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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)

CONTINUING CONNECTED TRANSACTIONS AND SHARE PREMIUM REDUCTION

CONTINUING CONNECTED TRANSACTIONS

On 16 December 2015 after trading hours, Lisi Household, a wholly owned subsidiary of the Company, entered into (i) the Lease Agreement with Da Mei to lease the Property; (ii) the Export Agency Agreement with Lisi Import & Export for the provision of export agency services and (iii) the Import Agency Agreement with Lisi Import & Export for the provision of import agency services.

On 16 December 2015 after trading hours, New JoySun, a wholly owned subsidiary of the Company, entered into the Mutual Supply Agreement with Lisi Group for the mutual supply of products to each other.

Da Mei, Lisi Import & Export and Lisi Group are connected persons of the Company. The Lease Agreement, the Export Agency Agreement, the Import Agency Agreement and the Mutual Supply Agreement constitute continuing connected transactions for the Company.

Since the applicable percentage ratios in respect of the maximum aggregate annual values under each of the Lease Agreement, Export Agency Agreement and Mutual Supply Agreement are less than 5%, each of the Lease Agreement, Export Agency Agreement and Mutual Supply Agreement are subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

The Import Agency Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

An independent board committee, comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Import Agency Agreement. The Board shall appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Import Agency Agreement and the transactions contemplated thereunder.

SHARE PREMIUM REDUCTION

Subject to approval by the Shareholders at the SGM, the Board proposes the Share Premium Reduction to cancel the entire amount standing to the credit of the share premium account of the Company and to transfer the credit arising from the said cancelation to the contributed surplus account of the Company.

GENERAL

A circular containing, among other things, (i) further information on the Import Agency Agreement; (ii) further information on the Share Premium Reduction; (iii) the recommendation from the independent board committee; (iv) a letter of advice from an independent financial adviser to the Independent Shareholders and (v) notice of the SGM, will be despatched to the Shareholders on or before 8 January 2016.

THE LEASE AGREEMENT

Date

16 December 2015

Parties

- (i) 達美(寧波)新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited) as the lessor; and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited) as the lessee.

Da Mei is a non-wholly owned subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr Li Lixin, the Company's chairman, executive director and substantial shareholder, and his spouse. Therefore Da Mei is a connected person of the Company.

Subject Matter

Da Mei shall lease the Property to Lisi Household pursuant to the terms and conditions of the Lease Agreement.

Details of Property

<u>Description</u>	<u>Approximate gross area</u>
Workshop (1st Floor)	25,248 sq. m
Workshop (2nd Floor)	9,021 sq. m
Office (2nd to 5th Floor)	3,200 sq. m

Term

The Lease Agreement is for a term of 3 years commencing from 1 January 2016 and expiring on 31 December 2018.

Consideration

The monthly rental for the Property shall be RMB537,930. A security deposit equivalent to 1 month's rental will be paid to Da Mei. The rental shall be payable quarterly in advance.

The rental was determined after arm's length negotiations by the parties with reference to the market rental charge for adjacent lands and buildings in the local property market

The Annual Caps

Pursuant to the Lease Agreement, the respective amounts of rental payable to Da Mei during the term of the Lease Agreement are expected not to exceed the following amounts:

Period	Amount
From 1 January 2016 to 31 March 2016	RMB1,613,790
From 1 April 2016 to 31 March 2017	RMB6,455,160
From 1 April 2017 to 31 March 2018	RMB6,455,160
From 1 April 2018 to 31 December 2018	RMB4,841,370

The above annual caps have been determined by the Directors with reference to the rental payable under the Lease Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Lease Agreement, including its annual caps, are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

THE EXPORT AGENCY AGREEMENT

Date

16 December 2015

Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited).

Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Li Xin and his spouse. Therefore Lisi Import & Export is a connected person of the Company.

Subject Matter

Lisi Import & Export shall provide export agency services to Lisi Household pursuant to the Export Agency Agreement. These services include assisting Lisi Household on handling government applications, settlement services and other liaison services between local government departments and the customers.

Term

The Export Agency Agreement is for a term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

Consideration

For the provision of the export agency services, Lisi Import & Export will charge an amount equivalent to approximately 1.50 % of the gross transactions amounts handled by Lisi Import & Export on behalf of Lisi Household.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

Historical transaction amount

The historical amounts of service fees paid to Lisi Import & Export under similar arrangement as the Export Agency Agreement are as follows:

Period	Amount
From 1 April 2013 to 31 March 2014	RMB3,329,711
From 1 April 2014 to 31 March 2015	RMB4,063,870

Annual Caps

The respective amounts of service fees payable to Lisi Import & Export during the term of the Export Agency Agreement are expected not to exceed the following amounts:

Period	Amount
From 1 January 2016 to 31 March 2016	RMB1,400,000
From 1 April 2016 to 31 March 2017	RMB7,000,000
From 1 April 2017 to 31 March 2018	RMB8,800,000
From 1 April 2018 to 31 December 2018	RMB8,300,000

The above proposed annual caps have been determined by the Directors with reference to, among others, (i) the amount of past transactions between Lisi Import & Export and Lisi Household and (ii) the expected growth of the business of Lisi Household.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Export Agency Agreement, including its annual caps, are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

THE IMPORT AGENCY AGREEMENT

Date

16 December 2015

Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited).

Lisi Import & Export is a connected person of the Company.

Subject Matter

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the Import Agency Agreement. These services include the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Lisi Household with other third parties.

Term

The Import Agency Agreement is for a term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

Consideration

For the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.6% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

Conditions Precedent

The Import Agency Agreement is conditional upon approval by the Independent Shareholders.

Historical transaction amount

The historical gross transaction amounts with Lisi Import & Export under similar arrangement as the Import Agency Agreement are as follows:

Period	Amount
From 1 April 2013 to 31 March 2014	RMB89,651,667
From 1 April 2014 to 31 March 2015	RMB111,354,507

Annual Caps

The respective gross transaction amounts with Lisi Import & Export during the term of the Import Agency Agreement are expected not to exceed the following amounts:

Period	Amount
From 1 January 2016 to 31 March 2016	RMB36,000,000
From 1 April 2016 to 31 March 2017	RMB180,000,000
From 1 April 2017 to 31 March 2018	RMB225,000,000
From 1 April 2018 to 31 December 2018	RMB210,000,000

The above proposed annual caps have been determined by the Directors with reference to, among others, (i) the amount of past transactions between Lisi Import & Export and Lisi Household and (ii) the expected growth of the business of Lisi Household.

The Directors (other than the independent non-executive Directors who will make their recommendations in due course) are of the view that the terms of the Import Agency Agreement, including its annual caps, are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

MUTUAL SUPPLY AGREEMENT

Date

16 December 2015

Parties

- (i) New JoySun (for itself and on behalf of its subsidiaries); and
- (ii) Lisi Group (for itself and on behalf of its subsidiaries)

Term

The term of the Mutual Supply Agreement is from 1 January 2016 to 31 December 2018, unless at any time any one party gives at least three (3) months' prior notice of termination to the other party. Upon expiry, the Mutual Supply Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of 3 years.

Mutual supply of products

Pursuant to the Mutual Supply Agreement, New JoySun agreed to procure its subsidiaries to supply to Lisi Group and its subsidiaries various consumer products.

In return, Lisi Group agreed to procure its subsidiaries to supply to New JoySun and its subsidiaries various consumer products.

The parties will enter into individual supply contracts to set out specific terms of supply including but not limited to the products to be supplied, price, payment terms and terms of delivery. Such terms will be consistent with the principles and the terms of the Mutual Supply Agreement. If there is any conflict between the terms of an individual supply contract and the Mutual Supply Agreement, the latter shall prevail.

Pricing basis and payment terms

The terms of the individual supply contracts including unit price of the products and payment terms shall be determined and negotiated based on normal commercial terms and with reference to the prevailing fair market prices of comparable products, and such terms shall be no less favourable than those offered to or from New JoySun and its subsidiaries by or to independent third parties.

Depending on the products to be supplied, market demand, level of inventory and volume and time of delivery for each transaction, it is generally expected that payment shall be made by telegraphic transfer or cash. The time of payment will be negotiated upon the parties entering into individual supply contracts.

Historical transaction amount

The historical transaction amount in respect of the mutual supply of products between New JoySun and Lisi Group and their respective subsidiaries under the Mutual Supply Agreement are as follows:–

Period	Supply of products from New JoySun to Lisi Group (RMB)	Supply of products from Lisi Group to New JoySun (RMB)	Total (RMB)
From 1 April 2013 to 31 March 2014	1,986,738	472,263	2,459,001
From 1 April 2014 to 31 March 2015	2,401,031	382,871	2,783,902

Annual Caps

The respective gross transaction amounts during the term of the Mutual Supply Agreement are expected not to exceed the following amounts:

Period	Supply of products from New JoySun to Lisi Group (RMB)	Supply of products from Lisi Group to New JoySun (RMB)	Total (RMB)
From 1 January 2016 to 31 March 2016	1,200,000	300,000	1,500,000
From 1 April 2016 to 31 March 2017	4,300,000	1,060,000	5,360,000
From 1 April 2017 to 31 March 2018	5,300,000	1,290,000	6,590,000
From 1 April 2018 to 31 December 2018	4,200,000	1,050,000	5,250,000

The above annual caps are determined, after arm's length negotiations between the parties with reference to, among others (i) the historical transaction amount for similar transactions between New JoySun and Lisi Group; (ii) the price of comparable products sold to or purchased from independent third parties; and (iii) the expected growth in business between New JoySun and Lisi Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Mutual Supply Agreement, including its annual caps, are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in manufacturing and trading of plastic and metal household products, operation of department stores and supermarkets, and wholesale of alcohol, wine, beverages and electrical appliances.

Reference is made to (i) the Company's circular dated 6 February 2013 relating to the existing continuing connected transactions with respect to the same subject matters under the Lease Agreement, Export Agency Agreement and Import Agency Agreement and (ii) the Company's circular dated 22 May 2013 relating to the existing continuing connected transactions with respect to the same subject matters under the Mutual Supply Agreement. All the existing agreements shall expire on 31 December 2015.

The Lease Agreement, the Export Agency Agreement and the Import Agency Agreement shall enable Lisi Household to make use of the Property as its factory and office and the export and import agency services provided by Lisi Import & Export which are necessary for the continued smooth operation of Lisi Household's business.

The Mutual Supply Agreement will enable the Group to acquire prompt and stable supply of products from Lisi Group, thus lowering the operation risks and costs and facilitating the Group's routine management on its business operations.

LISTING RULES IMPLICATIONS

Da Mei is a non-wholly owned subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr Li Lixin, the Company's chairman, executive director and substantial shareholder, and his spouse. Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Lixin and his spouse. Therefore Da Mei, Lisi Import & Export and Lisi Group are connected persons of the Company. As a result, the Lease Agreement, the Export Agency Agreement, the Import Agency Agreement and the Mutual Supply Agreement constitute continuing connected transactions for the Company.

Since the applicable percentage ratios in respect of the maximum aggregate annual values under each of the Lease Agreement, Export Agency Agreement and Mutual Supply Agreement are less than 5%, each of the Lease Agreement, Export Agency Agreement and Mutual Supply Agreement are subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

The Import Agency Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A of the Listing Rules.

SHARE PREMIUM REDUCTION

Subject to the approval by the Shareholders at the SGM, the Board proposes the Share Premium Reduction by cancelling the entire amount standing to the credit of the share premium account of the Company as at the date of passing the resolution and to transfer the credit arising therefrom to the contributed surplus account of the Company which may be used in any manner permitted by the Bye-laws including, without limitation, to set off against the accumulated losses of the Company and/or to make a distribution to the Shareholders subject to compliance with the Companies Act. As at 31 March 2015, based on the audited financial statements of the Company, the audited amount standing to the credit of the share premium account of the Company was approximately RMB541.2 million.

The Share Premium Reduction is conditional upon (i) the approval of the Share Premium Reduction by the Shareholders by way of a special resolution at the SGM; (ii) compliance with section 46(2) of the Companies Act; and (iii) compliance with the applicable procedures and requirements under the laws of Bermuda and the Bye-laws to effect the Share Premium Reduction.

Reasons for the Share Premium Reduction

The Board considers that the Share Premium Reduction will facilitate its dividend distribution in the future if and when the Board considers appropriate. The Board therefore considers that the Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

Effect of the Share Premium Reduction

The Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve any reduction in the nominal value of the Shares or trading arrangements concerning the Shares. The Board considers that the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole, other than related expenses incurred which are immaterial. There are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

GENERAL

An independent board committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Import Agency Agreement. The Board shall appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Import Agency Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Import Agency Agreement; (ii) further information on the Share Premium Reduction; (iii) the recommendation from the independent board committee; (iv) a letter of advice from an independent financial adviser to the Independent Shareholders and (v) notice of the SGM, will be despatched to the Shareholders on or before 8 January 2016.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the Board of directors of the Company
“Bye-laws”	the bye-laws of the Company
“Companies Act”	Companies Act 1981 of Bermuda
“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
“Da Mei”	達美(寧波)新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited), a sino-foreign equity joint venture incorporated under the laws of the PRC
“Directors”	the directors of the Company
“Export Agency Agreement”	the export agency agreement dated 16 December 2015 made between Lisi Import & Export and Lisi Household relating to the provision of export agency services
“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
“Import Agency Agreement”	the import agency agreement dated 16 December 2015 made between Lisi Import & Export and Lisi Household relating to the provision of import agency services

“Independent Shareholders”	Shareholders who are not involved or interested in the transactions contemplated under the Import Agency Agreement
“Lease Agreement”	the lease agreement dated 16 December 2015 made between Da Mei and Lisi Household relating to the leasing of the Property
“Lisi Group”	利時集團股份有限公司 (Lisi Group Co., Ltd)
“Lisi Household”	寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Lisi Import & Export”	寧波利時進出口有限公司 (Lisi Import and Export Company Limited)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New JoySun”	寧波新江廈股份有限公司 (New JoySun Corp.), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	34,269 square meters of factory space and 3,200 square meters of office premises located in 中國寧波市鄞州區投資創業中心誠信路518號 (518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC) which is the subject matter of the Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving the Import Agency Agreement and the transactions contemplated thereunder and the Share Premium Reduction

“Share Premium Reduction” the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company and transferring the credit arising from such cancellation to the contributed surplus account of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

The English translation of Chinese names is included for information purposes only and should not be regarded as their official English translation.

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

Hong Kong, 16 December 2015

As at the date of this announcement, the Board comprises Mr Li Lixin (Chairman), Mr Cheng Jianhe and Ms Jin Yaxue being executive directors, Mr Lau Kin Hon being non-executive director, Mr He Chengying, Mr Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian being independent non-executive directors.