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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
ACQUISITION OF PROPERTY**

THE ACQUISITION

The Board is pleased to announce that on 28 March 2022 (after trading hours of the Stock Exchange), the Purchaser, which is an indirectly wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreement with the Seller; pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Property for the Consideration of US\$7.178 million (equivalent to approximately HK\$55.84 million). Upon Completion, the Purchaser will become the sole owner of the Property.

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller on normal commercial terms with reference to the valuation to the Property as per the Independent Valuation Report issued by the Independent Professional Valuer.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Mr. Wong (being an executive Director and controlling Shareholder) controls the exercise of 30% or more of the voting power at general meetings of the Seller, the Seller is a 30%-controlled company (as defined under the Listing Rules) of Mr. Wong; and the Seller is therefore an associate of Mr. Wong and a connected person of the Company. Accordingly, 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.

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. Furthermore, as each of Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng and Mr. Lin Dewei (being an executive Director) is an ultimate beneficial owner of the Seller with each approximately 2% effective shareholding interest in the Seller, all of them (as Interested Directors) are considered to have a material interest in the Acquisition and have abstained from voting at the board meeting approving the transactions contemplated under the Property Acquisition Agreement.

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PROPERTY ACQUISITION AGREEMENT

The principal terms of the Property Acquisition Agreement are summarised as follows:

- Date: 28 March 2022
- Parties: The Seller, as seller of the Property
The Purchaser, as purchaser of the Property
- Property to be acquired: 130.47 acres of industrial land comprising 7 separate parcels in Adelanto, San Bernardino County, CA 92301, U.S.
- Upon Completion, the Purchaser will become the sole owner of the Property.
- Consideration and payment terms: No deposit is required from the Purchaser for this transaction.
The Consideration (being US\$7.178 million (equivalent to approximately HK\$55.84 million)) shall be paid by the Purchaser (using its internal funds) to the Seller upon Completion.
- Conditions Precedent: The Completion shall be conditional upon fulfilment (or where applicable, waived by the Purchaser at its sole discretion) of certain conditions precedent, which include:
1. the Purchaser being satisfied with the due diligence results relating to the Property and the transactions contemplated under the Property Acquisition Agreement;

2. the Purchaser being satisfied with all the necessary or desirable approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property in connection with its intended use of the Property; and
3. the delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed in connection with the Property Acquisition Agreement (including the Seller's representations and warranties remain true as at the Closing Date).

Completion: Completion shall take place on the fifth (5th) day following the fulfillment (or where applicable, effective waiver) of all the conditions precedent, provided that the Closing Date shall be not later than the Long Stop Date (i.e. 30 June 2022) unless further extended by mutual agreement between the Purchaser and the Seller.

Termination: In the event where Completion does not occur by the Long Stop Date and no further extension was agreed between the Purchaser and the Seller, a non-defaulting party may notify the other party in writing that, unless the Completion occurs within 5 business days following the said notice served, the Property Acquisition Agreement and the transactions contemplated therein would be terminated.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller on normal commercial terms with reference to the valuation to the Property as per the Independent Valuation Report which has applied the "sales comparison approach".

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 PROPERTY

The Property is located in the city of Adelanto, which is situated in southwest San Bernardino County, approximately 60 miles northeast from Los Angeles and 170 miles southwest of Las Vegas. Although the Property's local area consists predominantly of rural vacant lands as at the date of this announcement, the city of Adelanto has reported a large amount of building applications and expects a large number of lots to be under construction within the next one to two years according to the Independent Valuation Report.

The Independent Professional Valuer valued the Property at US\$7.4 million (equivalent to approximately HK\$57.57 million) as at 7 March 2022, which is higher than the Consideration for the Acquisition.

The aggregated original acquisition costs incurred by the Seller for the Property amounted to a total of US\$3.415 million (equivalent to approximately HK\$26.57 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property is located in an industrial area close to the Southern California Logistics Airport. The surrounding area has seen greater interest in recent years due to the rapid increase in e-commerce and rising industrial land values in the metro areas of San Bernardino and Riverside Counties, most notable during the last twelve months. As there is an abundance of developable land in the market, it creates an attractive location for potential development, as well as the potential for future competitive supply in the market area. The location has good regional access and is seeing greater business activity.

As of the date of this announcement, the Group (including the Purchaser) currently plans to establish factory, warehouse and other ancillary facilities on the Property. The Directors believe that the strategic location of the Property is of value to the primary proposed use of the Property. As the Purchaser is principally engaged in the business of manufacturing and distribution of building materials in the U.S., the Property would be a suitable asset for the development of the Purchaser's business and can enhance the competitiveness of the Group's business in the U.S..

In view of the above, the Directors believe that it is in the interest of the Group and its shareholders to acquire the Property. Upon Completion, the Purchaser will become the sole owner of the Property. Taking into account the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Property Acquisition 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 PROPERTY ACQUISITION AGREEMENT

The Purchaser

The Purchaser is an indirectly wholly-owned subsidiary of the Company and is principally engaged in the business of manufacturing and distribution of building materials in the U.S..

The Company and its subsidiaries are principally engaged in the business of manufacturing and sale of plastic piping, building material and home improvement, environmental protection, and operate a supply chain service platform.

The Seller and its Ultimate Beneficial Owners

The Seller is a land holding company with no principal business other than holding land properties, and is ultimately and indirectly held by the following Interested Directors in the corresponding effective shareholding interest as noted below:

1. Mr. Wong is an executive Director and the controlling Shareholder, and he is indirectly interested in approximately 27% effective shareholding interest in the Seller;
2. Ms. Zuo Xiaoping is an executive Director and the controlling Shareholder, and she is indirectly interested in approximately 2% effective shareholding interest in the Seller;

3. Mr. Zuo Manlun is an executive Director and the chief executive officer of the Group, and he is indirectly interested in approximately 2% effective shareholding interest in the Seller; and
4. Each of Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng and Mr. Lin Dewei is an executive Director, and each of them is indirectly interested in approximately 2% effective shareholding interest in the Seller.

Apart from the aforementioned effective shareholding interest held by the Interested Directors in the Seller, each of Ms. Zuo Xiaoying (a sister to both Ms. Zuo Xiaoping and Mr. Zuo Manlun) and Mr. Or Cheuk Fung is a director of at least one subsidiary of the Company, and they are indirectly interested in approximately 3% and 1% effective shareholding interest in the Seller respectively.

Apart from the abovementioned 49% effective shareholding interest (in aggregate) held by the various connected persons of the Company, the remaining 51% effective shareholding interest in the Seller are all owned by independent third parties of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Mr. Wong (being an executive Director and controlling Shareholder) controls the exercise of 30% or more of the voting power at general meetings of the Seller, the Seller is a 30%-controlled company (as defined under the Listing Rules) of Mr. Wong; and the Seller is therefore an associate of Mr. Wong and a connected person of the Company. Accordingly, 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.

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. Furthermore, as each of Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng and Mr. Lin Dewei (being an executive Director) is an ultimate beneficial owner of the Seller with each approximately 2% effective shareholding interest in the Seller, all of them (as Interested Directors) are considered to have a material interest in the Acquisition and have abstained from voting at the board meeting approving the transactions contemplated under the Property Acquisition 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 Property pursuant to the terms and conditions of the Property Acquisition Agreement
“Board”	the board of Directors
“Closing Date”	the date on which the Acquisition was completed pursuant to the terms and conditions of the Property Acquisition 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 Property
“Directors”	the directors of the Company
“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 Valuation Report”	the independent valuation report dated 23 March 2022 prepared by the Independent Professional Valuer on the valuation of the Property as at 7 March 2022
“Independent Professional Valuer”	CBRE, Inc., an independent professional valuer who performed the valuation of the Property and issued the Independent Valuation Report
“Interested Directors”	Mr. Wong, 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, each an executive Director and an ultimate beneficial owner of the Seller
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2022 being the last date where the Completion is expected to happen pursuant to the terms and conditions of the Property Acquisition Agreement, unless further extended by mutual agreement between the Purchaser and the Seller

“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
“Property”	the 130.47 acres of industrial land comprising 7 separate parcels in Adelanto, San Bernardino County, CA 92301, U.S.
“Property Acquisition Agreement”	the agreement dated 28 March 2022 entered into between the Purchaser and the Seller in relation to the Acquisition
“Purchaser”	Lesso America Inc., a California incorporation and is indirectly wholly-owned by the Company
“Seller”	Ecosave Land, LLC, a California limited liability company and is a connected person of the Company
“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
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of U.S.
“%”	per cent.

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

Hong Kong, 28 March 2022

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.