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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Lisi Group (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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,  
SHARE PREMIUM REDUCTION  
AND  
NOTICE OF SPECIAL GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders****Grand Vinco Capital Limited***(A wholly-owned subsidiary of Vinco Financial Group Limited)*

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A notice convening a special general meeting of Lisi Group (Holdings) Limited to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 3:00 p.m. on 15 February 2016 is set out on pages 33 to 35 of this circular. Whether or not you intend to attend the meeting, you are advised to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

22 January 2016

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from Independent Board Committee</b> .....	15
<b>Letter from Vinco Capital</b> .....	16
<b>Appendix I – General Information</b> .....	28
<b>Notice of SGM</b> .....	33

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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 and 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
“Director(s)”	the director(s) 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\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Lease Agreement, Export Agency Agreement and Import Agency Agreement
“Latest Practicable Date”	20 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain contained herein

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## DEFINITIONS

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“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
“PRC”	The People’s Republic of China which, for the purpose of this circular, 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 of the Company to be held on 15 February 2016 at 3:00 p.m. at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“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

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## DEFINITIONS

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“Vinco Capital” or “Independent Financial Adviser”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in regard to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement
“%”	per cent.

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

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr Li Lixin (*Chairman*)

Mr Cheng Jianhe (*Chief Executive Officer*)

Ms Jin Yaxue

*Non-Executive Director:*

Mr Lau Kin Hon

*Independent Non-Executive Directors:*

Mr He Chengying

Mr Cheung Kiu Cho Vincent

Mr Shin Yick Fabian

*Registered office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Principal place of business in*

*Hong Kong:*

Workshop 06 & 07, 36th Floor,

King Palace Plaza,

No. 52A Sha Tsui Road,

Tsuen Wan, New Territories,

Hong Kong

22 January 2016

*To the Shareholders*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS, SHARE PREMIUM REDUCTION AND NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

It was disclosed in the Company's announcements dated 16 and 18 December 2015 that 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.

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## LETTER FROM THE BOARD

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

It was further disclosed in the Company's announcement dated 16 December 2015 that subject to approval by the Shareholders at the SGM, the Board proposed 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.

This circular is to (i) give you information regarding the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, (ii) give you information regarding the Share Premium Reduction, (iii) set out the recommendations of the Independent Board Committee in relation to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement and the advice of Vinco Capital in relation thereto and (iv) give you notice of the SGM to consider, and if thought fit, approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement and the Share Premium Reduction.

### 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. Da Mei is principally engaged in property holding.

#### Subject Matter

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

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## LETTER FROM THE BOARD

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### Details of Property

Description	Approximate gross area
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.

### Conditions Precedent

The Lease Agreement is conditional upon approval by the Independent Shareholders.

### 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	Rental
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.



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## LETTER FROM THE BOARD

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### 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 Lixin and his spouse. Therefore Lisi Import & Export is a connected person of the Company. Lisi Import & Export is principally engaged in import and export of goods and technologies in the PRC.

#### 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. The Government applications would mainly be customs declarations. The major category of products involved will be plastic and metal household products. Lisi Import & Export would provide all such services for every transaction assigned by the Group.

#### 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 1.11% (subject to the change of the value added tax rebate on exports) of the gross transactions amounts handled by Lisi Import & Export on behalf of Lisi Household. Currently the rate of value added tax is 17% and the tax rebate is 13%. Change in the tax rebate from 0% to 17% will result in change in the rate of the export service fee from approximately 0.98% to 1.16% respectively. The actual export service fee in RMB will be subject to exchange rate fluctuations. The service fee is payable after completion of each transaction with the usual credit term of 30-60 days which is no less favourable than those offered by other independent third party agents.

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## LETTER FROM THE BOARD

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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. In order to ensure that the actual service fees under the Export Agency Agreement shall be no less favourable to the Group than those available to independent third parties, the Group's finance department will at least twice a year request Lisi Import & Export to provide comparable figures and information on similar transactions with independent third parties for the past 6 months or longer and will verify such figures and information with publicly available information. If the Company becomes aware that the terms available to independent third parties are more favourable to Lisi Household, the Company will re-negotiate with Lisi Import & Export for more favourable terms or the Company may look to other service providers with more favourable terms.

### Conditions Precedent

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

### 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
From 1 April 2015 to 30 November 2015 (8 months)	RMB2,496,205 (unaudited)

### The 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 the actual service fees paid up to 30 November 2015, (ii) the estimated annual sales of Lisi Household of approximately RMB460 million for the year ended 31 March 2016, (iii) the expected growth of the business of Lisi Household at the rate of 15% per annum and the corresponding increase in the service fees payable for the year ended 31 March 2017, 31 March 2018 and the 9 months ended 31 December 2018, and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on export activities (assuming further depreciation of the RMB exchange rate for up to 10%).

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## LETTER FROM THE BOARD

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The estimated growth rate of the business of Lisi Household of 15% per annum is based on, among others, the following information and assumptions: (i) the annual sales turnover of Lisi Household increased approximately 12% for the year ended 31 March 2014 and approximately 22% for the year ended 31 March 2015; (ii) Lisi Household will be able to continue its good performance and sustain its growth; (iii) the benefits from synergies of plant consolidation includes efficiency improvement in management resources and in scale procurement and production operations will contribute to the business on a long-term basis; (iv) the Group will continue its cost control measures and business strategy of focusing on higher margin products and customers and development of new products and customers.

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. The government applications would include customs declarations and tax refund. The major category of products involved will be raw materials such as polypropylene and copolyester. Lisi Import & Export would provide all such services for every transaction assigned by the Group. In providing the import agency services, due to customs declaration, it is necessary for Lisi Import & Export to purchase the products in its name and resell the products to the Group at costs.

#### Term

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

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## LETTER FROM THE BOARD

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### Consideration

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs to Lisi Import & Export. In addition, 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 purchase price and the service fees are payable after completion of each transaction with the usual credit term of 30-45 days which is no less favourable than those offered by other independent third party agents.

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. In order to ensure that the actual service fees under the Import Agency Agreement shall be no less favourable to the Group than those available to independent third parties, the Group's finance department will at least twice a year request Lisi Import & Export to provide comparable figures and information on similar transactions with independent third parties for the past 6 months or longer and will verify such figures and information with publicly available information. If the Company becomes aware that the terms available to independent third parties are more favourable to Lisi Household, the Company will re-negotiate with Lisi Import & Export for more favourable terms or the Company may look to other service providers with more favourable terms.

### 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
From 1 April 2015 to 30 November 2015 (8 months)	RMB53,012,337 (unaudited)

### The Annual Caps

The respective aggregate gross transaction amounts with Lisi Import & Export and the service fees 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

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## LETTER FROM THE BOARD

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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 the actual gross transaction amounts up to 30 November 2015, (ii) the estimated annual purchase of Lisi Household of approximately RMB156 million for the year ended 31 March 2016 based on the expected increased import activities in the first quarter of 2016 due to the substantial drop in raw material prices and the RMB exchange rate, (iii) the expected growth of the business of Lisi Household at the rate of 15% per annum for the year ended 31 March 2017, 31 March 2018 and the 9 months ended 31 December 2018, and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of the RMB exchange rate for up to 10%).

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.

### **REASONS FOR THE LEASE AGREEMENT, EXPORT AGENCY AGREEMENT AND IMPORT AGENCY AGREEMENT**

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.

### **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 both Da Mei and Lisi Import & Export are connected persons of the Company. As a result, the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement constitute continuing connected transactions for the Company.

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## LETTER FROM THE BOARD

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The Lease Agreement, Export Agency Agreement and Import Agency Agreement form part and parcel of the arrangements between the Group and the relevant connected persons for the Group's business segment on manufacturing and trading of household products. The Leasing Agreement, Export Agency Agreement and Import Agency Agreement are 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 effective date of the Share Premium Reduction 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.

### **SGM**

Notice of the SGM is set out on pages 33 to 35 of this circular. All resolutions to be proposed at the SGM will be voted on by poll.

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## LETTER FROM THE BOARD

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A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend, you are advised to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

As at the Latest Practicable Date, Mr Li Lixin is interested in 2,843,631,680 Shares (representing approximately 62.1% of the Company's entire issued share capital, which are held as to 9,822,000 Shares personally, 19,258,000 Shares through his spouse Jin Ya Er, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited which is beneficially owned as to 90% by Mr Li Lixin and as to 10% by his spouse, Jin Ya Er, and 1,482,412,666 Shares through Shi Hui Holdings Limited which is wholly owned by Big-Max Manufacturing Co., Limited. Pursuant to the Listing Rules, Mr Li Lixin and his associates (together interested in 2,843,631,680 Shares), being connected persons and shareholders of the Company with material interests in the Lease Agreement, Export Agency Agreement and Import Agency Agreement, shall abstain from voting in the SGM.

### RECOMMENDATION

An Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Lease Agreement, Export Agency Agreement and Import Agency Agreement.

Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement, Export Agency Agreement and Import Agency Agreement. Vinco Capital considers that the Lease Agreement, Export Agency Agreement and Import Agency Agreement are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Your attention is drawn to the letter of advice from Vinco Capital set out in this circular containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out in this circular.

The Independent Board Committee, having taken the advice of Vinco Capital into account, considers the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Lease Agreement, Export Agency Agreement and Import Agency Agreement. The full text of the letter from the Independent Board Committee is set out in this circular.

The Directors, including the independent non-executive directors, are of the opinion that the granting of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the SGM.

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## LETTER FROM THE BOARD

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Mr Li Lixin, chairman and executive director of the Company who has a material interest in the Lease Agreement, Export Agency Agreement and Import Agency Agreement, has abstained from voting on the relevant board resolutions approving the same.

Yours faithfully

By Order of the Board

**LISI GROUP (HOLDINGS) LIMITED**

**Li Lixin**

*Chairman*



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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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)**

22 January 2016

*To the Independent Shareholders*

Dear Sir/Madam,

We have been appointed as the Independent Board Committee to advise Independent Shareholders in connection with the Lease Agreement, Export Agency Agreement and Import Agency Agreement, details of which are set out in the circular of the Company to the Shareholders dated 22 January 2016 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Vinco Capital in relation thereto as set out in the Circular, we are of the view that the Lease Agreement, Export Agency Agreement and Import Agency Agreement 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 and the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Lease Agreement, Export Agency Agreement and Import Agency Agreement.

Yours faithfully

**He Chengying**

*Independent  
non-executive  
Director*

**Cheung Kiu Cho Vincent**

*Independent  
non-executive  
Director*

**Shin Yick Fabian**

*Independent  
non-executive  
Director*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement which has been prepared for the purpose of incorporation in this circular:*

**VINCO**   
**Grand Vinco Capital Limited**  
Units 4909-4910, 49/F, The Center  
99 Queen's Road Central, Hong Kong

22 January 2016

*To the Independent Board Committee and the Independent Shareholders of  
Lisi Group (Holdings) Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Shareholders in connection with the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, details of which are set out in the section headed "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 22 January 2016 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 16 and 18 December 2015, the Company announced that 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.

As (i) 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; and (ii) 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 both Da Mei and Lisi Import & Export are connected persons of the Company. The Lease Agreement, the Export Agency Agreement and the Import Agency 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 Import Agency Agreement exceed 5%, each of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

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## LETTER FROM VINCO CAPITAL

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The Independent Board Committee, comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. We have been appointed and have been approved by the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Vinco Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Vinco Capital's independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the proposed ordinary resolution of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are considered eligible to give independent advice on the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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## LETTER FROM VINCO CAPITAL

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **C. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, we have considered the principal factors and reasons set out below:

#### **1. Background Information**

##### *Information of the Group*

With reference to the Letter from the Board, the Group is principally engaged in the manufacturing and trading of plastic and metal household products, operation of department stores and supermarkets, and wholesale of alcohol, wine, beverages and electrical appliances.

##### *Information of Da Mei*

With reference to the Letter from the Board and further advised by the Directors, Da Mei is a sino-foreign equity joint venture incorporated under the laws of the PRC that engages in property holding.

##### *Information of Lisi Household*

With reference to the Letter from the Board and further advised by the Directors, Lisi Household is a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company and it is principally engaged in the manufacturing and trading of plastic and metallic products.

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## LETTER FROM VINCO CAPITAL

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### *Information of Lisi Import & Export*

As stated in the Letter from the Board, 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. Lisi Import & Export is principally engaged in import and export of goods and technologies in the PRC.

## **2. Assessing the fairness and the reasonableness of the Lease Agreement**

### *A. Background and the terms of the Lease Agreement*

Pursuant to the Lease Agreement, Da Mei shall lease the Property to Lisi Household for a term of 3 years commencing from 1 January 2016 and expiring on 31 December 2018. With reference to the Company's circular dated 6 February 2013 (the "2013 Circular") relating to the existing continuing connected transactions with respect to the same subject matters under the Lease Agreement, the existing agreement expired on 31 December 2015. The Property is occupying approximately 34,269 square meters of factory space and approximately 3,200 square meters of office premises located in 518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC (中國寧波市鄞州區投資創業中心誠信路518號).

### *B. Consideration*

Reference is made to the Letter from the Board, 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 and 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. As the total gross area of the Property is approximately 37,469 square meters, the monthly rental of the Property shall be approximately RMB14.36 per square meter. To assess the fairness and reasonableness of the consideration, we have searched for comparables from the internet which provides information on vacant factories leasing quotation in Ningbo. According to our desktop research from three letting agent's websites, we have reviewed and identified, on a best effort basis, 11 factories located in Yinzhou Investment & Venture Centre, which is considered to be exhaustive, for the purpose of our analysis. We considered that the comparables are fair and representative as those comparables are (i) located in Yinzhou Investment & Venture Centre; (ii) have similar function in use and (iii) are similar in size and the quotations are considered on normal commercial terms as the quotations are open to public. Based on the comparables we have identified, we noted that the range of the monthly rental for those factories comparables is between approximately RMB10 per square meter and approximately RMB17 per square meter. Therefore, the monthly rental for the Property of RMB14.36 per square meter is within the range of those nearby factories and we are of the view that the consideration is fair and reasonable and is on normal commercial terms.

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## LETTER FROM VINCO CAPITAL

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### *C. Annual Caps*

As set out in the Letter from the Board, the Directors proposed the annual caps of RMB1,613,790 for the period from 1 January 2016 to 31 March 2016, RMB6,455,160 for the period from 1 April 2016 to 31 March 2017, RMB6,455,160 for the period from 1 April 2017 to 31 March 2018 and RMB4,841,370 for the period from 1 April 2018 to 31 December 2018. With reference to the Letter from the Board, the above annual caps have been determined by the Directors with reference to the rental payable under the Lease Agreement.

After discussion with the Directors, we understand that the underlying basis and assumption for determining the annual caps was based on the monthly rental of RMB537,930 multiplied by the number of months in the respective periods. Having considered the basis for determining the monthly rental of RMB537,930 as mentioned above, we are of the view that the basis for determining the annual caps is justifiable and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. Assessing the fairness and the reasonableness of the Export Agency Agreement**

#### *A. Background and the terms of the Export Agency Agreement*

Pursuant to the Export Agency Agreement, 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. The Government applications would mainly be customs declarations. The major category of products involved will be plastic and metal household products. Lisi Import & Export would provide all such services for every transaction assigned by the Group. With reference to the 2013 Circular relating to the existing continuing connected transactions with respect to the same subject matters under the Export Agency Agreement, the existing agreement expired on 31 December 2015. The Export Agency Agreement is for a term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

#### *B. Consideration*

Lisi Import & Export will charge an amount equivalent to approximately 1.11% (subject to the change of the value added tax rebate on exports) of the gross transactions amount handled by Lisi Import & Export on behalf of Lisi Household. Currently the rate of value added tax is 17% and the tax rebate is 13%. Change in the tax rebate from 0% to 17% will result in change in the rate of the export service fee from approximately 0.98% to 1.16% respectively. The actual export service rate in RMB will be subject to exchange rate fluctuations.

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## LETTER FROM VINCO CAPITAL

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In order to assess the fairness and reasonableness of the consideration, we have, to our best endeavours, conducted desktop research on the rates charged by the independent export and import agents to provide same export agency services as Lisi Import & Export does. However, we are not able to compare the rate charged by independent export and import agents against those charged by Lisi Import & Export in terms of percentage of the gross transactions amount. In addition, due to the fragmentation of the import and export agency sector in the PRC, we are unable to find published benchmark fee which applied to all import and export agency companies of the industry. However, we have conducted desktop research on the rates charged by the independent export and import agent according to their official website and noted that for export agency services, they charged RMB0.08 per USD of the gross transaction amounts handled which implies the range from approximately 1.2% to approximately 1.3% of the gross transaction amounts handled after taking into consideration the exchange rate fluctuation between RMB and United States Dollar (USD) as discussed below. In addition, we have reviewed two export contracts under which Lisi Import & Export provided similar services to independent third parties, Lisi Import & Export charged RMB0.07 per USD of the gross transaction amounts handled. We noted that the exchange rate fluctuation affect significantly to the service rate charged by export and import agents. According to our research, the change in exchange rate (USD against RMB) is approximately 7.5% during the past two years, the maximum exchange rate is approximately RMB6.4837 per USD and the minimum exchange rate is approximately RMB6.0312 per USD. After taking into consideration of (i) impact of exchange rate fluctuation on export and (ii) the range of exchange rate during the past two years, the rate of export agency fee by Lisi Import & Export to independent third parties generally charged with a range from 1.1% to 1.2% of the gross transaction amounts handled. The range of service fees charged by Lisi Import & Export mainly depend on (i) the fluctuation of current exchange rate; (ii) the prevailing market rate of export service fees; and (iii) export amount and taxation. The 1.11% of service fees charged to Lisi Household is within the range of the rate charged by Lisi Import & Export to independent third parties and lower than the range of rates charged by the independent export and import agents according to our desktop research.

We also noted that the export agency charges will be adjusted by the value added tax rebate on export. Currently the rate of value added tax is 17% and the tax rebate is 13%. Change in the tax rebate from 0% to 17% will result in change in the rate of the export service fee from approximately 0.98% to 1.16% respectively. Given that the export agency charges will be adjusted to ensure the tax rebate is considered and consistent with the valued added tax rebate policy set by the PRC government, we are of the view that it is fair and reasonable to make adjustment of the export agency charges in any event that there is a change of the tax rebate policy by the PRC government.

In addition, we have also reviewed the internal control policy provided by the Company and noted that the finance department of the Group will be responsible for reviewing the terms provided by Lisi Import & Export regularly by comparing the terms that charged to independent third parties by Lisi Import & Export or public information regarding the provision of export agency services. We also noted that in case the terms provided to the Group is no more favourable than others, the Group will negotiate with Lisi Import & Export and may switch to other service providers for more favourable terms.



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## LETTER FROM VINCO CAPITAL

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Given that there is internal control policies in place and regularly reviewed by the finance department of the Group and the Group has the right to switch to other service providers, we consider the Company can ensure that the charges are not less favourable than those available to independent services providers.

Based on the above, we consider that the terms of Export Agency Agreement are on normal commercial terms and are fair and reasonable.

### *C. Annual Caps*

The Directors proposed the annual caps of RMB1,400,000 for the period from 1 January 2016 to 31 March 2016, RMB7,000,000 for the period from 1 April 2016 to 31 March 2017, RMB8,800,000 for the period from 1 April 2017 to 31 March 2018 and RMB8,300,000 for the period from 1 April 2018 to 31 December 2018. As stated in the Letter from the Board, the proposed annual caps have been determined by the Directors with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household and the actual service fees paid up to 30 November 2015; (ii) the estimated annual sales of Lisi Household of approximately RMB460 million for the year ended 31 March 2016; (iii) the expected growth rate of the business of Lisi Household of 15% per annum and the corresponding increase in the service fees payable for the year ended 31 March 2017, 31 March 2018 and the 9 months ended 31 December 2018; and (iv) the buffer for the annual growth and the impact of exchange rate fluctuation on export (assuming further depreciation of the RMB exchange rate for up to 10%).

In assessing the fairness and reasonableness of the annual caps for the Export Agency Agreement, we have discussed with the Directors, the underlying basis and assumption in relation to the estimated annual sales of Lisi Household of approximately RMB460 million for the year ended 31 March 2016 after the complete integration of relocated facilities with existing operations in Ningbo, order growth from existing customers and the development of new products and customers. According to the historical amounts of Lisi Household provided by the Company, the annual sales turnover of Lisi Household increased from approximately RMB296 million for the year ended 31 March 2013 to RMB401 million for the year ended 31 March 2015, increased by approximately 35%. Based on the past track record of annual sales turnover, the Directors confirmed that the annual sales turnover was recovered from the adverse impact of plant relocation. On the other hand, the estimated annual sales of Lisi Household is also determined by exchange rate fluctuation on export and the Directors expected the exchange rate fluctuation is going to become stable. Based on the recovery of old customers previously lost due to plant relocation, the development of new products and customers and the exchange rate fluctuation, we are of the view that the estimated annual sales of Lisi Household of approximately RMB460 million for the year ending 31 March 2016 is justifiable.

The Directors also consider the forecasted growth rate of the business of Lisi Household of 15% per annum is reasonable after taking into account that (i) the annual sales turnover of Lisi Household increased approximately 12% for the year ended 31 March 2014 and approximately 22% for the year ended 31 March 2015; (ii) the Directors consider that it will continue its good performance and sustain its growth; (iii) the benefits from synergies



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## LETTER FROM VINCO CAPITAL

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of plant consolidation includes efficiency improvement in management resources and in scale procurement and production operations begin to take place and contribute to the business on long-term basis; (iv) the Group will continue its cost control measures and business strategy of focusing on higher margin products and customers; and (v) development of new products and customers.

We have reviewed the historical amount of Lisi Household provided by the Company, the annual sales turnover has an upward tendency after the plant relocation, the plant relocation caused disruption in the normal production scheduling which directly affected the annual sales turnover in the past years. After the plant relocation, the annual sales turnover of Lisi Household increased approximately 12% for the year ended 31 March 2014 and approximately 22% for the year ended 31 March 2015. In addition, we have also reviewed the information and sales catalogue provided by the Company and noted that the Company intends to introduce several types of new plastic products and start business relationship with new customers in 2016 and 2017 respectively. After taking into consideration that (i) the historical sales growth rate for each of the two years ended 31 March 2015; and (ii) the intention of the Group to introduce new products to the market and continuing to explore new customers, we consider that the above assumptions on the business growth rate of Lisi Household of 15% is reasonable and justifiable.

Given the expected growth rate of 15%, the Directors expect that there will be an increase in transaction amounts between Lisi Household and Lisi Import & Export due to the estimated annual sales of Lisi Household of approximately RMB460 million for the year ending 31 March 2016, approximately RMB529 million for the year ending 31 March 2017 and approximately RMB608 million for the year ended 31 March 2018. The annual cap set for the period from 1 April 2016 to 31 March 2017 and 1 April 2017 to 31 March 2018 are RMB7.0 million and RMB8.8 million respectively while the estimated service fee provided by Lisi Import & Export is RMB5.9 million and RMB6.7 million (i.e. derived by multiplying 1.11% by the estimated sales of approximately RMB529 million and approximately RMB608 million). The buffer amount for year ending 31 March 2017 and for year ending 31 March 2018 are approximately RMB1.1 million and RMB2.1 million respectively.

In assessing the fairness and reasonableness of the buffer amount, we have considered following factors (i) with reference to the market studying on the website of the People's Bank of China, the change in exchange rate (USD against RMB) is approximately 7.5% during the past two years. In the view of high fluctuation of currency exchange rate during the past two years, we consider that the including the fluctuation of the RMB exchange rate for up to 10% into the buffer in the coming financial years is justifiable; (ii) according to economic and trade information of China on the website of the Hong Kong Trade Development Council, China's exports have been growing steadily over the past decade, except in 2009 when financial crisis and global economic downturn slowed down global trade. Apart from being the most populous country, China has also become the largest manufacturing economy and the largest exporter in the world. In 2014, China's total external trade reached US\$4,303 billion, ranked the first in the world. In 2014, exports and imports grew by 6.1% and 0.4% respectively, resulting in a trade surplus of US\$382.4 billion, we noted that the China's export market will grow steadily in the coming financial years; (iii)

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## LETTER FROM VINCO CAPITAL

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Lisi Household's accelerating business expansion in development of new products after the plant relocation; and (iv) the estimated business growth rate of Lisi Household of 15%. We consider that such buffer amount and hence the annual cap is fair and reasonable as it will allow the flexibility to the Group to ensure its smooth operations if the sales for the year ended 31 March 2017 is larger than the estimated. In addition, the export agency charges will be adjusted by the value added tax rebate on export. If there is any change in the tax rebate policy, the buffer can allow a flexibility for the Group to continue its export business.

In light of the above, we considered that the Directors have used fair and reasonable basis to determine the annual caps for Export Agency Agreement and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

#### **4. Assessing the fairness and the reasonableness of the Import Agency Agreement**

##### *A. Background and the terms of the Import Agency Agreement*

Pursuant to the Import Agency Agreement, 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 and other third parties. The government applications would include customs declarations and tax refund. The major category of products involved will be raw materials such as polypropylene and copolyester. Lisi Import & Export would provide all such services for every transaction assigned by the Group. In providing the import agency services, due to customs declarations, it is necessary for Lisi Import & Export to purchase the products in its name and resell the products to the Group at costs. With reference to the 2013 Circular relating to the existing continuing connected transactions with respect to the same subject matters under the Import Agency Agreement, the existing agreement expired on 31 December 2015. The Import Agency Agreement is for a term of 3 years commencing from 1 January 2016 and ending on 31 December 2018.

##### *B. Consideration*

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs to Lisi Import & Export. In addition, for the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.60% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household. The purchase price and the service fees are payable after completion of each transaction. 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.

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## LETTER FROM VINCO CAPITAL

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In order to assess the fairness and reasonableness of the consideration, we have, to our best endeavours, conducted desktop research on the rates charged by the independent export and import agents to provide same import agency services as Lisi Import & Export does. However, due to the involvement of pricing policies of the independent export and import agents which are considered as confidential, we are not able to compare the rate charged by independent export and import agents against those charged by Lisi Import & Export. In addition, due to the fragmentation of the import and export agency sector in the PRC, we are unable to find published benchmark fee which applied to all import and export agency companies of the industry. Alternatively, we have reviewed two import contracts under which Lisi Import & Export provided similar services to independent third parties. We are given to understand that Lisi Import & Export generally charged 0.60% of the gross transaction amounts handled to independent third parties, the services fee to Lisi Household was as same as to independent third parties. Basis on the above said, the 0.60% charged to Lisi Household under the Import Agency Agreement is fair and reasonable.

In addition, we have also reviewed the internal control policy provided by the Company and noted that the finance department of the Group will be responsible for reviewing the terms provided by Lisi Import & Export regularly by comparing the terms that charged to independent third parties by Lisi Import & Export or public information regarding the provision of import agency services. We also noted that in case the terms provided to the Group is no more favourable than others, the Group will negotiate with Lisi Import & Export and may switch to other service providers for more favourable terms. Given that there is internal control policies in place and regularly reviewed by the finance department of the Group and the Group has the right to switch to other service providers, we consider the Company can ensure that the charges are not less favourable than those available to independent services providers.

Based on the aforesaid, and hence we consider that the terms of the Import Agency Agreement are on normal commercial terms and are fair and reasonable.

### *C. Annual Caps*

The Directors has proposed the annual caps of RMB36,000,000 for the period from 1 January 2016 to 31 March 2016, RMB180,000,000 for the period from 1 April 2016 to 31 March 2017, RMB225,000,000 for the period from 1 April 2017 to 31 March 2018 and RMB210,000,000 for the period from 1 April 2018 to 31 December 2018.

As set out in the Letter from the Board, proposed annual caps have been determined by the Directors with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household and the actual gross transaction amounts up to 30 November 2015; (ii) the estimated annual purchase of Lisi Household of approximately RMB156 million for the year ending 31 March 2016 based on the expected increased import activities in the first quarter of 2016 due to the substantial drop in raw material prices and the RMB exchange rate; (iii) the expected growth rate of the business of Lisi Household of 15% per annum for the year ended 31 March 2017, 31 March 2018 and the 9 months ended 31 December 2018; and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of RMB exchange rate for up to 10%).

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## LETTER FROM VINCO CAPITAL

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In order to assess the fairness and reasonableness of the annual caps for the Import Agency Agreement, the company confirmed that Lisi Household increased the purchase activities of imported materials from Lisi Import & Export after relocation. According to the historical amounts of Lisi Household provided by the Company, the annual purchases of Lisi Household from Lisi Import & Export increased from approximately RMB90 million for the year ended 31 March 2014 to approximately RMB111 million for the year ended 31 March 2015, increased by approximately 23%. As confirmed by the Directors, the purchase activities of imported materials are increasing after the recovery of some old customers previously lost due to plant relocation. After taking into consideration that (i) past annual purchases growth rate and the recovery of old customers previously lost due to the plant relocation and (ii) as discussed in the section headed “3C. Annual Caps” above, the Group intends to introduce several new products and transacting with new customers in 2016 and 2017, to cope with the increase in sales, the purchasing of raw materials will also increase accordingly given the substantial drop in raw material prices and the RMB exchange rate in the first quarter of 2016, we consider that the estimated annual purchase will be approximately RMB156 million for the year ending 31 March 2016, therefore we are of the view that the assumption is fair and reasonable. In addition, given that the purchasing activities is proportional to the sales amount, given that the growth rate of the sales amount is 15%, we therefore consider that assumption on the growth rate of 15% of the purchasing activities is justifiable.

The annual cap set for the period from 1 April 2016 to 31 March 2017 is approximately RMB180 million while the estimated purchase amount is approximately RMB156 million. Also, the annual cap set for the period from 1 April 2017 to 31 March 2018 is approximately RMB225 million while the estimated purchase is approximately RMB179 million. Together with the estimated service fee for the year ended 31 March 2017 and the year ended 31 March 2018 of approximately RMB0.94 million and RMB1.1 million respectively (i.e. derived by multiplying 0.6% by the estimated purchase amount of RMB156 million and RMB179 million) paid to Lisi Import & Export, the buffer amount for year ending 31 March 2017 and for year ending 31 March 2018 are approximately RMB23 million and RMB45 million respectively.

In assessing the fairness and reasonableness of the buffer amount, we have considered following factors (i) with reference to the market study on the website of the People’s Bank of China and as discussed above, the fluctuation in the exchange rate (RMB against USD) is approximately 7.5% during the past two years, in the view of high fluctuation of currency exchange rate during the past two years, we consider that the including the fluctuation of the RMB exchange rate for up to 10% into the buffer in the coming financial years is justifiable; (ii) the import activities are directly determined by the fluctuation of current exchange rate; (iii) the Lisi Household’s accelerating business expansion in purchase activities of imported materials after the plant relocation, the introduction of new products and increase exposures to new customers; and (iv) the estimated business growth rate of Lisi Household of 15%. Therefore, we consider that such buffer amount and hence the annual cap is fair and reasonable as it will allow the flexibility to the Group to ensure its smooth operations if the price of the imported raw materials rise higher than expected and the unexpected increase in purchase volume driven by unexpected increase in sales.

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## LETTER FROM VINCO CAPITAL

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Based on the above, we considered that the Directors have used fair and reasonable basis to determine the annual caps for Import Agency Agreement and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

### D. CONCLUSION

Having taken into account the above principal factors and reasons, we are of the view that the each of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement is on normal commercial terms, is in the ordinary and usual course of business of the Company. The terms and the relevant annual caps of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement are fair and reasonable and are in the interest of the Company and Shareholders as a whole. Therefore, we advise (i) the Independent Shareholder and, (ii) the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Grand Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of directors

As at the Latest Practicable Date, the interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Number of shares (approximate % shareholding) (Note 2)
Li Lixin	Company	Personal, corporate and deemed Interest (Note 1)	2,843,631,680 (L) (62.1%) 2,680,371,679 (S) (58.5%)

Notes:

- These shares are held as to 9,822,000 shares personally, 19,258,000 shares through his spouse Jin Ya Er, 1,332,139,014 shares through Big-Max Manufacturing Co., Limited, which is beneficially owned as to 90% by Mr Li Lixin and 10% by his spouse, Jin Ya Er, and 1,482,412,666 Shares through Shi Hui Holdings Limited, which is wholly owned by Big-Max Manufacturing Co., Limited.
- (L) denotes long position; (S) denotes short position

**Interests in corporate shareholders**

As at the Latest Practicable Date, the companies (whose director is also a Director of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

<b>Name of shareholder</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number of shares (approximate % shareholding) (Note 2)</b>
Big-Max Manufacturing Co., Limited	Company	Beneficial Interest (Note 1)	1,332,139,014 (L) (29.1%)
			1,128,981,014 (S) (24.6%)
Shi Hui Holdings Limited	Company	Beneficial Interest (Note 1)	1,482,412,666 (L) (32.4%)
			1,529,878,665 (S) (33.4%)

Notes:

1. Mr Li Lixin, chairman and executive Director, is a director of Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited.
2. (L) denotes long position; (S) denotes short position

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of Group.



Mr. Li Lixin, the chairman, an executive Director and a controlling Shareholder of the Company, together with his spouse beneficially owns 98.15% equity interest of 利時集團股份有限公司 (Lisi Group Co. Ltd) (“Lisi Co.”). Mr. Cheng Jianhe, an executive Director, is also a director of Lisi Co. As at the Latest Practicable Date, the principal businesses of Lisi Co. and its subsidiaries (“Lisi Group”) include the manufacturing and sale of plastic and hardware products, the operation of department stores and supermarket chain, and investments in property development in the PRC.

Lisi Group operates four department stores (the “Excluded Department Stores”) and one supermarket (the “Excluded Supermarket”). Two out of the four Excluded Department Stores and the Excluded Supermarket are located in Ningbo City and the remaining two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City in Zhejiang Province, respectively. All four Excluded Department Stores commenced business in 2010 or 2011 and recorded net losses for each of the two financial years ended 31 December 2012. Since the Excluded Department Stores are still in their startup stage of operation and are loss making, the Directors decided not to acquire the Excluded Department Stores at the material time.

The Excluded Supermarket is situated at the basement of one of the Excluded Department Stores and forms part of that Excluded Department and as such, the Directors decided not to include the Excluded Supermarket into the target group (the “Target Group”) acquired by the Group from Lisi Group in August 2013.

The Directors believed that the Group was capable of carrying on its business independently of, and at arm’s length from, the Excluded Department Stores and the Excluded Supermarket owned by Lisi Group after completion of the 2013 Acquisition, on the basis that, among other factors:–

- (a) while two of the Excluded Department Stores are situated in Ningbo City, the districts in which they are located are different from those in which the two department stores owned by the Group namely, New JoySun department store and Xiangshan Lisi Department Store, are located. The other two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City; and
- (b) the Company entered into a non-competition deed (the “Non-competition Deed”) with Shi Hui, the guarantors and Lisi Co (the “Covenantors”) on 31 August 2013. Under the Non-Competition Deed, the Covenantors has undertaken not to engage, other than through the Excluded Department Stores and the Excluded Supermarket, in any businesses of manufacture and sale of household products as well as the retail trade in merchandise in department stores and supermarkets in Ningbo City. The non-competition restrictions under the Non-Competition Deed shall terminate on the earlier of (i) the date on which the Covenantors cease to be a controlling Shareholder; and (ii) the date on which the Shares ceased to be listed on the Stock Exchange. As such, Lisi Group will not open, own or operate any new department stores or supermarkets in Ningbo City other than the Excluded Department Stores and the Excluded Supermarket so long as the Non-Competition Deed is in effect. Under the Non-Competition Deed, the Covenantors granted the Company an option to purchase the whole or part of the interest in the Excluded Department Stores or the



Excluded Supermarket. The price at which the option will be exercised shall be negotiated and agreed between the Company and Lisi Co. at the time of exercise. If the parties fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price. The Covenantors also granted the Company a right of first refusal in the event that Lisi Co. wishes to sell the whole or part of its interest in the Excluded Department Stores or the Excluded Supermarket to any third party. Decisions as to whether or not to exercise the right of first refusal shall be subject to the review and approval of the independent non-executive Directors. If the Company decides not to acquire such interest, an announcement will be issued by the Company setting out the reasons for not exercising such right and Lisi Co. may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to the Company.

## **5. OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2015 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) save as disclosed (i) in the Company's announcement dated 16 December 2015 relating to the Mutual Supply Agreement dated 16 December 2015 made between New JoySun Corp. and Lisi Group Co., Ltd and (ii) in this circular relating to the Lease Agreement, Export Agency Agreement and Import Agency Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

## **6. EXPERT AND CONSENT**

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

<b>Name</b>	<b>Qualification</b>
Vinco Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, Vinco Capital had no beneficial interest in the share capital of any member of the Group nor did they have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Vinco Capital has given and has not withdrawn its written letter of consent to the issue of this circular with the inclusion herein of references to its name in the form and context in which they respectively appear.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday at the principal place of business of the Company in Hong Kong at Workshop 06 & 07, 36th Floor, King Palace Plaza, No. 52A Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong from 22 January 2016, the date of this circular up to and including 15 February 2016:

copies of the Lease Agreement, Export Agency Agreement and Import Agency Agreement.

## **8. MATERIAL ADVERSE CHANGE**

It was disclosed in the Company's interim results for the 6 months ended 30 September 2015 that the Company recorded a net loss for the period of approximately RMB114.0 million as compared to a net loss of approximately RMB53.3 million for the previous year. The increase in loss was primarily attributable to the negative change of RMB90.5 million in the fair value on the derivative component of the convertible bonds issued by the Company for the acquisition of New JoySun Group in August, 2013. Save as disclosed, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, the date to which the latest audited consolidated financial statements of the Group were made up.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of Lisi Group (Holdings) Limited (利時集團(控股)有限公司) (“Company”) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on 15 February 2016 at 3:00 p.m. to consider and, if thought fit, to pass the following resolutions as ordinary or special resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the Lease Agreement (as defined and described in the circular of the Company dated 22 January 2016 (the “Circular”), a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Lease Agreement for each of the periods up to 31 December 2018 be and is hereby approved;
- (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Lease Agreement and the transactions contemplated thereunder.”

2. **“THAT**

- (a) the Export Agency Agreement (as defined and described in the Circular), a copy of which is tabled at the meeting and marked “B” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Export Agency Agreement for each of the periods up to 31 December 2018 be and is hereby approved;

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Export Agency Agreement and the transactions contemplated thereunder.”
- 3. **“THAT**
  - (a) the Import Agency Agreement (as defined and described in the Circular), a copy of which is tabled at the meeting and marked “C” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
  - (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Import Agency Agreement for each of the periods up to 31 December 2018 be and is hereby approved;
  - (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Import Agency Agreement and the transactions contemplated thereunder.”

### SPECIAL RESOLUTION

- 4. **“THAT** subject to compliance by the Company with section 46(2) of the Companies Act 1981 of Bermuda (the “**Companies Act**”) and the bye-laws of the Company (the “**Bye-laws**”), with effect from the next business day immediately following the date of passing this resolution (the “**Effective Date**”):-
  - (a) the entire amount standing to the credit of the share premium account of the Company as at the Effective Date be and is hereby cancelled and transferred to the contributed surplus account of the Company (“Share Premium Reduction”) which may be utilized by the directors of the Company at their sole discretion in accordance with the Bye-laws and all applicable laws, including, without limitation, to set off the accumulated losses of the Company and/or to make a distribution to the shareholders of the Company subject to compliance with the Companies Act; and

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (b) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Share Premium Reduction and the transactions contemplated thereunder”

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

Date: 22 January 2016

*Notes:*

- 1 A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

*As at the date of this notice, 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.*