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LISI GROUP (HOLDINGS) LIMITED

利時集團(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

**DISCLOSEABLE TRANSACTIONS
IN RELATION TO
THE ACQUISITION OF 24.76% EQUITY INTEREST IN
TARGET COMPANY
BY ENTERING INTO
SHARE TRANSFER AGREEMENT
AND
CAPITAL INCREASE AGREEMENT**

Financial Adviser

 **川盟融資有限公司**
Chanceton Capital Partners Limited

The Board wishes to announce that, after trading hours on 25 October 2010, Ningbo Lisi, a wholly owned subsidiary of the Company, Mr. Ma and Weirui Technology, entered into the Share Transfer Agreement. Pursuant to which Ningbo Lisi and Mr. Ma have conditionally agreed to purchase, 12.06% interest in the Target Company for a consideration of RMB14,603,175 (equivalent to approximately of HK\$17,027,000) and 6.94% interest in the Target Company for a consideration of RMB8,396,825 (equivalent to approximately of HK\$9,791,000) respectively from Weirui Technology.

On the same day, Ningbo Lisi, Mr. Ma, Weirui Technology, Mr. Wang and Mr. Jummah entered into the Capital Increase Agreement with the Target Company pursuant to which the registered capital of the Target Company will, conditional upon the completion of the Share Transfer Agreement, increase from USD1,100,000 (equivalent to approximately of HK\$8,580,000) to USD1,375,000 (equivalent to approximately of HK\$10,725,000). And such increase of USD275,000 (equivalent to approximately of HK\$ 2,145,000) in the registered capital of the Target Company will be unilaterally subscribed by Ningbo Lisi and Mr. Ma for a total consideration of RMB40,000,000 (equivalent to approximately of HK\$46,640,000), pursuant to which Ningbo Lisi will pay RMB25,396,825 (equivalent to approximately of HK\$29,613,000) and Mr. Ma will pay RMB14,603,175 (equivalent to approximately of HK\$17,027,000) respectively.

After completion of the Share Transfer and the Capital Increase, Ningbo Lisi will be interested in 24.76% of the registered capital of the Target Company and the Target Company will be treated as an associated company of the Company.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios for the transactions contemplated under the Share Transfer Agreement and Capital Increase Agreement calculated pursuant to Listing Rules is more than 5% but less than 25%, the transactions contemplated under the Share Transfer Agreement and Capital Increase Agreement constitute a discloseable transaction for the Company and are subject to the announcement requirement under the Listing Rules.

THE SHARE TRANSFER AGREEMENT

Date : 25 October 2010

Vendor(s) : (1) Weirui Technology

Purchaser(s) : (1) Ningbo Lisi
(2) Mr. Ma

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Weirui Technology and its ultimate beneficial owners, and Mr. Ma are Independent Third Parties of the Company and not connected persons of the Company.

Subject Matter

Ningbo Lisi and Mr. Ma have conditionally agreed to purchase, 12.06% interest in the Target Company for a consideration of RMB14,603,175 (equivalent to approximately of HK\$17,027,000) and 6.94% interest in the Target Company for a consideration of RMB8,396,825 (equivalent to approximately of HK\$9,791,000) respectively from Weirui Technology.

Consideration and payment terms

The consideration payable by Ningbo Lisi and Mr. Ma to Weirui Technology pursuant to the Share Transfer Agreement is RMB14,603,175 (equivalent to approximately of HK\$17,027,000) and RMB8,396,825 (equivalent to approximately of HK\$9,791,000) respectively and in the following manner:

An aggregate of RMB23,000,000 (equivalent to approximately of HK\$26,818,000) shall be payable in cash by Ningbo Lisi and Mr. Ma upon completion of transfer of the relevant equity interests under the Share Transfer Agreement.

Conditions precedent

The Share Transfer Agreement shall become effective on the date on which the following conditions, among others, have been satisfied:

- due execution of the Share Transfer Agreement by the parties to the Share Transfer Agreement;
- the Share Transfer Agreement having been approved by the PRC government or regulatory authorities;
- the Share Transfer Agreement having been approved by the board of the Target Company in the form of written resolution; and
- the obtaining of other shareholders' waiver of pre-emptive rights for the subject matter under the Share Transfer Agreement.

Completion

Upon the satisfaction of all the above conditions, the parties expect to complete the Share Transfer within one month from the execution of the Share Transfer Agreement, or upon agreement of the parties, to such later date as may be otherwise determined. If the transfer cannot be completed for reason of default by the Weirui Technology, Ningbo Lisi and Mr. Ma have the right to terminate the Share Transfer Agreement. In such an event, Weirui Technology shall refund all payments made by Ningbo Lisi and Mr. Ma prior to the termination without interest and indemnify Ningbo Lisi and Mr. Ma for all losses incurred. If the Share Transfer Agreement is terminated, the Capital Increase will not proceed.

THE CAPITAL INCREASE AGREEMENT

Date : 25 October 2010

Parties : (1) Weirui Technology

(2) Ningbo Lisi

(3) Mr. Ma

(4) Mr. Wang

(5) Mr. Jummah

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Weirui Technology and its ultimate beneficial owners, Mr. Ma, Mr. Wang and Mr. Jummah are Independent Third Parties of the Company and not connected persons of the Company.

Subject Matter

Pursuant to the Capital Increase Agreement, Ningbo Lisi, Mr. Ma, Weirui Technology, Mr. Wang and Mr. Jummah entered into the Capital Increase Agreement with the Target Company pursuant to which the registered capital of the Target Company will, conditional upon the completion of the Share Transfer Agreement, increase from USD1,100,000 (equivalent to approximately of HK\$8,580,000) to USD1,375,000 (equivalent to approximately of HK\$10,725,000). And such increase of USD275,000 (equivalent to approximately of HK\$2,145,000) in the registered capital of the Target Company will be unilaterally subscribed by Ningbo Lisi and Mr. Ma for a total consideration of RMB40,000,000 (equivalent to approximately of HK\$46,640,000), pursuant to which Ningbo Lisi will pay RMB25,396,825 (equivalent to approximately of HK\$29,613,000) and Mr. Ma will pay RMB14,603,175 (equivalent to approximately of HK\$17,027,000) respectively.

After completion of the Share Transfer and the Capital Increase, Ningbo Lisi will be interested in 24.76% of the registered capital of the Target Company.

Conditions precedent

The Capital Increase Agreement shall become effective on the date on which the following conditions, among others, have been satisfied:

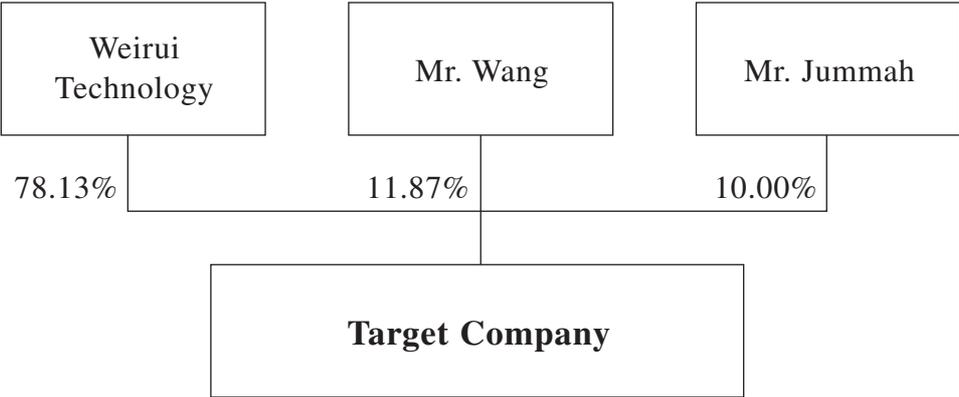
- due execution of the Capital Increase Agreement by the parties to the Capital Increase Agreement;
- the obtaining of other shareholders' waiver of pre-emptive rights for the subject matter under the Capital Increase Agreement;
- the Capital Increase Agreement having been approved by the PRC government or regulatory authorities; and
- the completion of Share Transfer.

Completion

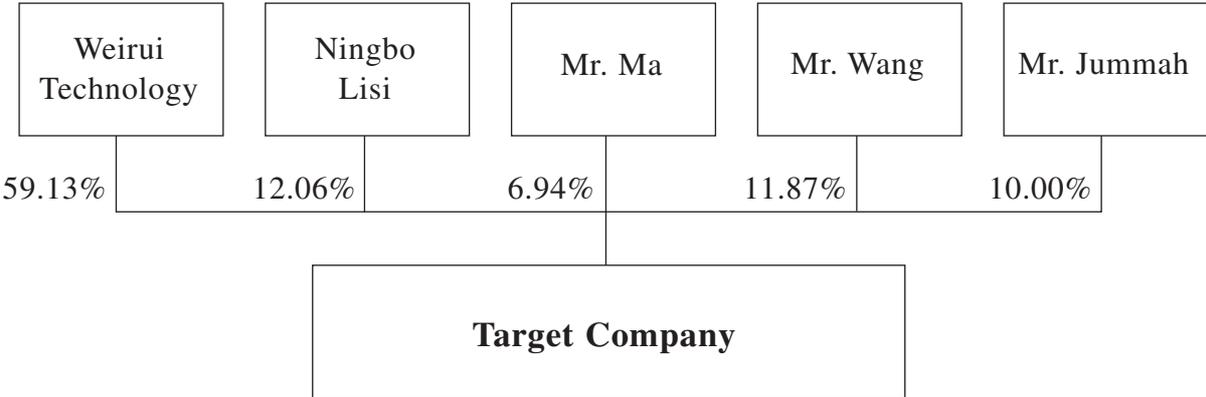
Completion of the Capital Increase will take place after the fulfillment of the conditions precedents of the Capital Increase Agreement or such other date as may be agreed by all parties in writing.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

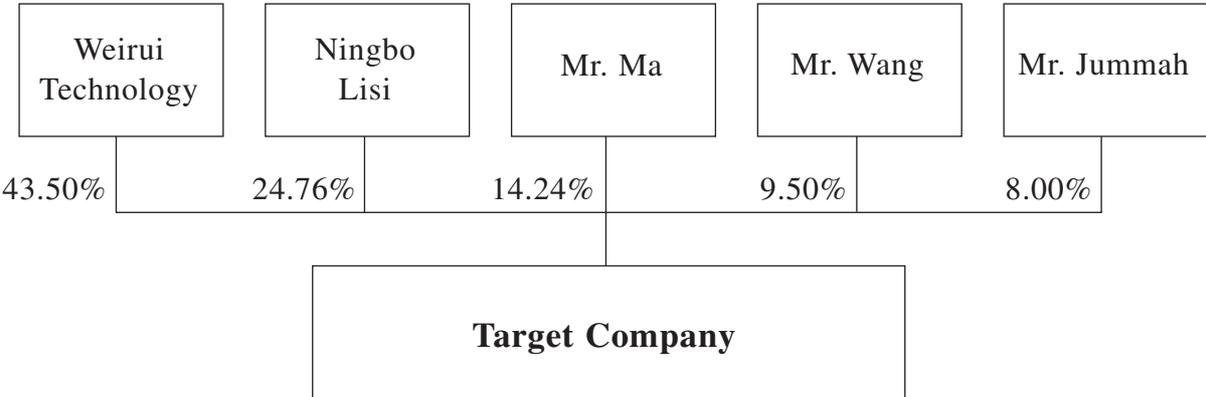
Prior to the transactions, structure of the Target Company is as below:



Immediately after Share Transfer but before Capital Increase:



Upon completion of Capital Increase:



Following the Capital Increase, the Target Company will be treated as an associated company of the Company.

Basis of determination of the Consideration

The consideration was determined based upon a prospective price earnings ratio (“**P/E Ratio**”) of approximately 6.7 times of the profit guarantee, which the Board considers to be fair and reasonable. Such P/E Ratio was determined by the prospects of the oil and gas industry.

If determination of the consideration of this type of business is based upon its net asset value, it will not appropriately reflect its value.

The Consideration was determined after arm’s length negotiations between the parties with reference to, among other things, (i) future prospects of the oil and gas industry; (ii) the profit guarantee provided by the Target Company, details of which are stated in the section headed “Profit Guarantee” below in this announcement; and (iii) the business opportunity to tap into the business sector of oil and gas industry. The Directors are of the view that the consideration for the acquisition of the Share Transfer and Capital Increase is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

Profit Guarantee

Pursuant to the Capital Increase Agreement, the Target Company has guaranteed to Ningbo Lisi and Mr. Ma that the average profit after taxation of the Target Company for the year 2010, 2011 and 2012 will not be less than RMB29,810,000 (equivalent to approximately of HK\$34,758,000). In the event that such average profit after taxation is less than the guaranteed level, the Target Company will issue new shares to Ningbo Lisi and Mr. Ma as follow:

If the average profit after taxation of the Target Company for the year 2010, 2011 and 2012 less than 90% but more than 80% of RMB29,810,000 (equivalent to approximately of HK\$34,758,000), the Target Company will issue 5% of its new shares to Ningbo Lisi and Mr. Ma. The consideration will be based on the actual profit after taxation amount multiply by 6.7 P/E Ratio.

If the average profit after taxation of the Target Company for the year 2010, 2011 and 2012 less than 80% of RMB29,810,000 (equivalent to approximately of HK\$34,758,000), the Target Company will issue 10% of its new shares to Ningbo Lisi and Mr. Ma. The consideration will be based on the actual profit after taxation amount multiply by 6.7 P/E Ratio.

If the average profit after taxation of the Target Company for the year 2010, 2011 and 2012 excess RMB29,810,000 (equivalent to approximately of HK\$34,758,000), the Target Company will not issue any new shares.

Information of the Target Company

The Target Company is a limited company incorporated under the laws of the PRC on 21 October 2005. It is a technology development company specialized in separation technology and multiphase measurement sciences for the oil and gas industry. The core business of the Target Company is to help their customers in prospecting oil and natural gas well and providing accurate, reliable and instant measuring methodology in oil and gas, so as to improve productivity and reduce cost in extracting gas and oil of their customers.

Currently, the Target Company possessed six patents in separation technology and multiphase measurement of gas and oil, which positively influence its comparative advantages against its major competitors.

Set out below is a summary of the audited financial results of the Target Company for the two years ended 31 December 2008 and 31 December 2009, which was prepared in accordance with the PRC generally accepted accounting principles:

	Year ended 31 December			
	2009		2008	
	<i>RMB'000</i>	<i>Equivalent HK\$'000</i>	<i>RMB'000</i>	<i>Equivalent HK\$'000</i>
Turnover	36,243	42,259	3,821	4,455
Profit/(Loss) before tax	5,715	6,664	(1,343)	(1,566)
Profit/(Loss) after tax	5,467	6,375	(1,343)	(1,566)

As at 31 December 2009, the audited net asset value of the Target Company was approximately RMB10.251 million (equivalent to approximately of HK\$11.953 million).

Upon completion of Share Transfer and Capital Increase, the Target Company will become an associated company of the Company and the results of the Target Company will not be consolidated into the accounts of the Company.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Company is principally engaged in the design and manufacture of quality plastic and metal household products with customers from more than 40 countries worldwide.

The Directors consider that the acquisition of equity interest in the Target Company will diversify its business. The Company has been exploring opportunities to expand the Group's business. In this regard, upon completion of the Capital Increase, the Company will become beneficially interested in 24.76% of the equity interest in the Target

Company. This allows the Group to marginally shifting its business to participate in oil and gas industry with minimization of operational and market risk. Taking into account of the strong growth in the financial performance of the Target Company, the Directors are optimistic about the prospect of the Target Company.

The Target Company focuses on separation technology of oil and gas and multiphase measurement sciences. Countries around the world are striving for reducing pollution. Therefore, the usage of the oil and gas separation technology will become a crowded situation in oil and gas industry. The Directors believe that the acquisition furnishes the Company with a unique opportunity to tap into the oil and gas industry and may possibly enhance the profitability of the Group in the future.

In view of the above, the Directors consider that the terms of the Capital Increase Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

USE OF PROCEED

Total amount of RMB40,000,000 (equivalent to approximately of HK\$46,640,000) contributed by Ningbo Lisi and Mr. Ma to the Target Company will be used as below:

- working capital to maintain daily operation;
- explore foreign business development; and
- search for potential merger and acquisition opportunities.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios for the transactions contemplated under the Share Transfer Agreement and Capital Increase Agreement calculated pursuant to Listing Rules is more than 5% but less than 25%, the transactions contemplated under the Share Transfer Agreement and Capital Increase Agreement constitute a discloseable transaction for the Company and are subject to the announcement requirement under the Listing Rules.

DEFINITIONS

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

“Board”	board of Directors
“Capital Increase”	aggregate amount of RMB40,000,000 (equivalent to approximately of HK\$466,400,000) contributed by Ningbo Lisi and Mr. Ma to the Target Company
“Capital Increase Agreement”	the capital increase agreement dated 25 October 2010 entered into between Ningbo Lisi, Weirui Technology, Mr. Wang, Mr. Jummah and Mr. Ma

“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	party or parties that is or are not connected with the Company and the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jummah”	Mr. AL MURAIKHI, AHMED JUMMAH M, one of the founder members of the Target Company
“Mr. Ma”	Mr. Ma Kong* (馬剛), one of the purchasers of the Target Company
“Mr. Wang”	Mr. Wang Shou Bo* (王守波), one of the founder members of the Target Company
“Ningbo Lisi”	Ningbo Lisi Information Technology Co., Ltd* (寧波利時信息科技有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer”	the transfer of 12.06% interest in the Target Company to Ningbo Lisi and 6.94% interest in the Target Company to Mr. Ma by Weirui Technology

“Share Transfer Agreement”	the share transfer agreement dated 25 October 2010 entered into between Ningbo Lisi, Weirui Technology, and Mr. Ma
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Veritas-Msi (China) Co., Ltd. (寧波威瑞泰默賽多相流儀器設備有限公司), a company incorporated in the PRC with limited liability
“USD”	United States of America dollars, a lawful currency of the United States of America
“Weirui Technology”	威瑞泰科技發展(寧波)有限公司, one of the founder members of the Target Company
“%”	per cent

By Order of the Board
LISI GROUP (HOLDINGS) LIMITED
Li Li Xin
Chairman

Hong Kong, 25 October 2010

* *For identification only*

As at the date of this announcement, the Board comprises Mr. Li Li Xin (Chairman) being non-executive director, Mr. Cheng Jian He being executive director, Mr. Xu Jin and Mr. Lau Kin Hon being non-executive directors, Mr. He Chengying, Mr. Chan Man Sum Ivan and Mr. Cheung Kiu Cho Vincent being independent non-executive directors.