the requirement noted above by, among other things, beneficially holding approximately 68.49% of the issued share capital of the Company. Furthermore, the Borrower is a wholly-owned subsidiary of the Company as at the date of this announcement.

The Company will, in compliance with Rule 13.21 of the Listing Rules, include appropriate disclosure in its interim and annual reports for so long as circumstances giving rise to such disclosure obligation under the Listing Rules continue to exist.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“Availability Period”	the period under which the Convertible Loan is made available by the Lender for the Borrower to utilize pursuant to the terms of the Convertible Loan Facilities Agreement
“Board”	the board of Directors
“Borrower”	Lesso Home as the borrower of the Convertible Loan
“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
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Conversion Date”	the fifth business day immediately following the date of delivery of the Conversion Notice in connection with the exercise of such Conversion Right

“Conversion Notice”	the conversion notice indicating the Lender’s intention to exercise the Conversion Right
“Conversion Right”	the right of a Lender to convert its participation in the Convertible Loan in an amount equal to its share of the Convertible Loan Amount into such new Lesso Home Shares in accordance with the terms of the Convertible Loan Facilities Agreement
“Conversion Shares”	the Lesso Home Shares issued to the Lender (or any of its designated nominee(s)) upon exercise of the Conversion Right by the relevant Lender pursuant to the terms of the Convertible Loan Facilities Agreement
“Convertible Loan”	the unsecured convertible term loan facilities made available by ICBCI (as the original Lender) in the aggregate amount of US\$100,000,000 divided into Facility A and Facility B pursuant to the terms of the Convertible Loan Facilities Agreement
“Convertible Loan Amount”	the amount of the Convertible Loan outstanding to the Lender on any such date
“Convertible Loan Facilities Agreement”	the convertible loan facilities agreement dated 6 May 2019 entered into between the Company, Lesso Home and ICBCI pursuant to which ICBCI agreed to make available the Convertible Loan to Lesso Home pursuant to the terms and conditions therein
“Directors”	the directors of the Company
“Facility”	Facility A or Facility B
“Facility A”	the term loan facility in an aggregate amount of US\$60,000,000 made available to the Borrower pursuant to the Convertible Loan Facilities Agreement
“Facility B”	the term loan facility in an aggregate amount of US\$40,000,000 made available to the Borrower pursuant to the Convertible Loan Facilities Agreement

“Finance Party”	the Lender, the arranger, the agent or the calculation agent of the Convertible Loan
“Group”	the Company and its subsidiaries
“Guarantor”	the Company as the guarantor of Lesso Home’s obligations under the Convertible Loan Facilities Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBCI”	ICBC International Investment Management Limited, a company incorporated in the British Virgin Islands and is the original Lender, arranger, agent and calculation agent under the Convertible Loan Facilities Agreement
“Interest Period”	with respect to each Facility, an interest period of six months or such other period as agreed between the Borrower and ICBCI (in its capacity as the agent acting on the instructions of the Lender)
“IPO”	subject to the terms of the Convertible Loan Facilities Agreement, an offering of primary and/or secondary Lesso Home Shares by Lesso Home for subscription or sale for cash to retail and/or institutional investors and, if and to the extent the Lesso Home Shares are not already listed, accompanied by the listing and admission to trading of such Lesso Home Shares on a Qualifying Exchange
“Lender”	ICBCI (as the original Lender) and/or any of its assignee or transferee of the Convertible Loan under the Convertible Loan Facilities Agreement
“Lesso Home”	Lesso Home International Holdings Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Company as at the date of this announcement
“Lesso Home Group”	Lesso Home and its subsidiaries from time to time
“Lesso Home Shares”	the ordinary shares of Lesso Home
“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
“Obligor”	the Borrower or the Guarantor
“Overseas Projects Completion Confirmation Notice”	the confirmation notice to be given by ICBCI (in its capacity as the agent) upon receipt of certain documents and evidence in support of the completion or compliance of certain requirements in connection with certain projects developed or to be developed by the Group
“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
“Pre-Money Valuation”	the agreed valuation of the Borrower (on a consolidated basis) prior to the entry into of the Convertible Loan Facilities Agreement based on which the Lessor Home Shares to be converted from the Convertible Loan Amount of the Lender are calculated pursuant to the terms of the Convertible Loan Facilities Agreement (being a value of US\$1,000,000,000)
“Qualifying Exchange”	any of the New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, the Singapore Exchange, the Australian Securities Exchange, the Stock Exchange, or any other exchange agreed between the Borrower and the Lender
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of the United States of America

“Utilization Request” a borrowing request to be made by the Borrower to the Lender with respect to the relevant Facility

“%” per cent

* *For identification purposes only*

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

Hong Kong, 6 May 2019

As at the date of this announcement, the executive Directors 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 are Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu, Ms. Lan Fang, Dr. Tao Zhigang and Mr. Cheng Dickson.