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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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE JINDA LAND AND RESUMPTION OF TRADING

THE DISPOSAL

The Board is pleased to announce that on 19 May 2014, Jinda Plastic, an indirect wholly-owned subsidiary of the Company, and Xinshun Property entered into the Relocation Compensation Agreement and the Supplemental Agreement in relation to, among others, the Disposal. Pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), it was agreed between the parties that, among others, Xinshun Property shall make the Compensation of RMB1,782,000,000 (equivalent to approximately HK\$2,227,500,000) to Jinda Plastic while Jinda Plastic shall transfer the land use rights of the Jinda Land to Xinshun Property.

The effectiveness of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) shall be subject to, among others, the approval of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder by the Shareholders at the SGM.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Compensation exceed(s) 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Mr. Ng is an ex-director of a subsidiary of the Company and a connected person of the Company. On 19 May 2014, Mr. Ng and Xinshun Property entered into the Ng Agreement in relation to, among others, the Ng Land Disposal. Since the Disposal and the Ng Land Disposal are related to each other and falls under the circumstances described in Rule 14A.11(4)(a), the entering into of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the Ng Agreement by Xinshun Property with Jinda Plastic and Mr. Ng respectively on the same day represented an arrangement under Rule 14A.11(4)(a) and it follows that Xinshun Property is a connected person of the Company in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) pursuant to the same rule. Accordingly, the Disposal also constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. An Independent Board Committee will be established to make recommendations to the Independent Shareholders regarding the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

As at the date of this announcement, Mr. Ng and his associates (as defined in the Listing Rules) do not have any interest in the Shares or other securities of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Disposal, the financial information of the Group, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the notice of the SGM is expected to be despatched to the Shareholders on or about 10 June 2014.

As the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) will only become effective upon approval by the Shareholders at the SGM, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 20 May 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 28 May 2014.

Reference is made to the announcement of the Company dated 12 May 2014 in which the Company announced that Jinda Plastic and Xinshun Property entered into the Framework Agreement on 11 May 2014 in relation to the Proposed Relocation Compensation Arrangement (as defined in the announcement of the Company dated 12 May 2014).

The Board is pleased to announce that on 19 May 2014, Jinda Plastic, an indirect wholly-owned subsidiary of the Company, and Xinshun Property entered into the Relocation Compensation Agreement and the Supplemental Agreement in relation to, among others, the Disposal. Since the Jinda Land forms part of the Jinda Industrial Area Urban Renovation Project, which is an urban renovation project in Shenzhen, the parties are obliged under the Implementation Rules of the Measures on Administration of Urban Renovation of Shenzhen Municipality (深圳市城市更新管理辦法實施細則) to enter into a relocation compensation agreement (rather than an ordinary sale and purchase agreement) and set out the terms relating to transfers of land use rights (and related interests) and details of compensation therein.

THE DISPOSAL

The Relocation Compensation Agreement (as supplemented by the Supplemental Agreement)

Date of each of the Relocation Compensation Agreement and the Supplemental Agreement:

19 May 2014

Parties:

- (i) Jinda Plastic, an indirect wholly-owned subsidiary of the Company; and
- (ii) Xinshun Property.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xinshun Property and its ultimate beneficial owners are Independent Third Parties. However, as explained in the section headed "Listing Rules Implications" below, Xinshun Property is a connected person of the Company in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) pursuant to Rule 14A.11(4)(a) of the Listing Rules.

Asset to be disposed of:

The Jinda Land and all buildings, structures and attachments erected thereon.

The Jinda Land is situated within the Jinda Industrial Area, Bao'an District, Shenzhen and has a site area of approximately 71,000 square metres. It hosted the Group's previous Shenzhen manufacturing plant prior to the relocation thereof to Ningbo in late 2012. As at the date of this announcement, the Jinda Land has been left largely vacant and the Company has no immediate plan to develop the Jinda Land.

The Disposal and other arrangements:

- (i) Xinshun Property agreed to pay to Jinda Plastic the Compensation in the aggregate amount of RMB1,782,000,000 (equivalent to approximately HK\$2,227,500,000), which covers, including but not limited to, compensation for disposal of the Jinda Land and the properties and structures erected thereon, compensation for replacement of properties, resettlement compensation payable to the existing tenant, renovation compensation, relocation subsidy, temporary resettlement grant, compensation for suspension of operations and production, demolition and relocation costs, income tax and other taxes payable by Jinda Plastic.
- (ii) Jinda Plastic agreed to accept the Compensation, transfer the title documents of the Jinda Land and the buildings and structures erected thereon to Xinshun Property and assist Xinshun Property to become the named developer of the Jinda Industrial Area Urban Renovation Project.

The estimated costs incurred or to be incurred by the Group in relation to the Disposal and other arrangements under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) will be approximately RMB500 million, which includes the income tax of approximately RMB300 million payable by Jinda Plastic and other costs and expenses of approximately RMB200 million.

Details of the key responsibilities of the parties under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are set out in the subparagraph headed “Key responsibilities of the Parties” below.

Compensation and payment terms:

The Compensation of RMB1,782,000,000 (equivalent to approximately HK\$2,227,500,000) under the Relocation Compensation Agreement has been and will be settled in cash by Xinshun Property as follows:

- (i) an initial deposit of RMB200 million was paid on 12 May 2014 in accordance with the Framework Agreement (pursuant to which the deposit shall be paid within the following day after signing of the Framework Agreement on 11 May 2014) and such deposit shall form part of the Compensation payable by Xinshun Property after the Effective Date;
- (ii) RMB100 million shall be paid after the Effective Date and within three (3) days after the date on which Jinda Plastic provides the Formal Plan Approval;
- (iii) up to 30% of the Compensation (that is, RMB534.6 million, and inclusive of RMB300 million already paid) shall be paid after the Effective Date and within thirty (30) days after the date on which Jinda Plastic provides the Formal Plan Approval;
- (iv) up to 60% of the Compensation (that is, RMB1,069.2 million, and inclusive of RMB534.6 million already paid) shall be paid within fifteen (15) days after signing of the Land Use Rights Transfer Contract;
- (v) up to 80% of the Compensation (that is, RMB1,425.6 million, and inclusive of RMB1,069.2 million already paid) shall be paid within seventy-five (75) days after signing of the Land Use Rights Transfer Contract; and
- (vi) the remaining 20% of the Compensation shall be paid within one hundred and thirty-five (135) days after signing of the Land Use Rights Transfer Contract.

The Compensation was agreed after arm’s length negotiations between Jinda Plastic and Xinshun Property having considered various characteristics of the Jinda Land including location, permitted use, development potential, etc, and prices of comparable land in nearby locations.

The parties made reference to the comparable land prices in the surrounding areas (average price per square metre of floor area of approximately RMB24,000 for commercial office use and approximately RMB8,600 to RMB11,000 for residential use (all taking into account the land premium payable) (as compared to the average price per square metre of floor area of approximately RMB7,130 (without taking into account any land premium) or RMB10,600 (taking into account the Capped Land Premium

(as defined below) of RMB900 million and all taxes, costs and expenses which may be incurred in effecting the sale) in our case)). Since the location, permitted uses and area of the comparable land are similar to the Jinda Land (which is for residential and commercial uses), the Directors consider that such land are comparable to the Jinda Land. The comparable land for commercial office use is located at Bao'an Central District, which is at the vicinity of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (being a key development project of Shenzhen City) and the transaction took place in early 2014. The property prices have recently surged sharply in and around Qianhai area and which explains the exceptionally high transacted price per square metre of floor area of approximately RMB24,000. On the other hand, the Jinda Land is situated within the Jinda Industrial Area which is in turn located at the northern part of Bao'an District and is surrounded by old industrial buildings and medium to low-end residential properties. The other two comparable land are for residential use only and were transacted in 2012.

The parties did not take into account any valuation of the Jinda Land in determining the Compensation. Prior to determining the Compensation and entering into the Relocation Compensation Agreement with Xinshun Property, the Company has engaged in arm's length negotiations with a number of other independent potential buyers in connection with the Disposal and other arrangements relating to the Jinda Land. The Directors compared the compensation offered by various potential buyers (with the Compensation proposed by Xinshun Property being the highest price offered by all potential buyers) with the market comparables. They also made an assessment on the costs, expenses and taxes (as applicable) in relation to the Disposal and other arrangements after seeking verbal advice from the property consultant involved in the land project. Considering the aforesaid and various factors affecting land prices of the Jinda Land and the market comparables including but not limited to location, permitted use(s) and timing of transaction, the Directors eventually reached the conclusion that the Compensation offered by Xinshun Property reflected the market value and was fair and reasonable.

The Company has engaged DTZ Debenham Tie Leung Limited ("DTZ"), an independent valuer, to conduct a valuation on the land under the Jinda Industrial Area Urban Renovation Project (the "Project Land").

According to DTZ's draft preliminary valuation report, the fair market value of the Project Land as at 26 May 2014 was RMB1,850 million while the fair market value of the Jinda Land was RMB1,757.5 million on the basis that the Jinda Land occupies 95% of the Project Land in terms of site area and has a 95% interest attributable to the fair market value of the Project Land.

DTZ has valued the Project Land by direct comparison approach by making reference to comparables sales evidence as available in the relevant market and has taken into account the supplemental land premium payable. The valuation report prepared by DTZ will be included in the circular to be despatched to the Shareholders in relation to the Disposal.

Considering the Compensation has a premium (1.39%) over the fair market value of the Jinda Land, the Directors are of the view that the Compensation reflects the fair market value of the Jinda Land which in turn substantiates the same view reached by the Directors prior to signing of the Relocation Compensation Agreement and the Supplemental Agreement.

Effective conditions:

The effectiveness of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) shall be subject to the following conditions:

- (i) Xinshun Property has obtained the shareholder's resolutions of Galaxy Real Estate (Xinshun Property's sole shareholder) approving the Relocation Compensation Agreement and the Supplemental Agreement;
- (ii) Jinda Plastic has obtained the shareholder's resolutions of Magicgrand (Jinda Plastic's sole shareholder) approving the Relocation Compensation Agreement and the Supplemental Agreement; and
- (iii) Jinda Plastic has obtained the Directors' and Shareholders' resolutions of the Company approving the Relocation Compensation Agreement and the Supplemental Agreement and the transactions contemplated thereunder.

None of the aforesaid effective conditions is waivable by either party.

The Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) shall become effective on the Effective Date which shall be the date on which the last of the above conditions is fulfilled.

In the event that Jinda Plastic fails to provide the resolutions as referred to in items (ii) and (iii) above within sixty (60) days after signing of the Relocation Compensation Agreement and the Supplemental Agreement, Xinshun Property shall have the right to either continue to perform or terminate the Relocation Compensation Agreement and the Supplemental Agreement in writing. In the latter case, Jinda Plastic shall return the initial deposit of RMB200 million (with interest) to Xinshun Property within three (3) days from the date of the termination notice served by Xinshun Property.

Key responsibilities of the parties:

Key responsibilities of the parties under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) include (but not limited to):

(A) Xinshun Property

- (i) Within sixty (60) days after signing of the Relocation Compensation Agreement and the Supplemental Agreement, Xinshun Property shall provide the shareholder's resolutions of Galaxy Real Estate (Xinshun Property's sole shareholder) approving the Relocation Compensation Agreement and the Supplemental Agreement.
- (ii) Xinshun Property shall pay the Compensation to Jinda Plastic in accordance with the payment schedule as set out in the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement). In the event that any Compensation payable by Xinshun Property is overdue, Xinshun Property is liable to pay a daily overdue penalty equal to 0.0005% of any delayed payment, which was determined after arm's length negotiations between the parties.

(B) Jinda Plastic

- (i) Within sixty (60) days after signing of the Relocation Compensation Agreement and the Supplemental Agreement, Jinda Plastic shall provide the shareholder's resolutions of Magicgrand (Jinda Plastic's sole shareholder) approving the Relocation Compensation Agreement and the Supplemental Agreement as well as the Directors' and Shareholders' resolutions of the Company approving the Relocation Compensation Agreement and the Supplemental Agreement and the transactions contemplated thereunder.
- (ii) On or before 11 June 2014, Jinda Plastic shall provide Xinshun Property with the Formal Plan Approval.
- (iii) Within seven (7) days after the Effective Date, Jinda Plastic shall file the registration of release of all pledges over the Jinda Land and the properties erected thereon.
- (iv) Within fifty (50) days after the Effective Date, Jinda Plastic shall deliver all title deeds in relation to the Jinda Land and the properties erected thereon to Xinshun Property.

- (v) Within sixty (60) days after the Effective Date, Jinda Plastic shall work together with and facilitate Xinshun Property to apply to become the named developer of the Jinda Industrial Area Urban Renovation Project by preparing and providing Xinshun Property with a number of application materials including but not limited to the survey and mapping report of the land and properties in the Jinda Industrial Area Urban Renovation Project, title documents and supporting documents for the release of pledges over the Jinda Land and the properties erected thereon.
- (vi) Within ninety (90) days after Xinshun Property has become the named developer of the Jinda Industrial Area Urban Renovation Project, Jinda Plastic shall complete all demolition and vacation work in relation to all buildings and structures erected on the Jinda Land and deliver vacant possession of the Jinda Land to Xinshun Property.
- (vii) Within one hundred and twenty (120) days after Xinshun Property has become the named developer of the Jinda Industrial Area Urban Renovation Project, Jinda Plastic shall work together and facilitate Xinshun Property in completing all procedures relating to transfer of the Jinda Land including by applying for deregistration of the existing title records of the Jinda Land and the buildings erected thereon and signing the Land Use Rights Transfer Contract.
- (viii) After Xinshun Property has become the named developer of the Jinda Industrial Area Urban Renovation Project, Jinda Plastic shall liaise with the relevant governmental authorities as to the estimation and determination of the amount of land premium payable by Xinshun Property. Xinshun Property agreed to pay the land premium which will be capped at RMB900 million (the "Capped Land Premium"). The Capped Land Premium of RMB900 million was an estimate agreed upon with reference to the land premium charged by the government in respect of recent sale transactions of land in nearby locations. If the actual land premium payable is determined by the government at a sum less than RMB900 million, the amount of the Compensation shall be adjusted upwards by an amount equal to the difference between the Capped Land Premium and the actual land premium payable. On the other hand, if the actual land premium payable is determined by the government at a sum more than RMB900 million, the amount of the Compensation shall be adjusted downwards by an amount equal to the difference between the Capped Land Premium and the actual land premium payable.

In the event that Jinda Plastic fails to provide the resolutions as referred to under item (B)(i) above in accordance with the prescribed time, Xinshun Property shall have the right to either continue to perform or terminate the Relocation Compensation Agreement and the Supplemental Agreement. In the latter case, Jinda Plastic shall return the initial deposit of RMB200 million (with interest) to Xinshun Property within three (3) days from the date of the termination notice.

In the event that Jinda Plastic delays in performing its obligations as referred to under items (B)(iii), (iv) and (vi) above, Jinda Plastic is liable to pay a daily penalty equal to 0.0005% of the amount of the Compensation received from Xinshun Property, which was determined after arm's length negotiations between the parties.

If Xinshun Property fails to achieve the results under items (B)(v) and (vii) as a result of the failure of Jinda Plastic to comply with any of its obligations under the Renovation Compensation Agreement (as supplemented by the Supplemental Agreement) (including but not limited to those specified under items (B)(v) and (vii)), Jinda Plastic shall be liable to Xinshun Property for breach of contract. On the other hand, in the event that despite full compliance by Jinda Plastic with its obligations under the Renovation Compensation Agreement (as supplemented by the Supplemental Agreement) and Xinshun Property still fails to achieve the results under items (B)(v) and (vii), Jinda Plastic will not be considered as the defaulting party.

For any failure on the part of either party to comply with its obligations (other than the obligations specifically mentioned above) under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the other party sustains loss as a result therefrom, the innocent party shall have the right to continue to perform the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), request the defaulting party to remedy the breach and/or claim against the defaulting party for all losses and damages that the innocent party may suffer or suffered as a result of the breach of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement).

Guarantees to be provided by Galaxy Group

Pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), prior to Xinshun Property being registered as the developer of the Jinda Industrial Area Urban Renovation Project, one or more member(s) of Galaxy Group shall execute guarantee letter(s) in favour of Jinda Plastic to guarantee the due and punctual performance by Xinshun Property of its payment obligations under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement).

INFORMATION ON THE JINDA LAND

The Jinda Land is situated within the Jinda Industrial Area, Bao'an District, Shenzhen and forms part of the land under the Jinda Industrial Area Urban Renovation Project. The Jinda Industrial Area Urban Renovation Project covers an aggregate site area of approximately 74,700 square metres and comprises the Jinda Land and the Ng Land. The Jinda Land with a site area of approximately 71,000 square metres is owned by Jinda Plastic and the Ng Land with a site area of approximately 3,700 square metres is owed by Mr. Ng. Xinshun Property and Mr. Ng entered into the Ng Agreement on 19 May 2014 in respect of the Ng Land Disposal and other relocation compensation arrangements. It is not specified in the Relocation Compensation Agreement (as

supplemented by the Supplemental Agreement) that the Relocation Compensation Agreement is conditional upon completion of the transactions as contemplated under the Ng Agreement or vice versa. However, the Jinda Industrial Area Urban Renovation Project involves the renovation of the entire Jinda Industrial Area comprising the Jinda Land and the Ng Land. In order for Xinshun Property to become the named developer of the Jinda Industrial Area Urban Renovation Project, Xinshun Property will be required to obtain the land use rights for both Jinda Land and Ng Land and complete all transactions under both Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) in respect of the Jinda Land and the Ng Agreement between Xinshun Property and Mr. Ng in respect of the Ng Land.

The Jinda Land was used by Jinda Plastic since early 1990s to host the Group's previous Shenzhen manufacturing base prior to relocation thereof to Ningbo in late 2012. The said manufacturing base comprises production facilities, warehouse, staff quarters and canteen. Save for certain staff quarters having been leased to an Independent Third Party to be expired by 30 June 2014, the Jinda Land and the properties erected thereon has been left vacant as at the date of this announcement. The Group applied for and obtained the approval in respect of the change in permitted use of the Jinda Land from industrial to residential and commercial uses. Earlier this year, the Jinda Industrial Area Urban Renovation Project was reviewed by the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC and was then posted for public review. It is expected that the Formal Plan Approval will be obtained on or before 11 June 2014.

As at 30 September 2013, the net book value of the Jinda Land and the properties erected thereon (as recorded in the Group's unaudited financial statements for the six months ended 30 September 2013) was approximately RMB175,000,000. According to the latest valuation on the Jinda Land conducted by an independent professional valuer, the Jinda Land was valued at approximately RMB175,600,000 as at 31 March 2013. As at 31 March 2013, the permitted use of the Jinda Land has been changed from industrial to residential and commercial uses but the plot ratio thereof has not been determined (the plot ratio was fixed by the government in early 2014) and as such, the valuation could only be conducted at the material time on the basis that the Jinda Land was for industrial use. This explains why there is a significant difference between the value of the Jinda Land as at 31 March 2013 and the Compensation.

The net loss attributable to the Jinda Land were approximately RMB9,954,000 (before taxation) and approximately RMB9,957,000 (after taxation) for the year ended 31 March 2012 and the net loss attributable to the Jinda Land were approximately RMB46,883,000 (before taxation) and approximately RMB46,887,000 (after taxation) for the year ended 31 March 2013, respectively. The significant loss for the year ended 31 March 2013 was mainly attributable to the costs and expenses incurred as a result of the relocation of the Shenzhen manufacturing base to Ningbo and the loss in orders from customers in connection therewith.

INFORMATION OF THE PARTIES

Jinda Plastic and the Group

Jinda Plastic is a limited liability company established in the PRC in 1993. Its scope of business covers manufacturing of plastic household products, stainless steel and iron kitchenware and tableware, electroplating and processing of metal, manufacturing of plastic and metal stationery products, manufacturing of towels and lighting products, processing and sale of ceramic and glass products, sale of self-manufactured products and property development.

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in manufacturing and trading of plastic and metal household products, rental operation of one department store, retail operation of one department store and a chain of supermarkets, and wholesale of alcohol, wine, beverages and electrical appliances.

Xinshun Property

Xinshun Property is a limited liability established in the PRC and principally engaged in property development. It is a subsidiary of and a project company under Galaxy Holding. Galaxy Holding and its subsidiaries are principally engaged in property development, urban renovation, commercial property and hotel management, etc.

EXPECTED GAIN AND INTENDED USE OF PROCEEDS

As a result of receiving in full of the Compensation under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), it is estimated that the Group will record a gain on the Disposal after taxation of approximately RMB1,107 million. Such gain is estimated based on the Compensation receivable from the Disposal, that is, RMB1,782 million, less the net book value of the Jinda Land and the properties erected thereon of RMB175 million as at 30 September 2013, taxes payable of approximately RMB300 million and other related costs and expenses of approximately RMB200 million. The Company would like to emphasise that the aforesaid expected gain on the Disposal is calculated based on the net book value of the Jinda Land and the properties erected thereon as at 30 September 2013. The final financial impact of the Disposal will be subject to the net book value of the Jinda Land and the properties erected thereon as at the date of the full payment of the Compensation and is expected to be reflected in the consolidated annual results of the Group for the year ending 31 March 2015.

The Company intends to apply the net proceeds from the Disposal for its future investment(s) or acquisition(s) when such opportunities arise and as general working capital of the Group. The Company has not yet determined the exact allocation of the net proceeds. As of the date of this announcement, the Company has not identified any acquisition or investment target and has not entered into or propose to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal

and whether express or implied, and negotiation (whether concluded or not) regarding any potential acquisition or potential further disposal. In the event that no appropriate potential acquisitions could be identified in the near future, the Company will place the net proceeds from the Disposal as deposits into banks for earning of interests.

REASONS FOR AND BENEFITS OF THE DISPOSAL

For the purposes of consolidating the Group's production and operation resources in household products business into one location (Ningbo) and improving the efficiency in resource management and the synergies in scale procurement and production operations, the Group relocated its previous manufacturing base in Shenzhen to Ningbo in late 2012. Since then, the Jinda Land has been left largely vacant. The Group has considered various options in connection with the Jinda Land including, among others, offer for sale and further development in accordance with the relevant laws and regulations. As at the date of this announcement, there is no immediate plan to develop the Jinda Land.

Recently, the Group has been in contact with various PRC property developers who expressed interest in purchasing the Jinda Land. Taking into account the expected gain that will be recorded as a result of the Disposal, the Board considers that the Disposal represents a very good opportunity for the Group to realise its investment in the Jinda Land. Further, the proceeds generated from the Disposal can strengthen the cash flow of the Group and will allow the Group to reallocate its resources for future development. Based on the aforesaid, the Directors consider that the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Compensation exceed(s) 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Mr. Ng is an ex-director of a subsidiary of the Company and a connected person of the Company. On 19 May 2014, Mr. Ng and Xinshun Property entered into the Ng Agreement in relation to, among others, the Ng Land Disposal. Since the Disposal and the Ng Land Disposal are related to each other and falls under the circumstances described in Rule 14A.11(4)(a), the entering into of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the Ng Agreement by Xinshun Property with Jinda Plastic and Mr. Ng respectively on the same day represented an arrangement under Rule 14A.11(4)(a) and it follows that Xinshun Property is a connected person of the Company in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) pursuant to the same rule. Accordingly, the Disposal also constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. An Independent Board Committee will be established to make recommendations to the Independent Shareholders regarding the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

As at the date of this announcement, Mr. Ng and his associates (as defined in the Listing Rules) do not have any interest in the Shares or other securities of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Disposal, the financial information of the Group, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the notice of the SGM is expected to be despatched to the Shareholders on or about 10 June 2014.

As the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) will only become effective upon approval by the Shareholders at the SGM, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 20 May 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 28 May 2014.

DEFINITIONS

“Board”	the board of Directors
“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Compensation”	the compensation payable by Xinshun Property under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) being RMB1,782,000,000 (equivalent to approximately HK\$2,227,500,000)
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Jinda Land by Jinda Plastic to Xinshun Property pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement)
“Effective Date”	the date on which the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) becomes effective
“Formal Plan Approval”	the formal approval in respect of the project plan of the Jinda Industrial Area Urban Renovation Project to be obtained from the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC
“Framework Agreement”	the framework agreement between Jinda Plastic and Xinshun Property dated 11 May 2014 relating to the Proposed Relocation Compensation Arrangement (as defined therein)
“Galaxy Group”	Galaxy Holding and its subsidiaries
“Galaxy Holding”	星河控股集團有限公司 (Galaxy Holding Group Property Co., Ltd.*), a limited liability company established in the PRC
“Galaxy Real Estate”	深圳市星河房地產開發有限公司 (Shenzhen City Galaxy Real Estate Development Company Limited*), a limited liability company established in the PRC and Xinshun Property’s sole shareholder

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian, being all the independent non-executive Directors, to be established to advise the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
“Independent Shareholders”	for the purpose of considering, and if thought fit, approving the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Shareholders other than the Shareholder(s) (if any) is/are required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any member of the Group, the Directors, chief executive and substantial Shareholders of the Company and its subsidiaries and their respective associates
“Jinda Industrial Area Urban Renovation Project”	the urban renovation project in connection with the Jinda Industrial Area titled “寶安區沙井街道金達工業區城市更新單元規劃”

“Jinda Land”	the land owned by Jinda Plastic and situated within the Jinda Industrial Area, Bao’an District, Shenzhen, Guangdong Province, the PRC, particulars of which are set out in the paragraph headed “Information on the Jinda Land” of this announcement
“Jinda Plastic”	金達塑膠五金製品(深圳)有限公司 (Jinda Plastic Metal Products (Shenzhen) Co., Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Land Use Rights Transfer Contract”	the contract for transferring the land use rights of the Jinda Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magicgrand”	Magicgrand Development Limited 雅達實業公司, a limited liability company incorporated in the British Virgin Islands and the sole shareholder of Jinda Plastic
“Mr. Ng”	Mr. Ng Woon Yim (吳煥炎先生), an ex-director of a subsidiary of the Company
“Ng Agreement”	the relocation compensation agreement between Jinda Plastic and Xinshun Property dated 19 May 2014 relating to, among others, the Ng Disposal
“Ng Disposal”	the proposed disposal of the Ng Land by Jinda Plastic to Xinshun Property pursuant to the Ng Agreement
“Ng Land”	the land owned by Mr. Ng and situated within the Jinda Industrial Area, Bao’an District, Shenzhen, Guangdong Province, the PRC and forms part of the land under the Jinda Industrial Area Urban Renovation Project
“PRC”	the People’s Republic of China
“Relocation Compensation Agreement”	the relocation compensation agreement between Jinda Plastic and Xinshun Property dated 19 May 2014 relating to, among others, the Disposal, as supplemented and amended by the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting to be convened by the Company for seeking the Shareholders’ approval of the Relocation Compensation Agreement, the Supplemental Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Relocation Compensation Agreement between Jinda Plastic and Xinshun Property dated 19 May 2014
“Xinshun Property”	深圳市星順房地產開發有限公司 (Shenzhen City Xinshun Property Development Company Limited*), a limited liability company established in the PRC, a subsidiary of Galaxy Holding and an Independent Third Party

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

Hong Kong, 27 May 2014

As at the date of this announcement, the Board comprises Mr. Li Li Xin (Chairman) and Mr. Cheng Jian He being executive Directors, Mr. Xu Jin and Mr. Lau Kin Hon being non-executive Directors, Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian being independent non-executive Directors.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1.00 = HK\$1.25.

* *In this announcement, the English names of the PRC entities are translation of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*