THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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 AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

All capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 19 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 30 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 8 July 2014, at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong is set out on pages 73 to 74 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk).

Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 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 fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

18 June 2014

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

"Board"	the board of Directors
"Business Day"	a day (other than Sunday) on which banks in Hong Kong are open for business in Hong Kong generally throughout their normal business hours
"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)
"connected person"	has the meaning ascribed to it under the Listing Rules
"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)
"DTZ"	DTZ Debenham Tie Leung Limited, the independent valuer engaged by the Company to conduct a valuation on the Jinda Land
"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 issued by the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC on 6 June 2014
"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
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the Independent Financial Adviser to 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
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee established by the Company (comprising all the three independent non-executive Directors) to advise the Independent Shareholders in connection with the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder in accordance with the Listing Rules
"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 section headed "Information on the Jinda Land" in the "Letter from the Board" of this circular
"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
"Latest Practicable Date"	18 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lisi Co"	利時集團股份有限公司 (Lisi Group Co. Ltd*), a limited liability company incorporated in the PRC
"Lisi Group"	Lisi Co and its subsidiaries
"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 (吳換炎先生), 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
"Project Land"	the land on which the Jinda Industrial Area is situated, comprising the Jinda Land and the Ng Land

"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
"Remaining Group"	the Group after completion of the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 3:00 p.m. on Tuesday, 8 July 2014, at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong to approve the Relocation Compensation Agreement (as supplemented by 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
"US$"	United States dollar, the lawful currency of the United States of America
"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
"km"	kilometre
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK$ is based on the exchange rate of RMB1.00 = HK$1.25. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK$ has been or could have been or may be converted at such or another rate or at all.

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

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 Li Xin *(Chairman)*
Mr. Cheng Jian He

Non-executive Directors:
Mr. Xu Jin
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 HM11
Bermuda

Principal place of business in Hong Kong:
Unit A, 5/F., Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

18 June 2014

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 27 May 2014 in relation to, among others, the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further information of the Disposal; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Remaining Group; (iv) the valuation report of the Project Land; and (v) the notice of the SGM.

THE RELOCATION COMPENSATION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

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 Project Land under 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.

A summary of the salient terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) is set out below:

Date (for 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 base prior to the relocation thereof to Ningbo in late 2012. As at the Latest Practicable Date, 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; and

(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 RMB508 million, which includes the income tax of approximately RMB350 million payable by Jinda Plastic and other costs and expenses of approximately RMB158 million (comprising estimated consultation expenses of approximately RMB34 million, demolition expenses of existing buildings and structures erected on the Jinda Land of approximately RMB80 million, site and security management expenses of approximately RMB20 million and other charges and expenses to be incurred during the process of asset transfer of approximately RMB24 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 paragraph 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. Particulars of the three comparable land and a comparison of the Jinda Land with the comparable land are set out below:

	Comparable land 1	**Comparable land 2**	**Comparable land 3**	**Jinda Land**
Transaction date	12 March 2014	28 November 2012	11 December 2012	19 May 2014 (Date of the Relocation Compensation Agreement and the Supplemental Agreement)
Location	Bao'an Central District	Bao'an District	Nanshan District	Bao'an District
Driving distance from the Jinda Land (rough estimate according to Google Map)	37 minutes (30.3 km)	32 minutes (26.5 km)	41 minutes (37.9 km)	–
Permitted use(s)	Commercial office	Residential	Residential	Residential and commercial
Site area *(square metre)*	22,724.76	151,787.21	14,787.82	71,033.39
Construction area *(square metre)*	136,340	182,100	110,000	246,554
Transaction price *(RMB '0000)*	331,900	200,000	94,700	261,250 (taking into account of the Capped Land Premium)
Price per square metre of floor area *(RMB/square metre)*	24,344	10,983	8,609	10,596

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.

Following signing of the Relocation Compensation Agreement and the Supplemental Agreement, the Company has engaged DTZ, an independent valuer, to conduct a valuation on the Project Land.

According to DTZ's valuation report set out in Appendix IV to this circular, 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. For details, please refer to the valuation report in Appendix IV to this circular.

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. In the event that the saleable construction area of the Project Land as stated in the Formal Plan Approval is less than 259,530 square metres (the "Target Saleable Construction Area") (representing RMB10,712 per square metre in consideration of the total amount payable by Xinshun Property of RMB2,780 million in respect of the Project Land), the amount of the Compensation shall be adjusted downwards by an amount equal to the product of (i) the difference between the Target Saleable Construction Area and the actual saleable construction area as stated in the Formal Plan Approval and (ii) RMB10,712 per square metre. Since the saleable construction area of the Jinda Industrial Area Urban Renovation Project as stated in the Formal Plan Approval dated 6 June 2014 is the same as the Target Saleable Construction Area, no adjustment is required to be made to the Compensation.

(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 named 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 Project Land. The Project Land 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 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 the Latest Practicable Date. 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 the preliminary draft plan thereof was then posted for public review on 25 January 2014. The Formal Plan Approval was issued by the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC on 6 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 RMB175,600,000. The Compensation of RMB1,782 million represents a premium of approximately 1,015% over the net book value of the Jinda Land as at 30 September 2013. According to DTZ's valuation report set out in Appendix IV to this circular, 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. The Compensation of RMB1,782 million represents a premium of approximately 1.39% over the fair market value of the Jinda Land as at 26 May 2014. For details of the valuation, please refer to the valuation report in Appendix IV to this circular.

The net loss attributable to the Jinda Land was approximately RMB10,330,000 (both before and after taxation) for the year ended 31 March 2013, the net loss attributable to the Jinda Land was approximately RMB5,611,000 (both before and after taxation) for the six months ended 30 September 2013 and the net loss attributable to the Jinda Land was approximately RMB11,293,000 (both before and after taxation) for the year ended 31 March 2014, respectively. For details of the unaudited financial information of the Jinda Land for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2013, please refer to Appendix II to this circular.

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.

FINANCIAL IMPACT OF THE DISPOSAL 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 RMB1,098 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 RMB176 million as at 30 September 2013, taxes payable of approximately RMB350 million and other related costs and expenses of approximately RMB158 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.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the total assets of the Group will increase by approximately RMB1,448 million while the total liabilities of the Group will increase by approximately RMB347 million as a result of the Disposal.

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 Latest Practicable Date, 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 or other financial institutions 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 Latest Practicable Date, 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.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

As disclosed in the interim report of the Company for the six months ended 30 September 2013, the Group recorded a turnover of approximately RMB230.2 million, representing an increase of 25.6% when compared with the turnover of approximately RMB183.3 million reported for the corresponding period in 2012. Net profit for the same period was approximately RMB37.0 million, compared to a net loss of RMB4.2 million for the corresponding period in 2012.

This Disposal enables the Group to realize a significant gain after taxation and improve its cash position of approximately RMB1,274 million as 100% of the Compensation to be received from Xinshun Property will be in cash. The proceeds will be used for its future investment(s) or acquisition(s) when such opportunities arise and as general working capital of the Group.

The Board considers the Disposal to be an important opportunity for the Group to capitalise on its investment gain. The Board believes the Disposal would allow the Group to explore more business opportunities and expand its business in the PRC.

The Board is optimistic on the prospect of the Group given the benefits anticipated to be accrued to the Company as a result of the Disposal. The Group will continue to look for other opportunities to expand its business by making profitable long-term investments that will improve the bottom line of the Company and increase Shareholders' value.

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 Disposal. Since the Disposal and the Ng 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.

Any Shareholder with a material interest in the Relocation Compensation Agreement and the Supplemental Agreement and his/her/its associates will abstain from voting on the ordinary resolution approving the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. As at the Latest Practicable Date, no Shareholder is required to abstain from voting under the Listing Rules.

None of the Directors has a material interest in the transactions as contemplated under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and was required to abstain from voting on the board resolution approving the same.

SGM

The SGM will be held at 3:00 p.m. on Tuesday, 8 July 2014 at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong to consider and, if thought fit, approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

As at the Latest Practicable Date, 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 to be proposed at the SGM to approve the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

The votes to be taken at the SGM in relation to the proposed resolution will be taken by poll.

The Independent Board Committee comprising the three independent non-executive Directors has been established to make recommendations to the Independent Shareholders regarding the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

Gram Capital has been appointed as the Independent Financial Adviser 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.

A notice convening the SGM is set out on pages 73 to 74 of this circular. Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 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 fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement).

Your attention is also drawn to the letter from Gram Capital set out on pages 20 to 30 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), and the principal factors and reasons taken into account in arriving at its recommendation.

The Directors consider that the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are determined after arm's length negotiations between the parties and on normal commercial terms. The Directors further consider that the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the advice of Gram Capital, considers that the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms which are fair and reasonable. The Independent Board Committee also considers that the entering into of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the SGM.

Yours faithfully,
By order of the Board
Lisi Group (Holdings) Limited
Li Li Xin
Chairman

LISI GROUP (HOLDINGS) LIMITED
利 時 集 團（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

18 June 2014

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 18 June 2014 (the "Circular") which this letter forms a part of. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider the terms and conditions of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (details of which are set out in the "Letter from the Board" in the Circular) and to advise the Independent Shareholders in respect of the same. Gram Capital has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the "Letter from the Board" and the "Letter from Gram Capital" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in its letter of advice, we consider that the terms and conditions of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) are normal commercial terms and are fair and reasonable and are in the interests of the Company and its Independent Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution approving the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. He Chengying
Mr. Cheung Kiu Cho Vincent
Mr. Shin Yick Fabian

Independent Non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

18 June 2014

To: The independent board committee and the independent shareholders of Lisi Group (Holdings) Limited

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 18 June 2014 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 12 May 2014 in which the Company announced that Jinda Plastic, an indirect wholly-owned subsidiary of the Company, 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).

On 19 May 2014, Jinda Plastic and Xinshun Property entered into the Relocation Compensation Agreement and the Supplemental Agreement in relation to, among other things, the Disposal. Pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), 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.

With reference to the Board Letter, the Disposal constitutes a very substantial disposal and a non-exempt connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. As such, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Relocation Compensation Agreement and the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Disposal at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report of the Project Land as set out in Appendix IV to the Circular (the "**Valuation Report**"). The Valuation Report was prepared by DTZ. Since we are not experts in the valuation of land, properties, business and/or mining right, we have relied solely upon the Valuation Report for the fair market value of the Project Land as at 26 May 2014.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Jinda Plastic, Magicgrand, Xinshun Property, Galaxy Real Estate, Galaxy Holding or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Gram Capital is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal

Business overview of the Group

As referred to in the Board Letter, the Company is an investment holding company, and 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.

Set out below are the consolidated financial results of the Group for the six months ended 30 September 2013 and the two financial years ended 31 March 2013 as extracted from the Company's interim report for the six months ended 30 September 2013 (the "**2013/14 Interim Report**") and its annual report for the financial year ended 31 March 2013 (the "**2012/13 Annual Report**"):

	For the six months ended 30 September 2013 (unaudited)	**For the financial year ended 31 March 2013** (audited)	**For the financial year ended 31 March 2012** (audited & restated)	**Year on year change from FY2011/12 to FY 2012/13**
	RMB'000	*RMB'000*	*RMB'000*	%
Turnover	230,153	299,142	393,890	(24.1)
Profit/(Loss) for the period/year	36,990	(32,031)	5,948	N/A

The Group recorded an audited consolidated turnover of approximately RMB299.1 million for the financial year ended 31 March 2013. With reference to the 2012/13 Annual Report, the manufacturing and trading business contributed approximately RMB298.8 million to the total revenue of the Group, but the turnover of this segment decreased by approximately RMB89.5 million when compared with the prior financial year. The loss of the Group during the same financial year under review was mainly caused by the termination of the production operations of the Group at the plant in Shenzhen, the PRC and the relocation of its manufacturing facilities to Ningbo, the PRC in late 2012 (the "**Relocation**"). The Relocation had caused the Group some disruption in the normal production scheduling and product delivery, some loss in orders from customers and higher administrative expenses such as increasing severance payment for terminated employees and relocation expenses.

During the six months ended 30 September 2013, the manufacturing business of the Group was still in the process of recovery from the aforesaid adverse impact of the Relocation. Nevertheless, the Group enjoyed a net profit of approximately RMB37.0 million for the six months ended 30 September 2013 which, according to the 2013/14 Interim Report, was primarily attributable to the acquisition of Wealthy Honor Holdings Limited by the Group. Excluding the gain on a bargain purchase of subsidiaries of approximately RMB73.6 million and the professional fees of approximately RMB6.1 million spent for the said acquisition, the Group recorded a net loss of approximately RMB30.5 million for the six months ended 30 September 2013.

Information on Xinshun Property

As extracted from the Board Letter, Xinshun Property is a limited liability company established in the PRC and is 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..

Information on the Jinda Land

As extracted from the Board Letter, the Jinda Land is situated within the Jinda Industrial Area, Bao'an District, Shenzhen and forms part of the Project Land which 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 (representing approximately 95% of the Project Land) is owned by Jinda Plastic and the Ng Land with a site area of approximately 3,700 square metres (representing approximately 5% of the Project Land) is owned by Mr. Ng.

With reference to the Board Letter, Xinshun Property and Mr. Ng entered into the Ng Agreement on 19 May 2014 in respect of the Ng 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 contemplated under the Ng Agreement or vice versa. However, the Jinda Industrial Area Urban Renovation Project involves the renovation of the entire Project 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 the Jinda Land and the Ng Land, and complete all of the respective transactions contemplated under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the Ng Agreement.

The Jinda Land had been used by Jinda Plastic since early 1990s to host the Group's previous Shenzhen manufacturing base prior to the Relocation. 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 which shall expire by 30 June 2014, the Jinda Land and the properties erected thereon had been left vacant as at the Latest Practicable Date. 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. In early 2014, 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 on 25 January 2014. The Formal Plan Approval was issued on 6 June 2014.

According to the Valuation Report, the fair market value of the Project Land as at 26 May 2014 was RMB1,850 million (equivalent to approximately HK$2,312.5 million); while the fair market value of the Jinda Land was RMB1,757.5 million (equivalent to approximately HK$2,196.9 million) (the "**Valuation**") 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.

Reasons for the Disposal and expected use of proceeds

As advised by the Directors, for the purposes of consolidating the Group's production and operation resources in the 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 carried out the Relocation in late 2012. Since then, the Jinda Land has been left largely vacant. We understand that the Group has considered various options in connection with the Jinda Land including, among other things, offer for sale and further development in accordance with the relevant laws and regulations. Nonetheless, as at the Latest Practicable Date, there was 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 (for details, please refer to the sub-section headed "Possible financial effects of the Disposal" below) that will be recorded as a result of the Disposal, the Directors consider that the Disposal represents a very good opportunity for the Group to realise its investment in the Jinda Land. Furthermore, they also consider that the net 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.

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. As confirmed by the Directors, as at the Latest Practicable Date, the Company had neither determined the exact allocation of the net proceeds nor identified any acquisition or investment target. The Company has not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, and negotiation (whether concluded or not) regarding any potential acquisition or potential further disposal. In the event that no appropriate potential acquisition or investment target could be identified in the near future, the Company shall place the net proceeds from the Disposal as deposits in banks or other financial institutions for earning of interests.

In light of that (i) the Jinda Land has been left largely vacant since the Relocation and the Group has no immediate plan to develop the Jinda Land; (ii) the Disposal would likely to generate a gain (subject to final audit) to the Group according to the Directors; and (iii) the net proceeds from the Disposal can strengthen the cash flow of the Group and will allow the Group to reallocate its resources for future development, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole even though asset disposal is not in the ordinary and usual course of business of the Group and will only be considered by the Directors should there be good and appropriate opportunity.

2. Principal terms of the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement)

Date

19 May 2014

Parties

Jinda Plastic and Xinshun Property

Asset to be disposed of

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

The Disposal and other arrangements

(i) Xinshun Property agreed to pay to Jinda Plastic the Compensation 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 Compensation

As confirmed by the Directors, the Compensation of RMB1,782,000,000 (equivalent to approximately HK$2,227,500,000) 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 price of comparable land in nearby locations.

Furthermore, pursuant to the Relocation Compensation Agreement, in the event that the saleable construction area of the Project Land as stated in the Formal Plan Approval is less than 259,530 square metres (the "**Target Saleable Construction Area**") (representing RMB10,712 per square metre in consideration of the total amount payable by Xinshun Property of RMB2,780 million in respect of the Project Land), the amount of the Compensation shall be adjusted downwards by an amount equal to the product of (i) the difference between the Target Saleable Construction Area and the actual saleable construction area as stated in the Formal Plan Approval; and (ii) RMB10,712 per square metre. Since the saleable construction area of the Jinda Industrial Area Urban Renovation Project as stated in the Formal Plan Approval dated 6 June 2014 is the same as the Target Saleable Construction Area, no adjustment is required to be made to the Compensation.

The Valuation

As aforementioned, the fair market value of the Jinda Land as at 26 May 2014 was RMB1,757.5 million (equivalent to approximately HK$2,196.9 million). Accordingly, the Compensation is roughly the same as the Valuation.

The Valuation was conducted by DTZ using the direct comparison approach. For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of DTZ with the Company; (ii) DTZ's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by DTZ for conducting the Valuation. From the mandate letter and other relevant information provided by DTZ and based on our interview with it, we are satisfied with the terms of engagement of DTZ as well as its qualification and experience for preparation of the Valuation Report. DTZ has also confirmed that it is independent to the Group and the Galaxy Group.

In addition, we have reviewed and enquired into DTZ regarding the methodology of, and bases and assumptions adopted for, the Valuation. Upon our enquiry, we noted that DTZ carried out a site visit in May 2014 to research for the necessary information to determine the Valuation. DTZ also explained that it has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have taken into account the supplemental land premium payable. Based on the workings of the Valuation provided by DTZ and during our discussion with it, we understand how the Valuation was being derived. In particular, we noted that among the comparable sales, one comparable land is located in Bao'an District and was planned for relatively low density residential development, the other comparable land is located in Nanshan District and was planned for relatively high density residential development, whilst the remaining comparable land is located in Longhua New District and was planned for relatively high density commercial and residential development. Those comparable sales were conducted in recent years. Given the proximity and usage of the comparable lands, and the sales evidence of recent period selected as compared to the Project Land, we concur with DTZ that those sales evidence are relatively comparable and fair for the purpose of the conducting the Valuation.

As further advised by DTZ, the valuation method it has adopted for the Valuation is commonly adopted for valuation of lands, consistent with normal market practice, and complies with, amongst others, the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Offers by other independent potential buyers

We understand from the Directors that prior to determining the Compensation and entering into the Relocation Compensation Agreement and the Supplemental Agreement with Xinshun Property, the Company has engaged in arm's length negotiations with a number of other independent potential buyers who expressed interest in purchasing the Jinda Land. The Directors compared the compensation offered by various potential buyers and found the Compensation proposed by Xinshun Property to be the highest price offered among all potential buyers. The Directors also made an assessment on the costs, expenses and taxes (as applicable) in relation to the possible disposal of the Jinda Land and other arrangements after seeking verbal advice from the property consultant involving in the land project (the "**Property Consultant**").

In relation to the above, we have requested the Company to provide us with a list of the compensation offered by the independent potential buyers and we noted that the Compensation proposed by Xinshun Property is the highest price offered among all potential buyers. Besides that, we have enquired into the Directors about the identity and background of the Property Consultant, and we understand from the Directors that the Property Consultant is a property specialist in Shenzhen that is familiar with the local property market and has established good relationship with the local government. Furthermore, as represented by the Directors, the Property Consultant has advised the Company in various aspects, including the change in permitted use of the Jinda Land from industrial to residential and commercial uses, the application and approval process in relation to the Jinda Industrial Area Urban Renovation Project together with the estimated amount of the land premium involved.

Since (i) the Valuation was fairly and reasonably determined by DTZ and the Compensation is roughly the same as the Valuation; and (ii) the Compensation proposed by Xinshun Property is the highest price offered among all potential buyers, we concur with the Directors that the Compensation is fair and reasonable so far as the Independent Shareholders are concerned.

Payment terms of the Compensation

The Compensation 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 (i.e. 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 (i.e. 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 (i.e. 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 (i.e. RMB356.4 million) shall be paid within one hundred and thirty-five (135) days after signing of the Land Use Rights Transfer Contract.

Pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), Xinshun Property shall pay the Compensation to Jinda Plastic in accordance with the payment schedule as set out above. In the event that any Compensation payable by Xinshun Property is overdue, Xinshun Property is liable to pay a daily overdue penalty equivalent to 0.0005% of any delayed payment.

Based on our discussion with the Directors, we understand that completion of the transfer of the Jinda Land involves lengthy legal and administrative procedures, as well as the ongoing assistance from Jinda Plastic. With this being the case and taking into account that Xinshun Property is liable for overdue penalty of any delayed payment, we are of the view that the progressive payment terms of the Compensation are fair and reasonable.

The Capped Land Premium

After Xinshun Property has become the named developer of the Jinda Industrial Area Urban Renovation Project, Jinda Plastic shall liaise with the relevant government 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 (equivalent to approximately HK$1,125 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 Shenzhen government in respect of the recent sale transactions of land in nearby or similar locations.

If the actual land premium payable by Xinshun Property is 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 by Xinshun Property is 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.

We noted that the aforesaid adjustment arrangement poses a risk of reduction in the Compensation to the Company in the event that the actual land premium payable by Xinshun Property is higher than the Capped Land Premium. For this reason, we have enquired into the Directors and were advised that the amount of the Capped Land Premium was recommended by the Property Consultant and is a prudent estimate of the maximum land premium payable by Xinshun Property based on the land premium charged by the government in respect of the recent sale transactions of land in locations near to the Jinda Land. We have discussed with the Property Consultant in this respect and were provided with (i) the general principle for determination of land premium by the Shenzhen government; and (ii) information and breakdown on how the Capped Land Premium was being calculated.

In view of that the Capped Land Premium was calculated based on the general principle for determination of land premium by the Shenzhen government and is an estimate of the maximum land premium payable by Xinshun Property with breakdown as recommended by the Property Consultant, and as also balanced by the probable upward adjustment to the Compensation in the event that the actual land premium payable by Xinshun Property is less than RMB900 million, we consider that the aforesaid adjustment arrangement is acceptable.

Nonetheless, Shareholders should note that should the actual land premium payable in respect of the Jinda Industrial Area Urban Renovation Project exceeds the Capped Land Premium by more than RMB24.5 million, the Compensation would be at discount to the Valuation.

Guarantees to be provided by the Galaxy Group

Pursuant to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), prior to Xinshun Property being registered as the named developer of the Jinda Industrial Area Urban Renovation Project, one or more member(s) of the 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).

We are of the opinion that the guarantees to be provided by the Galaxy Group are favourable to the Company.

Having considered the above principal terms of the Relocation Compensation Agreement and the Supplemental Agreement, we consider that the terms of the Relocation Compensation Agreement and the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

As advised by the Directors, due to the 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 RMB1,098 million (subject to final audit). Such gain is estimated based on the Compensation receivable from the Disposal, i.e. RMB1,782 million, less (i) the net book value of the Jinda Land and the properties erected thereon of RMB176 million as at 30 September 2013; (ii) taxes payable of approximately RMB350 million which was calculated based on the tax rate of 25%; and (iii) other related costs and expenses of approximately RMB158 million comprising (a) consultation expenses of approximately RMB34 million; (b) demolition expenses of the existing buildings and structures erected on the Jinda Land of approximately RMB80 million; (c) site and security management expenses of approximately RMB20 million; and (d) other charges and expenses to be incurred during the process of asset transfer of approximately RMB24 million. According to the Directors, the aforesaid taxes payable and other related costs and expenses are the necessary expenses associated with the Disposal, but Shareholders should note that it is beyond our capacity as the Independent Financial Adviser to comment on their fairness and reasonableness.

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.

Moreover, based on the unaudited financial information of the Remaining Group as contained in Appendix III to the Circular, the Disposal would increase the net assets of the Group. Given that 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, it is also expected that the working capital position of the Group would improve after completion of the Disposal.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Relocation Compensation Agreement and the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole even though asset disposal is not in the ordinary and usual course of business of the Group and will only be considered by the Directors should there be good and appropriate opportunity. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Disposal and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 March 2013 and for the six months ended 30 September 2013 are disclosed in the Company's annual reports for the years ended 31 March 2011, 31 March 2012 and 31 March 2013 and interim report for the six months ended 30 September 2013, respectively, which are incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the Company's website at www.lisigroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The following is a quick link to the 2011 annual report of the Company published on 20 July 2011 with its audited consolidated financial statements for the year ended 31 March 2011 on pages 18 to 77:

http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0720/LTN20110720544.pdf

The following is a quick link to the 2012 annual report of the Company published on 27 July 2012 with its audited consolidated financial statements for the year ended 31 March 2012 on pages 19 to 78:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0727/LTN20120727285.pdf

The following is a quick link to the 2013 annual report of the Company published on 29 July 2013 with its audited consolidated financial statements for the year ended 31 March 2013 on pages 20 to 89:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0729/LTN20130729176.pdf

The following is a quick link to the 2013/2014 interim report of the Company published on 27 December 2013 with its unaudited condensed consolidated financial statements for the six months ended 30 September 2013 on pages 2 to 21:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1227/LTN20131227178.pdf

PROPERTY VALUATION RECONCILIATION

The statement below shows the reconciliation of the Jinda Land as recorded in the Group's unaudited financial information as at 30 September 2013 with the valuation of Jinda Land as at 26 May 2014 as set out in Appendix IV to this circular.

	RMB
Net book value of the Jinda Land as at 30 September 2013	175,600,000
Add: Additions during the period from 1 October 2013 to 26 May 2014 *(Note)*	158,000,000
Less: Disposal during the period from 1 October 2013 to 26 May 2014	–
Less: Depreciation during the period from 1 October 2013 to 26 May 2014	–
Add: Net valuation surplus from 1 October 2013 to 26 May 2014	1,423,900,000
Net book value of Jinda Land as at 26 May 2014	1,757,500,000
Net valuation surplus	–
Market value of Jinda Land as at 26 May 2014 as set out in the valuation report in Appendix IV to this circular	**1,757,500,000**

Note: This represents the accrual of the estimated cost to be incurred for restoring the Jinda Land to the condition as agreed in the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement), which makes the value of the Jinda Land comparable to other land that can be sold directly without any additional cost to be incurred.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding bank borrowings of approximately RMB999,487,500, including secured bank borrowings secured by the Group's leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB2,792,759,470, secured bank borrowings secured by assets of related companies under the control of Mr. Li Li Xin, a controlling Shareholder, guaranteed bank borrowings guaranteed by related companies under the control of Mr. Li Li Xin, and pledged by bank bills. In addition, on 30 April 2014, the Group also had aggregate outstanding other unsecured borrowings due to a shareholder and a third party of approximately RMB9,560,153, and convertible bonds issued with liability portion of carrying value of RMB97,460,705.

Contingent liabilities

As at the close of business on 30 April 2014, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB120,836,037 to secure bank loans borrowed by the related companies under the control of Mr. Li Li Xin. Such arrangements were made by New JoySun Group (as defined below) prior to the 2013 Acquisition (as defined below) and will be terminated upon expiry thereof. The Directors do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is the amount disclosed above.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account the Compensation for the Disposal receivable under the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the present financial resources available to the Remaining Group including but not limited to its internally generated revenue and funds, cash and cash equivalents on hand, and in the absence of unforeseen circumstances, the Remaining Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

MATERIAL ADVERSE CHANGE

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 2013, the date to which the latest published audited financial statements of the Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis extracted from the annual reports of the Group for the financial years ended 31 March 2011, 2012 and 2013, and the interim report for the six months ended 30 September 2013, and as modified as appropriate:

(a) Management discussion and analysis for the six months ended 30 September 2013

Business review and outlook

For the six months ended 30 September 2013, the Group was 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.

For the six months ended 30 September 2013, the Group recorded a turnover of RMB230.2 million, representing an increase of 25.6% as compared with the turnover of RMB183.3 million for the six months ended 30 September 2012. The increase in turnover was mainly contributed by the revenue of Wealthy Honor Holdings Limited (盛新控股有限公司) ("Wealthy Honor") and its subsidiaries for one month. Completion of acquisition of the entire issued share capital of Wealthy Honor (the "2013 Acquisition") took place on 30 August 2013.

During the six months ended 30 September 2013, the Group recorded a gross profit of RMB39.5 million, representing a decrease of 10.1% as compared with the gross profit of RMB43.9 million for the six months ended 30 September 2012.

The Group recorded a net profit of RMB37 million for the six months ended 30 September 2013, compared to the net loss of RMB4.2 million for the six months ended 30 September 2012. The Group's basic and diluted earnings per Share were RMB1.34 cent and 1.24 cent respectively.

Comments on segment information

The Group's business operations were mainly divided into four reportable segments during the six months ended 30 September 2013, namely (1) manufacturing and trading business; (2) retail business; (3) wholesale business; and (3) investment holding business.

For the six months ended 30 September 2013, the revenue of the Group's manufacturing and trading business amounted to RMB168.7 million representing a decrease of RMB14.7 million or 8.0% when compared with that of RMB183.4 million for the six months ended 30 September 2012.

The retail and wholesale businesses of Wealthy Honor and its subsidiaries acquired by the Group in August 2013 contributed one month's revenue of RMB40.4 million and RMB22.6 million respectively to the Group's revenue for the six months ended 30 September 2013.

For the six months ended 30 September 2013, the revenue of the Group's investment holding business amounted to RMB2.3 million which is the same as that for the six months ended 30 September 2012.

Geographical segment information

North America remained the Group's primary market, which accounted for 49.0% of total revenue. The remaining revenue was derived from Europe 3.0%, Hong Kong 0.3%, PRC 36.7%, Taiwan 4.1% and others 6.9%, respectively.

Major customers and suppliers

The percentage of purchases and sales for the six months ended 30 September 2013 attributable to the Group's major suppliers and customers were as follows:

Purchases

– the largest supplier 20.8%
– five largest suppliers 51.0%

Sales

– the largest customer 17.5%
– five largest customers 44.2%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

On 30 August 2013, the Company allotted and issued 1,700,000,000 Shares at the issue price of HK$0.30 per Share and issued the consideration convertible bonds in the principal amount of HK$382,800,000 at the initial conversion price of HK$0.30 per Share to Shi Hui Holdings Limited (世通控股有限公司) ("Shi Hui"). For details of this major change in the capital structure of the Company, please refer to the circular of the Company dated 22 May 2013.

As at 30 September 2013, the Group's major borrowings included loans provided by Bank of Communications, Shenzhen and Ningbo Branches, which had an outstanding balance of RMB500.9 million, other borrowings from a Shareholder, related companies and a third party totaling RMB75.3 million. All of the Group's borrowings have been denominated in RMB, USD and HKD made on floating-rate and fixed-rate bases, of which borrowings of approximately RMB5.1 million were made on fixed rate.

Financial resources and liquidity

As at 30 September 2013, the Group's net assets increased to RMB844.9 million, rendering net asset value per Share at RMB20.23 cents. The Group's total assets at that date were valued at RMB2,749.0 million, including cash and bank deposits totaling approximately RMB308.5 million. Consolidated bank borrowings and other borrowings amounted to RMB500.9 million and RMB75.3 million respectively.

The Group's debt-to-equity ratio (bank and other borrowings over total equity) improved from 152.9% as at 31 March 2013 to 68.2% as at 30 September 2013. The debt-to-equity ratio as at 30 September 2013 was calculated as follows:–

	RMB '000
Other payables	
Due to related companies	69,968
Loan from a third party	5,088
Loan from a related company	–
Loan from/due to a Shareholder	271
Bank borrowings	500,947
Obligations under finance leases	8
Total debts	576,282
Total equity	844,858
Debt-to-equity ratio	68.2%

Finance costs

For the six months ended 30 September 2013, the Group recorded finance costs amounting to approximately RMB11,395,000 representing an increase of RMB4,209,000 or 58.57% as compared with the last corresponding period. Such increase was mainly due to increase in bank borrowings after completion of acquisition of Wealthy Honor in August 2013.

Administrative and other operating expenses

For the six months ended 30 September 2013, the Group recorded administrative and other operating expenses amounting to approximately RMB55,756,000, representing an increase of approximately RMB25,431,000 or 83.86% as compared with the last corresponding period.

Material investment in new business

During the six months ended 30 September 2013, the Group's equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") remained at 24.76%. VMCL is an associate company of the Group and its core business is the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

On 30 August 2013, the Company completed its acquisition of the entire issued share capital of Wealthy Honor. Wealthy Honor and its subsidiaries are principally engaged in the rental operation of one department store and the retail operations of one department store and a chain of supermarkets comprising thirty-six (36) supermarkets, as well as wholesale of electrical appliances, alcohol, wine and beverage. For further details of the said acquisition, please refer to the announcement of the Company dated 5 March 2013 and the circular of the Company dated 22 May 2013.

On 20 June 2013, 寧波利時信息科技有限公司(Ningbo Lisi Information Technology Co., Ltd*) ("Ningbo Lisi"), a wholly-owned subsidiary of the Company entered into the share transfer agreement with 寧波華盛實業總公司 (Ningbo Hua Sheng Industrial Company*) ("Hua Sheng Industrial") whereby Ningbo Lisi agreed to purchase 5% of the issued share capital of 寧波新江廈股份有限公司(New JoySun Corp.*) ("New JoySun", together with its subsidiaries, "New JoySun Group") from Hua Sheng Industrial at a consideration of RMB31,665,000. Upon completion of the said share transfer and the 2013 Acquisition in August 2013, New JoySun has become a wholly-owned subsidiary of the Company.

Pledge of assets

The Group's investment properties with a carrying value of RMB626.3 million as at 30 September 2013 and all investment properties were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 30 September 2013, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilisation of the Company's assets, and improvement of capital assets to improve operations efficiency and to meet customer needs and market demand. Sources of funding were expected to come primarily from trading revenue that the Group would generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 30 September 2013, save as disclosed herein, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HKD and USD. The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of RMB. Given that RMB is not yet an international hard currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group. However, as most of the Group's raw materials procurement for manufacturing business were settled in USD and HKD, and most of the Group's customers accepted the passing-on of the rising costs, to various extent, due to the appreciation of RMB, the effect arising from the relevant risk can be reduced. Looking forward, as the Chinese Government is driving RMB to get more internationalised and towards free floating in the coming years, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the business operations of the Group in this respect.

With the acquisition of the domestic retail and wholesale business in Ningbo in August 2013, the Group will have a relatively substantial portion of business which has both revenues and expenditures essentially in RMB. From this perspective, the currency exposure of the Group will be relatively diluted.

Employees and remuneration policy

As at 30 September 2013, the Group employed a workforce of 2,605 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the six months ended 30 September 2013.

(b) Management discussion and analysis for the year ended 31 March 2013

Business review and outlook

For the year ended 31 March 2013, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2013, the Group recorded a turnover of RMB299,100,000, representing a decrease of 24.1% as compared with the turnover of RMB393,890,000 for the year ended 31 March 2012. During the year ended 31 March 2013, the Group recorded a gross profit of RMB58,189,000, representing a decrease of 39.7% as compared with the gross profit of RMB96,459,000 for the year ended 31 March 2012.

The Group recorded a net loss of RMB32 million for the year ended 31 March 2013, compared to the net profit of RMB5.9 million for the year ended 31 March 2012. The Group's basic and diluted loss per Share was RMB1.29 cent.

The decline in the results of the Group for the year ended 31 March 2013 reflected the short term adverse impact of the relocation of the manufacturing facilities from Shenzhen to Ningbo including delay in sales orders from customers, temporary disruption in production capacity and operations and higher administrative expenses for one-off plant relocation and termination compensation to employees. Another factor of weaker performance for the year is the receipt of dividend income having been decreased to approximately RMB2.3 million from approximately RMB9.2 million recorded for the previous year.

Comments on segment information

The Group's business operations were mainly divided into three reportable segments during the year ended 31 March 2013, namely (1) manufacturing and trading business; (2) property investment business; and (3) investment holding business.

For the year ended 31 March 2013, the revenue of the Group's manufacturing and trading business amounted to RMB298.8 million representing a decrease of RMB89.5 million or 23.1% when compared with that of RMB388.3 million for the year ended 31 March 2012.

For the year ended 31 March 2013, the revenue of the Group's investment holding business amounted to RMB2.3 million when compared to RMB9.2 million for the year ended 31 March 2012.

Following the change of permitted use of the Jinda Land from industrial to residential and commercial uses and the relocation of the manufacturing facilities from Shenzhen to Ningbo in late 2012, the Jinda Land was reclassified from property, plant and equipment to investment property at the end of October 2012. During the year ended 31 March 2013, rental income derived from the property investment business amounted to RMB1 million.

Geographical segment information

North America remained the Group's primary market, which accounted for approximately 74.7% of total revenue. The remaining revenue was derived from markets in Europe 7.2%, Hong Kong 3.1%, PRC 4.7%, Taiwan 2.9% and others 7.4%, respectively.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 March 2013 attributable to the Group's major suppliers and customers were as follows:

Purchases

– the largest supplier 18.5%
– five largest suppliers 54.2%

Sales

– the largest customer 25.1%
– five largest customers 54.6%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

For the year ended 31 March 2013, the Company had no change in its issued share capital.

As at 31 March 2013, the Group's major borrowings included a three-year term loan provided by the Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB82 million, other bank borrowings of RMB72.8 million and due to and borrowings from a Shareholder, related companies and a third party totaling RMB126.9 million. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately RMB5.1 million were made on fixed rate.

Financial resources and liquidity

As at 31 March 2013, the Group's net assets decreased to RMB184.2 million, rendering net asset value per Share at RMB7.4 cents. The Group's total assets at that date were valued at RMB528.2 million, including cash and bank deposits totaling approximately RMB9.2 million. Consolidated bank borrowings and other borrowings amounted to RMB154.8 million and RMB126.9 million respectively.

The Group's debt-to-equity ratio (bank and other borrowings over total equity) increased from 119.9% as at 31 March 2012 to 152.9% as at 31 March 2013. The debt-to-equity ratio as at 31 March 2013 was calculated as follows:–

	RMB '000
Other payables	
Due to related companies	109,518
Loan from a third party	5,088
Loan from a related company	–
Loan from/due to a Shareholder	12,278
Bank borrowings	154,849
Obligations under finance leases	24
Total debts	281,757
Total equity	184,212
Debt-to-equity ratio	152.9%

Finance costs

For the year ended 31 March 2013, the Group recorded finance costs amounting to RMB12,945,000 representing an decrease of RMB1,433,000 or 9.97% as compared with the last corresponding period. Such decrease was mainly due to decrease in bank borrowings.

Administrative and other operating expenses

For the year ended 31 March 2013, the Group recorded administrative and other operating expenses amounting to approximately RMB62,769,000, representing an increase of approximately RMB5,774,000 or 10.13% as compared with the last corresponding period.

Material investment in new business

Pursuant to the share transfer agreement and the capital increase agreement entered into between Ningbo Lisi, a wholly-owned subsidiary of the Company, and various independent third parties in October 2010 (details of which are set out in the sub-section headed "Material investment in new business" under the section headed "(d) Management discussion and analysis of the year ended 31 March 2011" below), as at 31 March 2013, Ningbo Lisi owned 24.76% equity interest in VMCL, the registration of which was completed on 26 April 2012. VMCL is an associate company of the Group and its core business is the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

Another investment in new business in recent years is QLEC. During the year ended 31 March 2013, the Group's equity interest in QLEC was maintained at 8.54%. The core business of QLEC is the development and manufacturing of semiconductor materials.

On 4 March 2013, the Company (as purchaser) entered into the sale and purchase agreement with Shi Hui (as vendor) and Mr. Li Li Xin and his spouse, Ms. Jin Ya Er (as guarantors) whereby the Company agreed to acquire from Shi Hui the entire issued share capital of Wealthy Honor. Wealthy Honor and its subsidiaries are principally engaged in the rental operation of one department store and the retail operations of one department store and a chain of supermarkets comprising thirty-six (36) supermarkets, as well as wholesale of electrical appliances, alcohol, wine and beverage. For further details of the 2013 Acquisition, please refer to the announcement issued by the Company on 5 March 2013 and the circular dated 22 May 2013.

Pledge of assets

The Group's investment properties with a carrying value of RMB175.6 million as at 31 March 2013 were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 31 March 2013, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company's assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group would generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2013, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HKD and USD. The Group's exposure to currency exchange fluctuation risk will be in line with the gradual appreciation of RMB which is widely expected in the foreign exchange market. As RMB is not yet an international currency, the hedging tools available in the market are very limited. During the year ended 31 March 2013, the Group had not done any hedge against foreign currency exposure. However, the management considered that, given the prudent and gradual measures taken by the PRC government against the appreciation of RMB, the currency risk is still limited.

Employees and remuneration policy

As at 31 March 2013, the Group employed a workforce of 1,343 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the year ended 31 March 2013.

(c) Management discussion and analysis for the year ended 31 March 2012

Business review and outlook

For the year ended 31 March 2012, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2012, the Group recorded a turnover of RMB393,890,000, representing an increase of 2.5% as compared with the turnover of RMB384,461,000 for the last corresponding period. During the year ended 31 March 2012, the Group recorded a gross profit of RMB96,459,000. Driven by increase in sales and contribution and improvement of cost management from the Group's factory in Ningbo City, the results were slightly improved as compared to the gross profit of RMB86,256,000 in the last corresponding period. Besides, the receipts of dividends with a total of RMB9,159,000 from the Group's newly acquired business were another good contributor to the income the Group.

Net profit for the year ended 31 March 2012 decreased by 43.2% to approximately RMB5,948,000, compared to a net profit of RMB10,467,000 for the last corresponding period. The Group's basic and diluted earnings per Share was RMB0.24 cent.

The slight decrease in net profit was mainly attributable to the price volatility of major raw materials in the global markets and the resultant rise of local production costs in the Group's PRC factories as a result of this volatility.

As at 31 March 2012, the Group aimed to continue its cost control measures and business strategy of focusing on higher margin products and customers that had been improving the Group's business and financial performance. The Group targeted to diversify new product lines to optimise the production capacity and to get hold of market opportunities. Lastly, the Group also planned to continue to explore potential businesses that have strong growth potential and good earnings which can contribute to a faster growth of the Group and provide better return to the Shareholders.

Comments on segment information

The Group's business operations were mainly divided into two reportable segments during the year ended 31 March 2012, namely (1) manufacturing and trading business; and (2) investment holding business. The investment holding business included a newly acquired business which was a good contributor to the income of the Group (details of which please refer to the sub-section headed "Material investment in new business under this section").

For the year ended 31 March 2012, the revenue of the Group's manufacturing and trading business amounted to RMB388,302,000, representing a slight increase of 0.36% from the last corresponding period.

For the year ended 31 March 2012, the revenue of the Group's investment holding business amounted to RMB9,159,000, being the dividend income received from a newly acquired business.

Geographical segment information

North America remained the Group's primary market, which accounted for approximately 71.1% of total revenue. The remaining revenue was derived from markets in Europe 7.9%, Hong Kong 4.7%, PRC 5.5%, Taiwan 2.1% and others 8.7%, respectively.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 March 2012 attributable to the Group's major suppliers and customers were as follows:

Purchases

– the largest supplier 10.0%
– five largest suppliers 31.4%

Sales

– the largest customer 26.2%
– five largest customers 57.5%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

For the year ended 31 March 2012, the Company had no change in its issued share capital.

As at 31 March 2012, the Group's major borrowings included a three-year term loan provided by the Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB102,000,000, other bank borrowings of RMB65,035,000 and due to and borrowings from a Shareholder, related companies and a third party totaling RMB81,918,000. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately RMB5,204,000 were made on fixed rate.

Financial resources and liquidity

As at 31 March 2012, the Group's net assets increased to RMB207,679,000, rendering net asset value per Share at RMB8.5 cents. The Group's total assets at that date were valued at RMB540,939,000, including cash and bank deposits totaling approximately RMB11,073,000 which were dominated in RMB, HKD, USD and EUR. Consolidated bank borrowings and other borrowings amounted to RMB167,035,000 and RMB81.9 million respectively.

The Group's debt-to-equity ratio (bank and other borrowings over total equity) increased from 104.9% as at 31 March 2011 to 119.9% as at 31 March 2012. The debt-to-equity ratio as at 31 March 2012 was calculated as follows:

	RMB '000 (restated)
Other payables	
Due to related companies	35,583
Loan from a third party	5,148
Loan from a related company	40,000
Loan from/due to a Shareholder	1,187
Bank borrowings	167,035
Obligations under finance leases	56
Total debts	249,009
Total equity	207,679
Debt-to-equity ratio	119.9%

Finance costs

For the year ended 31 March 2012, the Group recorded finance costs amounting to approximately RMB14,378,000 representing an increase of approximately RMB4,365,000 or 43.59% as compared with the last corresponding period. Such increase was mainly due to increase in bank borrowings.

Administrative and other operating expenses

For the year ended 31 March 2012, the Group recorded administrative and other operating expenses amounting to approximately RMB56,995,000, representing an increase of approximately RMB7,912,000 or 16.12% as compared with the last corresponding period.

The increase in the administrative expenses was related to the planned relocation of the Group's manufacturing factory from Shenzhen to Ningbo City, which had a short-term negative impact on the Group's results of operations. Such increased administrative expenses included the additional provision of severance payments to employees in the Shenzhen plant (amounting to RMB6.8 million) and were already reflected in the books of the Group. The financial results for the year ended 31 March 2012 had already absorbed a significant portion of the short term hit from such higher expenses and additional provision.

Material investment in new business

Pursuant to the share transfer agreement and the capital increase agreement entered into between Ningbo Lisi, a wholly-owned subsidiary of the Company, and various independent third parties in October 2010 (details of which are set out in the sub-section headed “Material investment in new business” under the section headed “(c) Management discussion and analysis of the year ended 31 March 2011” below), Ningbo Lisi’s equity interest in VMCL increased to 22.35% on 29 November 2011 and subsequently increased to 24.76% upon completion of the said agreements on 26 April 2012. Thus, VMCL became an associate company of the Group. The core business of VMCL is engaged in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

The Group also made an investment in QLEC. During the year ended 31 March 2012, the Group’s equity interest in QLEC was diluted slightly from 8.83% to 8.54% due to a share increase program in QLEC of which the sole purpose was to attract/retain senior executives who would be of the most crucial importance for the development of the company. This share increase program had support from all the shareholders of QLEC.

Pledge of assets

The Group’s leasehold land and buildings having a carrying value of RMB110.3 million as at 31 March 2012 (31 March 2011: RMB128.9 million) were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 31 March 2012, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company’s assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group would generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2012, the Company had no material contingent liabilities.

Change in functional currency

Prior to the year ended 31 March 2012, the Directors regarded HKD as the functional currency of the Company. Upon completion of the acquisition of a wholly-owned subsidiary group in Ningbo City whose functional currency is RMB in April 2010 and the restructuring of the Group’s operation in Shenzhen, in April 2011, the Directors considered that the primary economic environment had been substantially changed. Since then, the Company’s primary source of revenue has been derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the Directors determined that the functional currency of the Company shall be changed from HKD to RMB starting from 1 April 2011. Such change of functional currency from HKD to RMB would help to minimise the impact of exchange gain/loss on the operating results of the Group due to fluctuation of RMB.

Employees and remuneration policy

As at 31 March 2012, the Group employed a workforce of 1,463 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the year ended 31 March 2012.

(d) Management discussion and analysis for the year ended 31 March 2011

Business review and outlook

For the year ended 31 March 2011, the principal business activities of the Group were the manufacture and supply of household products with multi-product categories with the goal to develop and offer sophisticated range of household products with favourable margins.

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK$457,691,000, representing an increase of 59.3% as compared with the turnover of HK$287,224,000 for the last corresponding period. Net profit for the year ended 31 March 2011 increased by 43.8% to HK$12,459,000, compared to a net profit of HK$8,666,000 for the last corresponding period. The Group's basic earnings per Share was HK0.52 cent.

The completion of the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City on 30 April 2010 had contributed important immediate growth in the then existing household product business of the Group and further strengthened the leading role of the Company in the market. The synergies from larger customer base, increased production efficiency and more comprehensive range of household products was expected to further improve the financial performance of the Group.

During the year ended 31 March 2011, the Group completed acquisitions of new businesses, details of which are set out in the sub-section headed "Material investment in new business" under this section.

As at 31 March 2011, the Group aimed to continue its cost control measures and business strategy of focusing on higher margin products and customers that had successfully improved the Group's business and financial performance in previous years. The Group also aimed to step up its efforts to explore new businesses.

Comments on segment information

The Group's business operations were not divided into different reportable segments. The Group had only one operating segment of manufacturing and trading of household products. The manufacturing and trading business of the Group recorded a revenue of HK$460,607,000 for the year ended 31 March 2011.

Geographical segment information

North America remained the Group's primary market, which accounted for 75.6% of total revenue. The remaining comprised of revenue from Europe 7.2%, Hong Kong 8.0% and others 9.2%, respectively.

Major customers and suppliers

The percentages of purchases and sales for the year ended 31 March 2011 attributable to the Group's major suppliers and customers were as follows:

Purchases

– the largest supplier 11.3%
– five largest suppliers 35.3%

Sales

– the largest customer 38.9%
– five largest customers 63.3%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Financial review

Capital structure

On 30 April 2010, the Company completed the share subscription and 937,500,000 Shares at the subscription price of HK$0.16 per Share were issued and allotted to Big-Max, a substantial Shareholder, at a total cash consideration of HK$150,000,000. As at 31 March 2011, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK$140,477,000, other bank borrowings of HK$29,217,000 and advance and borrowings from a Shareholder, related companies and a third party totalling HK$84,646,000. All of the Group's borrowings had been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately HK$6,460,000 were made on fixed rate.

Financial resources and liquidity

As at 31 March 2011, the Group's net assets increased to HK$242,603,000, rendering net asset value per Share at HK9.8 cents. The Group's total assets at that date were valued at HK$610,596,000, including cash and bank deposits totaling approximately HK$17,371,000 which were dominated in RMB, HKD, USD and EUR. Consolidated bank borrowings amounted to HK$169,694,000.

The Company had increased share capital during the year ended 31 March 2011 and its debt-to-equity ratio (bank and other borrowings over total equity) decreased from 215.1% as at 31 March 2010 to 104.9% as at 31 March 2011. The debt-to-equity ratio as at 31 March 2011 was calculated as follows:

	RMB '000
Other payables	
Due to related companies	28,646
Loan from a third party	6,355
Loan from a related company	47,619
Loan from/due to a Shareholder	2,026
Bank borrowings	169,694
Obligations under finance leases	105
Total debts	254,445
Total equity	242,603
Debt-to-equity ratio	104.9%

Finance costs

For the year ended 31 March 2011, the Group recorded finance costs amounting to approximately HK$11,921,000 representing an increase of approximately HK$3,706,000 or 45.11% as compared with the last corresponding period. Such increase was mainly due to increase in bank borrowings and rise in the interest rate in the market.

Administrative and other operating expenses

For the year ended 31 March 2011, the Group recorded administrative and other operating expenses amounting to approximately HK$58,433,000 representing an increase of approximately HK$18,457,000 or 46.17% as compared with the last corresponding period.

Material investment in new business

On 30 April 2010, the Group completed the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo City from Big-Max, a substantial Shareholder, for a consideration of HK$90,000,000.

On 25 October 2010, Ningbo Lisi entered into the share transfer agreement and the capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, would have 24.76% interest in the registered capital of VMCL at a total consideration of RMB40,000,000. On 15 December 2010, the share transfer agreement was executed and 12.06% equity interest in VMCL was transferred to Ningbo Lisi. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

On 28 December 2010, Ningbo Lisi, a wholly owned subsidiary of the Company, completed the acquisition of an aggregate of 8.826% equity interest in QLEC at an aggregate consideration of approximately RMB68,086,690. QLEC is one of the leading semiconductor suppliers in the PRC.

Pledge of Assets

The Group's leasehold land and buildings having a carrying value of HK$153,435,000 as at 31 March 2011 (31 March 2010: HK$164,944,000) were pledged to secure banking facilities of the Group.

Capital expenditure and commitments

As at 31 March 2011, the Group aimed to continue to allocate a reasonable amount of resources to acquisition, better utilisation of the Company's assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding were expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing.

Contingent liabilities

As at 31 March 2011, the Company had no material contingent liabilities.

Exposure to foreign-exchange fluctuations

The Group's monetary assets and liabilities were principally denominated in HKD, RMB and USD. As far as HKD remained pegged to the USD and the PRC government took prudent and gradual measures against the appreciation of RMB, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of RMB widely expected in the foreign exchange market. Given that RMB is not an international currency, there is no effective method to hedge.

Employees and remuneration policy

As at 31 March 2011, the Group employed a workforce of 2,038 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the year ended 31 March 2011.

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the unaudited financial information of the Jinda Land for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2013 are set out below. In the opinion of the Board of the Company, such information has been properly compiled and derived from the relevant accounting records of the Group. The Company has engaged KPMG, the auditors of the Company, to perform certain agreed upon procedures and report their factual finding in respect of the unaudited financial information of the Jinda Land set out below in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. KPMG agreed such financial information to the relevant accounting records of the Group. The findings on the agreed-upon procedures were reported solely for the information of the Directors of the Company and should not be used or relied upon by any other parties for any other purposes.

UNAUDITED FINANCIAL INFORMATION OF THE JINDA LAND

	Years ended 31 March		**Six months ended 30 September**
	2013	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Rental income	3,063	914	647
Expenses	(13,393)	(12,207)	(6,258)
Losses before taxation	(10,330)	(11,293)	(5,611)
Income tax	–	–	–
Net loss for the year	(10,330)	(11,293)	(5,611)

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following unaudited pro forma financial information, comprising the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 September 2013 and the unaudited pro forma consolidated net assets statement at 30 September 2013, prepared in accordance with Rule 4.29 and Rule 14.68(2)(b)(ii) of the Listing Rules is for illustrative purpose only, and is set forth below to illustrate (i) the effect of the Disposal on the Group's financial performance as if the Disposal had taken place on 1 April 2013; and (ii) the effect of the Disposal on the Group's financial position as if the Disposal had taken place on 30 September 2013.

The unaudited pro forma financial information of the Remaining Group has been prepared using accounting policies consistent with that of the Group and based on the unaudited consolidated statement of profit or loss of the Group for the six months ended 30 September 2013 and the unaudited consolidated statement of financial position of the Group as at 30 September 2013 as extracted from the Group's published interim report for the six months ended 30 September 2013, after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Disposal that are (i) directly attributable to the Disposal concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The unaudited pro forma financial information of the Remaining Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated net assets statement of the Remaining Group do not purport to describe the actual financial performance and financial position of the Remaining Group that would have been attained had the Disposal been completed on 1 April 2013 or 30 September 2013 or any future dates. Furthermore, the accompanying unaudited pro forma financial information of the Remaining Group does not purport to give a true picture of the Remaining Group's financial performance and financial position or predict the Group's future financial performance and financial position.

The unaudited pro forma financial information should be read in conjunction with the "Financial information of the Group" set forth in Appendix I to this circular, "Unaudited Financial Information of the Jinda Land" set forth in Appendix II to this circular and other financial information included elsewhere in this circular.

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

	The Group for the six months ended 30 September 2013	Pro forma Adjustments	Unaudited Pro forma The Remaining Group for the six months ended 30 September 2013
	RMB'000	*RMB'000*	*RMB'000*
	(Section A Note 3(i))	*(Section A Note 3(ii))*	
Turnover	230,153	(647)	229,506
Cost of sales	(190,636)	–	(190,636)
Gross profit	39,517	(647)	38,870
Other revenue	3,901	–	3,901
Other income	473	–	473
Selling and distribution expenses	(12,709)	–	(12,709)
Administrative and other operating expenses	(55,756)	6,258	(49,498)
Finance costs	(11,395)	–	(11,395)
Gain on a bargain purchase	73,637	–	73,637
Share of results of an associate	2,558	–	2,558
Net gain on disposal of the Jinda Land	–	1,448,400	1,448,400
Profit before taxation	40,226	1,454,011	1,494,237
Income tax expense	(3,236)	(351,647)	(354,883)
Profit for the period	36,990	1,102,364	1,139,354

2. UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE REMAINING GROUP

	The Group as at 30 September 2013 *RMB'000* *(Section A Note 3(i))*	Pro forma Adjustments *RMB'000* *(Section A Note 3(ii))*	Unaudited Pro forma Remaining Group as at 30 September 2013 *RMB'000*
Non-current assets			
Property, plant and equipment	893,617	–	893,617
Investment properties	626,260	(175,600)	450,660
Goodwill	43,313	–	43,313
Intangible assets	20,436	–	20,436
Interest in an associate	43,234	–	43,234
Available-for-sale financial assets	84,881	–	84,881
Prepayment	11,215	–	11,215
	1,722,956	(175,600)	1,547,356
Current assets			
Inventories	186,380	–	186,380
Trade and other receivables	433,399	–	433,399
Convertible bonds – option derivative	97,786	–	97,786
Bank balances and cash	308,507	1,624,000	1,932,507
	1,026,072	1,624,000	2,650,072
Current liabilities			
Trade and other payables	531,321	–	531,321
Tax payables	4,485	350,245	354,730
Current portion of bank borrowings	500,947	–	500,947
Current portion of obligations under finance leases	8	–	8
	1,036,761	350,245	1,387,006
Net current (liabilities)/assets	(10,689)	1,273,755	1,263,066
Total assets less current liabilities	1,712,267	1,098,155	2,810,422
Non-current liabilities			
Long-term portion of bank borrowings	351,650	–	351,650
Convertible bonds	234,363	–	234,363
Deferred tax liabilities	281,396	(2,865)	278,531
	867,409	(2,865)	864,544
NET ASSETS	844,858	1,101,020	1,945,878

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(i) The unaudited consolidated statement of profit or loss of the Group for the six months ended 30 September 2013 and the unaudited consolidated net assets statement of the Group at 30 September 2013 were extracted from the Group's interim report for the six months ended 30 September 2013, being the most recently published financial information of the Group. The Board considered the Group's financial performance are not significantly affected by seasonal factors.

(ii) The Disposal

As described in the section headed "Letter from the Board" of this circular, the Company, through an indirect wholly-owned subsidiary, namely Jinda Plastic, has entered into the Relocation Compensation Agreement and the Supplemental Agreement with Xinshun Property to dispose of the Group's Jinda Land for a total consideration of RMB1,782.0 million (the "Compensation").

Pursuant to the Relocation Compensation Agreement and the Supplemental Agreement, the following conditions are relevant to the preparation of this unaudited pro forma financial information:

- Jinda Plastic will be responsible to the demolition of the buildings and structures erected on the Jinda Land and to deliver a vacant land to Xinshun Property. Based on market information on similar transactions, the Board of the Company estimated the cost of demolition and restoration of the Jinda Land will approximate RMB158.0 million.

- Upon Xinshun Property being named developer of the Jinda Land, Xinshun Property agreed to pay the related land premium to the relevant government authorities of up to RMB900.0 million (the "Capped Land Premium"). The Capped Land Premium of RMB900.0 million was an estimate agreed between Jinda Plastic and Xinshun Property with reference to the land premium charged by the government authorities in respect of recent sale transactions of land in nearby locations. If the actual land premium payable is determined by the government authorities at a sum less than RMB900.0 million, the amount of the Compensation will 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 authorities at a sum more than RMB900.0 million, the amount of the Compensation will be adjusted downwards by an amount equal to the difference between the Capped Land Premium and the actual land premium payable. For the purpose of this unaudited pro forma financial information, the land premium payable is assumed to be RMB900.0 million with no adjustments being made to the Compensation.

- The Group provided a guarantee that the area available for development by Xinshun Property to be approved by the relevant government authorities of the Jinda Land will be no less than 259,530 square metres. If the actual approved area available for development by Xinshun Property is determined to be less than 259,530 square metres by relevant government authorities, the amount of the Compensation will be adjusted downwards. For the purpose of this unaudited pro forma financial information, it is assumed that no adjustments will be made to the Compensation.

The pro forma adjustment in the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 September 2013, as if the Disposal had taken place on 1 April 2013, reflects the following:

- The decrease in turnover of RMB0.6 million, being the reversal of the rental income from leasing certain staff quarters on the Jinda Land.

- The decrease in administrative and other operating expenses of RMB6.3 million, being the reversal of various expenses incurred for the maintenance of the Jinda Land.

- A net gain on disposal of the Jinda Land of RMB1,448.4 million, being the difference between the Compensation and the carrying amount of the Jinda Land at 1 April 2013 of RMB175.6 million, after deduction of the estimated demolition and restoration costs of RMB158.0 million mentioned above.

- An increase in income tax expense of RMB351.6 million, being the above net gain on disposal calculated at Jinda Plastic's applicable income tax rate of 25%, and after taken into account the unused tax losses in previous years of RMB53.3 million and non-deductible valuation surplus in the carrying amount of the Jinda Land of RMB11.5 million.

The pro forma adjustment in the unaudited pro forma consolidated net assets statement at 30 September 2013, as if the Disposal had taken place on 30 September 2013, reflects the following:

- The decrease of investment properties of RMB175.6 million, being the carrying amount of the Jinda Land at 30 September 2013.

- The increase in bank balances and cash of RMB1,624.0 million, being the Compensation of RMB1,782.0 million, after deduction of the estimated demolition and restoration costs of RMB158.0 million mentioned above being paid in cash at 30 September 2013.

- The increase in tax payables of RMB350.2 million, being the net gain on disposal of the Jinda Land at 30 September 2013 calculated at Jinda Plastic's applicable income tax rate of 25%, and after taken into account the unused tax losses in previous years of RMB58.9 million and non-deductible valuation surplus in the carrying amount of the Jinda Land of RMB11.5 million.

- The decrease in deferred tax liabilities of RMB2.9 million, being the reversal of deferred tax liabilities in connection with the fair value adjustments of the Jinda Land recognised at 30 September 2013.

B. The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Company's pro forma financial information for the purpose in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

18 June 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF LISI GROUP (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 September 2013 and the unaudited pro forma consolidated net assets statement as at 30 September 2013 and related notes as set out in Part A of Appendix III to the circular dated 18 June 2014 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of the land owned by Jinda Plastic Metal Products (Shenzhen) Co., Ltd., an indirect wholly-owned subsidiary of the Company (the "Disposal"), on the Group's financial performance for the six months ended 30 September 2013 and the Group's financial position as at 30 September 2013 as if the Disposal had taken place at 1 April 2013 and 30 September 2013, respectively. As part of this process, information about the Group's financial performance for the six months ended 30 September 2013 and the Group's financial position as at 30 September 2013 has been extracted by the Directors from the interim report of the Group for the six months ended 30 September 2013, on which no review report has been published.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 1 April 2013 or 30 September 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the Jinda Industrial Area Urban Renovation Project in the PRC as at 26 May 2014.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

18 June 2014

The Board of Directors
Lisi Group (Holdings) Limited
Unit A, 5/F
Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

Re: A piece of Land of Relocation Compensation, with a total site area of approximately 74,746.6 square metres which is designated for integrated commercial and residential uses, for the Jinda Industrial Area Urban Renovation Project within the Jinda Industrial Area, Bao'an District, Shenzhen, Guangdong Province, the People's Republic of China

Instructions, Purpose & Date of Valuation

In accordance with the instruction of Lisi Group (Holdings) Limited (referred to as the "Company") for us to value the property (the "Property") owned partly by 金達塑膠五金製品(深圳)有限公司 (Jinda Plastic Metal Products (Shenzhen) Co., Limited*) ("Jinda Plastic"), a company established in the PRC and an indirect wholly-owned subsidiary of the Company (together referred to as "Group") and owned partly by Mr. Ng Woon Yim(吳換炎先生)("Mr. Ng"), an ex-director of a subsidiary of the Company in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of market value in existing state of the Property as at 26 May 2014 (the "valuation date").

The Property comprises the Jinda Land owned by Jinda Plastic and the Ng Land owned by Mr. Ng. We have valued the Property as a whole.

* *For identification purposes only*

DEFINITION OF MARKET VALUE

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property situated in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the legal adviser, 廣東揚權律師事務所 dated 28 May 2014, regarding the title to the Property and the interest in the Property. In valuing the Property, we have prepared our valuation on the basis that the owner has enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

METHOD OF VALUATION

The Property is an industrial land and is planned to change to commercial and residential use by paying supplemental land premium. In valuing the Property which is held for development in the PRC; we have adopted Direct Comparison Approach by making reference to comparables sales evidence as available in the relevant market. We have taken into the supplemental land premium payable.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institutes of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, particulars of occupancy, development scheme, estimated supplemental land premium payable, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. We have not been able to cause title search for the Property in the PRC but we have made reference to the copies of the title documents and the PRC Legal opinion which have been made available to us by the Company. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our DTZ Shenzhen Office valuer, Danica Luo, has inspected the exterior and, wherever possible, the interior of the Property in May 2014. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 21 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property held for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 26 May 2014
A piece of land of Relocation Compensation, with a total site area of approximately 74,746.6 square metres which is designated for integrated commercial and residential uses, for the Jinda Industrial Area Urban Renovation Project within the Jinda Industrial Area, Bao'an District, Shenzhen, Guangdong Province, the People's Republic of China	The Property, Jinda Industrial Area Urban Renovation Project, covers an aggregate site area of approximately 74,746.60 square metres and comprises the Jinda Land and the Ng Land. The Jinda Land with a site area of 71,033.39 square metres is owned by Jinda Plastic and the Ng Land with a site area of approximately 3,713.21 square metres is owned by Mr. Ng. We have valued the Property, as a whole, as a land planned for commercial and residential development and disregarded the existing abandoned factory, warehouses, staff quarters and canteen buildings. According to 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(草案)的公示" issued by Shenzhen Urban Planning and Land Resources Committee Bao'an Administration Bureau on 25 January 2014, the Property has a total site area of 74,725.9 square metres, in which 57,948.4 square metres will be devoted for development. The planned above-ground total gross floor area is approximately 286,850 square metres for commercial and residential uses. The saleable gross floor area is approximately 259,530 square metres.	Save for certain staff quarters having been leased to an Independent Third Party to be expired by 30 June 2014, the Property is currently a vacant abandoned former manufacturing plant of Jinda Plastic pending site clearance for future commercial and residential development. The staff quarters have been leased to the Independent Third Party at a monthly rent of RMB32,000. There is no direct outgoings or disbursements from the rent of the staff quarters	RMB1,850,000,000 (On the assumption that the industrial land has commercial and residential uses potential in due course. 95% interest attributable to Jinda Land: RMB1,757,500,000. Please see Note 2 below.)

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 26 May 2014
Cont'd	The Property is located in Bao'an District which is in urban area of Shenzhen in Guangdong Province. Its south abuts Xing Tang Road, its east abuts Jiao Tang Village; its north abuts Chuang Cheng Road; its west abuts Sha Jing Road. Developments nearby are mainly residential development and vacant lands. According to the information provided by the Company, there is no condition imposed as to construction of municipal road, drainage and other facilities for public use. The current land use rights of the Property (in which except 20.46 square metres land) have been granted for a term of 50 years from 10 November 1991 to 9 November 2041 for industrial use. However, the Government is planned to change the Property for commercial and residential uses. In the course of our valuation, we have taken into account that the Property has the potential to change for commercial and residential uses.	–	–

Notes:

(1) According to various Real Estate Title Certificates and the information of the Company, the current land rights status of the Jingda Land and Ng Land is vested in Jinda Plastic as follows:

Lot No.	Owner	Site Area square metres	% of each Land to Grand Total	Land Use Rights Nature	Existing Building Use
A309-0221	Jinda Plastic	5,269.80		a	–
A309-003	Jinda Plastic	11,702.90		a	Factory
A309-0245	Jinda Plastic	9,175.09		a	Factory
A309-0219	Jinda Plastic	7,398.70		a	Warehouse
A309-0220	Jinda Plastic	2,563.90		a	Staff quarters
A309-013	Jinda Plastic	3,932.60		a	Staff quarters
A309-004	Jinda Plastic	4,470.80		a	Staff quarters and canteen
A309-0247	Jinda Plastic	26,499.15		a	Buildings without title certificate
	Sub-total of Land with Real Estate Title Certificates	**71,012.94**			–
–	Jinda Plastic	20.45		b	–
	Sub-total of Jinda Plastic	**71,033.39**	95%		
A309-0246	Mr. Ng	3,713.21	5%	a	Staff quarters
	Grand total	**74,746.60**	**100%**		

a – Granted for a term of 50 years from 10 November 1991 to 9 November 2041 for industrial use with Real Estate Title Certificates.

b – Land grant procedures not completed yet. There is another version of data that the site area of 20.45 square metres is 20.71 square metres.

(2) According to the information provided by the Company, the estimated supplemental land premium payable for the change of land use from industrial to commercial and residential uses is approximately RMB900,000,000; in the course of our valuation, we have taken into the said supplemental land premium payable.

The Market Value in existing state, assuming the Property is a granted commercial residential land, as at 26 May 2014 was RMB2,750,000,000 (95% interest attributable to Jinda Land: RMB2,612,500,000).

(3) According to Business Licence No. 440301503312539 dated 10 December 2013, Jinda Plastic was established on 17 May 1993 as a limited liability company.

(4) According to the PRC legal opinion:

(i) Jinda Plastic established and validly existing according to the law, except in the closed state since January 2013, it did not find the existence of other cases in accordance with laws, regulations, articles of association and other normative documents need to be terminated;

(ii) Jinda Plastic legally owns a total site area of 71,012.94 square metres granted nature industrial land, and are mortgaged to Bank of Hangzhou, Ningbo Branch; after the mortgage registration is released, the obstacle to the exercise of its rights is erased;

(iii) Jinda Plastic has the right to transfer, dispose of the related interest by the way of entering into an agreement, in accordance with the conditions and procedures specified in the laws, regulations and normative documents;

(iv) Jinda Plastic is responsible to apply to the government departments for verification processing of the not perfect transfer formalities levy 20.45 square meters of land; Jinda Plastics is responsible to process the application to the government for the verification of the inconsistency of the site area of 20.45 and 20.71 square meters; and to remove this site from the urban renovation project;

(v) Mr. Ng legally owns a total site area of 3,713.21 square metres industrial land;

(vi) According to 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(草案)的公示" issued by Shenzhen Urban Planning and Land Resources Committee Bao'an Administration Bureau on 25 January 2014, Jinda Industrial Area Urban Renovation Project has a total site area of 74,725.9 square metres, in which 57,948.4 square metres will be devoted for development. The planned above-ground total gross floor area is approximately 286,850 square metres for commercial and residential uses. The saleable gross floor area is approximately 259,530 square metres; and

(vii) Jinda Plastic still has a historical issue of property disputes and conflicts with Sha Tau Residents' Committee; no consensus to resolve disputes and conflicts, arrangement or agreement has reached yet. Jinda Plastic needs to deal with this historical issue of property disputes and conflicts promptly and safely. Otherwise, the issue will constitute a significant hazard and risk to the transfer and dispose of the land.

(5) According to the information provided by the Company and the legal opinion, the status of the title and grant of major approvals and licenses are as follows:

Real Estate Title Certificates (Industrial)	Yes (Except for 20.45 sq m land)
Land Grant Contract	No
Business Licence	Yes (Jinda Plastic)

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 to the best of their knowledge and belief that 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

As at the Latest Practicable Date

Authorised:	*HK$*
10,000,000,000 Shares of a nominal value of HK$0.01 each	100,000,000.00
Issued and fully paid:	
4,176,963,794 Shares of a nominal value of HK$0.01 each	41,769,637.94

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

At the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 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 were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Li Li Xin	*See note below*	3,050,493,014	73.03%
Mr. Xu Jin	Personal	253,837,198	6.08%

Note: Mr Li Li Xin's interest in 3,050,493,014 Shares is held as to 5,892,000 Shares personally, 15,620,000 Shares through his spouse Jin Ya Er, 1,328,981,014 Shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,700,000,000 Shares through Shi Hui which is wholly-owned by Big-Max. The issued share capital of Big-Max is beneficially owned as to 90% by Mr Li Li Xin and as to 10% by his spouse, Jin Ya Er.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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 which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The following is a list of the Directors who, as at the Latest Practicable Date, were also directors or employees of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director	Name of Shareholder	Capacity of Director in Shareholder	Number of Shares held by the Shareholder	Aggregate percentage of the issued share capital of the Company as at the Latest Practicable Date
Mr. Li Li Xin	Shi Hui	Director	1,700,000,000	40.70%
Mr. Li Li Xin	Big Max	Director	1,328,981,014	31.82%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Directors' interests in assets and contracts of the Group

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

On 4 March 2013, the Company (as purchaser) entered into a sale and purchase agreement with Shi Hui (as vendor), Mr. Li Li Xin (the chairman, an executive Director and a controlling Shareholder of the Company) and his spouse, Ms. Jin Ya Er (as guarantor) whereby the Company agreed to acquire the entire issued share capital of Wealthy Honor from Shi Hui (the 2013 Acquisition) for the consideration of HK$892,800,000. Completion of the 2013 Acquisition took place on 30 August 2013.

Shi Hui, the vendor, is indirectly wholly-owned by Mr. Li Li Xin and his spouse. Wealthy Honour, the target company, was indirectly wholly-owned by Mr. Li Li Xin and his spouse prior to completion of the 2013 Acquisition. As such, Mr. Li Li Xin had material interest in the 2013 Acquisition. Please refer to the announcements of the Company dated 5 March 2013 and 30 August 2013 and the circular of the Company dated 22 May 2013 for details of the 2013 Acquisition.

(c) Directors' service contracts

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

(d) 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 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 Li Xin, the chairman, an executive Director and a controlling Shareholder of the Company, together with his spouse beneficially owns 98.15% equity interest of Lisi Co. Mr. Cheng Jian He, an executive Director, is also a director of Lisi Co. As at the Latest Practicable Date, the principal businesses of 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 Target 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.

4. SUBSTANTIAL SHAREHOLDERS

Other than the interests in respect of the Directors and chief executive of the Company as disclosed in paragraph 3(a), as at the Latest Practicable Date, so far as is known to the Directors or the Chief Executive of the Company, there is no other person who held interests or short positions in the Shares and underlying Shares which would need to be disclosed to the Company under the provisions interested in of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had an option in respect of such capital.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular:

(a) the sale and purchase agreement dated 28 November 2012 between Big-Max Manufacturing Co., Limited (達美製造有限公司) ("Big-Max") and Treasure Time Holdings Limited (豐時控股有限公司) ("Treasure Time") whereby Big-Max agreed to sell and Treasure Time agreed to purchase 84.3% equity interest in 達美(寧波)電器有限公司 (Da Mei (Ningbo) Electrical Appliance Limited*) at a consideration of US$6,441,679;

(b) the sale and purchase agreement dated 4 March 2013 among the Company and Shi Hui, Mr. Li Li Xin and Ms. Jin Ya Er whereby the Company agreed to acquire the entire issued share capital of Wealthy Honor from Shi Hui at a consideration of HK$892,800,000;

(c) the equity transfer agreement dated 6 March 2013 between Lisi Co and New JoySun whereby Lisi Co agreed to transfer 32% equity interest in 寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*) to New JoySun at a consideration of RMB9,600,000;

(d) the share transfer agreement dated 20 June 2013 between 寧波利時信息科技有限公司 (Ningbo Lisi Information Technology Co., Ltd*) ("Ningbo Lisi") and 寧波華盛實業總公司 (Ningbo Hua Sheng Industrial Company*) ("Hua Sheng Industrial") whereby Ningbo Lisi agreed to purchase 5% of the issued share capital of New JoySun from Hua Sheng Industrial at a consideration of RMB31,665,000; and

(e) the Relocation Compensation Agreement and the Supplemental Agreement.

6. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice to the contents of this circular:

Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified public accountants
DTZ Debenham Tie Leung Limited	Independent property valuer

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

As at the Latest Practicable Date, none of the experts has any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the experts has any direct or indirect interests in any assets which have been, since 31 March 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any members of the Group.

8. GENERAL

(a) The company secretary of the Company is Mr. Lau Kin Hon. He is a Hong Kong practicing solicitor. He is currently a non-executive Director.

(b) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

(c) The principal place of business of the Company is Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(d) The Hong Kong branch share registrar and transfer of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "5. Material Contracts" in this appendix;

(c) the Relocation Compensation Agreement and the Supplemental Agreement;

(d) the written consents of the experts referred to in the paragraph headed "6. Experts and Consents" in this appendix;

(e) the annual reports of the Company for the three years ended 31 March 2013 and the interim report of the Company for the six months ended 30 September 2013;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 19 of this circular;

(g) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 30 of this circular;

(h) the unaudited financial information of the Jinda Land;

(i) the letter from KPMG in respect of the unaudited financial information of the Jinda Land;

(j) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(k) the letter from KPMG on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(l) the property valuation report issued by DTZ, as set out in Appendix IV to this circular; and

(m) the circular of the Company dated 22 May 2013.

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) (the "Company") will be held at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Tuesday, 8 July 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company.

ORDINARY RESOLUTION

"**THAT**

(a) the relocation compensation agreement (the "Relocation Compensation Agreement") dated 19 May 2014 entered into between 金達塑膠五金製品(深圳)有限公司 (Jinda Plastic Metal Products (Shenzhen) Co., Limited*) and 深圳市星順房地產開發有限公司 (Shenzhen City Xinshun Property Development Company Limited*) (as supplemented by the supplemental agreement (the "Supplemental Agreement") thereto of the same date between the same parties) (copies of the Relocation Compensation Agreement and the Supplemental Agreement have been produced to this meeting marked "A" and "B" and initialled by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder (the details of which are set out in the Company's circular dated 18 June 2014) be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute, deliver all such documents and take all such actions as he or she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Relocation Compensation Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder."

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

Hong Kong, 18 June 2014

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, and in such event, the form of proxy shall be deemed to be revoked.