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LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED
SHARE CAPITAL OF MEGA CONVENTION GROUP LIMITED;
(2) ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE;
AND
(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to the Company

Deloitte.
德勤

**Deloitte & Touche Corporate
Finance Limited**

Financial adviser to the Vendor

 **建银国际**
CCB International

THE ACQUISITION

Reference is made to the announcement of the Company dated 25 September 2015 in relation to the entering of the MOU. The Board is pleased to announce that, further to the entering of the MOU, on 9 August 2016 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% and less than 100%, the entering of the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Further, subject to the achievement of the Target Audited Net Profit by the Target Group, the Vendor (an Independent Third Party) may be interested in up to 3,115,393,976 Shares (calculated with reference to the Illustrative Exchange Rate), representing approximately 40.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As a result, the Vendor and its shareholders may become controlling shareholder and controller, within the meaning of the Listing Rules, of the Company. Accordingly, the entering into of the Acquisition Agreement also constitutes a connected transaction for the Company according to Rule 14A.28 of the Listing Rules and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder and his associates are therefore required to abstain from voting on the relevant resolution(s) to approve the Acquisition at the SGM.

Target Audited Net Profit

Pursuant to the Acquisition Agreement, if the Target Audited Net Profit for the financial year ending 31 December 2016 and 31 December 2017 (i.e. RMB30 million and RMB80 million, respectively) have been achieved by the Target Group, Tranche B Consideration Shares and Tranche C Consideration Shares will be allotted and issued to the Vendor and/or its designated party. Please refer to the section headed "Consideration" for details of the impact on the Consideration with regard to the Target Audited Net Profit.

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

On 2 June 2016, the OPCo and Binhai Car City entered into the Strategic Cooperative Agreement for a period of three years with retrospective effect commencing from 1 January 2016 and ending on 31 December 2018.

Details of the Strategic Cooperative Agreement are set forth in the paragraph headed "Possible Continuing Connected Transactions" in this announcement.

Upon Completion, (i) the Vendor will become a substantial shareholder of the Company and therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules; and (ii) the Target Company will become a direct wholly-owned subsidiary of the Company. Binhai Car City is a company held as to 98% by the son-in-law and 2% by the brother of the ultimate beneficial owner of the Vendor, Binhai Car City is therefore an associate of a connected person of the Company upon Completion. Accordingly, the transactions with Binhai Car City as contemplated under the Strategic Cooperative Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules upon Completion.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the annual cap amount under the Strategic Cooperative Agreement are more than 5%, the transactions under the Strategic Cooperative Agreement are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under the Listing Rules.

GENERAL

The IBC, comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transaction has been established in compliance with Rule 14A.41 of the Listing Rules. Grand Vinco Capital Limited has been appointed by the IBC as the Independent Financial Adviser with respect to the Acquisition and the Continuing Connected Transaction.

The SGM will be convened for the purpose of considering, among other things, the approval of (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) approving the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; (iii) the Continuing Connected Transaction; and (iv) the appointment of a personnel nominated by the Vendor as an executive Director subject to Completion and with effect the Completion Date.

The Circular containing, among other things, further details of the Acquisition, the Specific Mandate, the Continuing Connected Transactions, a letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transaction and the notice of SGM will be despatched to the Shareholders in accordance with the Listing Rules. As additional time is required to prepare the financial information of the Target Group to be included in the circular, the circular is expected to be despatched by the Company to the Shareholders on or before 30 September 2016.

Completion of the Acquisition is subject to the conditions precedent under the paragraph headed "Conditions Precedent of the Acquisition" in this announcement, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 25 September 2015 in relation to the entering of the MOU. The Board is pleased to announce that, further to the entering of the MOU, on 9 August 2016 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement. The principal terms of the Acquisition Agreement are set out below:

Date

9 August 2016 (after trading hours of the Stock Exchange)

Parties

- (i) the Company; and
- (ii) the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Acquisition Agreement.

Consideration

Subject to the satisfaction of the Target Audited Net Profit, the Consideration for the Sale Shares shall be up to RMB916,000,000, and will be settled by the Company by the allotment and issue of Consideration Shares to the Vendor and/or its designated party credited as fully paid in three tranches at the Issue Price of HK\$0.3712 per Consideration Share in the following manner:

- (i) the first tranche of the Consideration shall be paid by the Company by the allotment and issue of Tranche A Consideration Shares to the Vendor and/or its designated party on the Completion Date, which shall comprise of the number of Consideration Shares equal to the sum of (a) RMB100,000,000; and (b) RMB20,000,000 multiplied by 8.5, and be converted into equivalent amount in Hong Kong dollars at the then Agreed Exchange Rate and divided by the Issue Price. For illustrative purposes only, the number of Tranche A Consideration Shares determined with reference to the Illustrative Exchange Rate will be 918,292,984 Shares, equivalent to approximately 20.04% of the total Shares in issue as at the date of the Acquisition Agreement. For the avoidance of doubt, the actual number of Tranche A Consideration Shares will be determined with reference to the then Agreed Exchange Rate as aforementioned;

- (ii) subject to the satisfaction of the Target Audited Net Profit by the Target Group for the financial year ending 31 December 2016 (i.e. no less than RMB30,000,000), the second tranche of the Consideration shall be paid by the Company by the allotment and issue of Tranche B Consideration Shares to the Vendor and/or its designated party within 10 Business Days immediately upon the release of the signed auditors' report of the Target Group for the financial year ending 31 December 2016, which shall comprise of the number of Consideration Shares equal to the amount of RMB10,000,000 multiplied by 8.5, and be converted into equivalent amount in Hong Kong dollars at the then Agreed Exchange Rate and divided by the Issue Price. For illustration purposes only, the number of Tranche B Consideration Shares determined with reference to the Illustrative Exchange Rate will be 289,092,236 Shares, equivalent to approximately 6.31% of the total Shares in issue as at the date of the Acquisition Agreement. For the avoidance of doubt, the actual number of Tranche B Consideration Shares, if any, will be determined with reference to the then Agreed Exchange Rate as aforementioned; and
- (iii) subject to the satisfaction of the Target Audited Net Profit by the Target Group for the financial year ending 31 December 2017 (i.e. no less than RMB80,000,000), the third tranche of the Consideration shall be paid by the Company by the allotment and issue of Tranche C Consideration Shares to the Vendor and/or its designated party within 10 Business Days immediately upon the release of the signed auditors' report of the Target Group for the financial year ending 31 December 2017, which shall comprise of the number of Consideration Shares equal to the amount of the difference between (a) the actual audited after-tax net profit of the Target Group for the year ending 31 December 2017; and (b) RMB30,000,000 multiplied by 8.5, and be converted into equivalent amount in Hong Kong dollars at the then Agreed Exchange Rate and divided by the Issue Price, subject to a maximum amount being RMB66,000,000 multiplied by 8.5, and be converted into equivalent amount in Hong Kong dollars at the then Agreed Exchange Rate and divided by the Issue Price (the "Maximum Tranche C Consideration Shares"). For the avoidance of doubt, even if the actual audited after-tax net profit of the Target Group for the year ending 31 December 2017 exceeds RMB96,000,000, the amount of Tranche C Consideration Shares to be allotted and issued shall only equal to the Maximum Tranche C Consideration Shares.

For illustrative purposes only, the amount of Tranche C Consideration Shares determined with reference to the Illustrative Exchange Rate on the assumption that the actual audited after-tax net profit of the Target Group for the financial year ending 31 December 2017 exceeds RMB96,000,000 will be 1,908,008,756 Shares, equivalent to approximately 41.64% of the total Shares in issue as at the date of the Acquisition Agreement. However, the actual number of Tranche C Consideration Shares, if any, will be determined with reference to the then Agreed Exchange Rate and the actual audited after-tax net profit of the Target Group for the year ending 31 December 2017 as aforementioned. For the avoidance of doubt, in the event that the Vendor is required to (a) reduce its shareholdings in the Company to avoid the triggering of the General Offer Obligation; or (b) obtain a whitewash waiver from the Executive waiving the General Offer Obligation pursuant to Note 1 on Dispensations from Rule 26 of the Tarkovers Code, the time limit to which the Company shall allot and issue the Tranche C Consideration Shares to the Vendor and/or its designated party shall be 10 Business Days upon completion of (a) or (b) above.

The Company undertakes that, so long as permitted under relevant laws, during the period from the date of the Acquisition Agreement up till the allotment and issue of the Tranche C Consideration Shares to the Vendor, the Company will not increase its share capital or undertake any other changes which affect its issued share capital (including but not limited to share issue, consolidation or split), unless otherwise consented by the Vendor in writing and corresponding adjustments having been made to the Consideration Shares to be allotted and issued to the Vendor so as to maintain the relevant shareholding percentage of the Vendor as described above. Provided that if after any of the Consideration Shares have been allotted and issued to the Vendor, and the Vendor decreases its shareholdings in the Company (a) upon consent being obtained from the Company as set forth in the paragraph headed “Lock-up Undertakings by the Vendor” below or (b) for the avoidance of the triggering of the General Offer Obligation, the Company has no obligation to adjust the amount of Consideration Shares to be allotted and issued to the Vendor in relation to the portion of Consideration Shares disposed by the Vendor pursuant to (a) or (b) above.

For the avoidance of doubt, the respective tranches of the Consideration Shares will only be allotted and issued to the Vendor if and when the Target Audited Net Profit for the two financial years ending 31 December 2016 and 2017 can be achieved by the Target Group in accordance with the terms of the Acquisition Agreement.

The Issue Price

The Issue Price of HK\$0.3712 per Consideration Share represents:

- (i) a discount of approximately 43.76% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on 9 August 2016, being the date of the Acquisition Agreement;
- (ii) a discount of approximately 43.93% to the average closing price of approximately HK\$0.662 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Acquisition Agreement; and
- (iii) a discount of approximately 43.41% to the average closing price of approximately HK\$0.656 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Acquisition Agreement.

The Consideration Shares represent approximately:

- (i) 68.00% of the existing issued share capital of the Company as at the date of the Acquisition Agreement; and
- (ii) 40.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming (i) there will be no change in the issued share capital of the Company between the date of the Acquisition Agreement and the issue date of the Tranch C Consideration Shares save for the issue of the Consideration Shares; and (ii) the audited after-tax net profit of the Target Group for the financial year ending 31 December 2017 exceeds RMB96,000,000).

The Consideration (including the Issue Price) was arrived upon arm's length negotiations between the Company and the Vendor with reference to (1) the net asset value of the Target Company as of 31 December 2015 according to the combined financial statements of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards; (2) the undertaking from the Vendor in relation to the Target Audited Net Profit; (3) the business prospects of the Target Group; and (4) the price-to-earnings ratio of the companies whose principal activity is similar to that of the Target Group.

Conditions precedent of the Acquisition

Completion is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (i) the Target Group having completed the Reorganisation pursuant to the Acquisition Agreement, all government approvals, filings and licenses relevant to the Reorganisation having been obtained and/or completed, and the transfer price with respect to the relevant share transfers involved in the Reorganisation having been fully paid and settled in accordance with applicable laws and regulations, and without any outstanding payment;

- (ii) the passing of the following resolution(s) by the Independent Shareholders at the SGM approving:
 - (a) the Acquisition Agreement and the transactions contemplated thereunder;
 - (b) the allotment and issue of Consideration Shares by the Company to the Vendor (or its designated party) pursuant to the Specific Mandate;
 - (c) the Continuing Connected Transaction; and
 - (d) the appointment of a personnel nominated by the Vendor as an executive Director subject to Completion and with effect from the Completion Date;
- (iii) the listing committee of the Stock Exchange having approved the listing of, and permission to deal in, the Consideration Shares;
- (iv) the warranties set out in the Acquisition Agreement given by the Vendor remaining true, accurate and not misleading in all material respects;
- (v) since the date of the Acquisition Agreement and up till the Completion Date, there being no material adverse effect in respect of the business, assets or operation of the Target Group having been discovered;
- (vi) the Vendor having obtained all necessary approvals, consents, notices required under applicable laws and regulations and other agreements or contracts in relation to the Acquisition Agreement;
- (vii) all third party consents, approvals and notices which is required to be obtained by the Vendor pursuant to any applicable laws or agreements involving the Vendor or any company of the Target Group, and in connection with the transactions contemplated under the Acquisition Agreement having been obtained;
- (viii) the Vendor having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Acquisition Agreement on or before the Completion Date in all material respects;
- (ix) the Target Company having obtained all necessary consents and approval, including the approvals from its board of directors and shareholders which are necessary to be obtained for any of the transactions contemplated under the Acquisition Agreement and the execution of any relevant documents; and
- (x) the Vendor having provided to the Company (i) the Strategic Cooperative Agreement in relation to the Continuing Connected Transaction; and (ii) the financial statements of the Target Group for the financial year ended 31 December 2015 (which indicates that the audited after-tax net profit amounted to RMB20,000,000 or above).

None of the conditions precedent under the Acquisition Agreement can be waived by either the Company or the Vendor.

In the event that any of the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Acquisition Agreement shall cease and terminate immediately. Upon which, parties to the Acquisition Agreement shall be released and discharged from their respective obligations under the Acquisition Agreement, save for obligations with continuing effect under the Acquisition Agreement.

Completion of the Acquisition

Completion shall take place on the Completion Date.

In the event that either the Company or the Vendor is unable to perform their respective completion obligations on the Completion Date as set out in the Acquisition Agreement, the non-defaulting party may, by written notice to the defaulting party, determine to:

- (a) proceed with the Completion so far as practicable; or
- (b) delay the Completion to a later date, but no later than the Long Stop Date; or
- (c) terminate the Acquisition Agreement.

Target Audited Net Profit

Pursuant to the Acquisition Agreement, if the Target Audited Net Profit for the financial years ending 31 December 2016 and 31 December 2017 (i.e. RMB30 million and RMB80 million, respectively) have been achieved by the Target Group, Tranche B Consideration Shares and Tranche C Consideration Shares will be allotted and issued to the Vendor and/or its designated party. Please refer to the section headed “Consideration” above for details of the impact on the Consideration with regard to the Target Audited Net Profit.

The Target Audited Net Profit shall be audited by the auditors of the Company and the parties to the Acquisition Agreement shall procure that the relevant auditors’ report on the financial statements of the Target Group for the relevant financial year be available to all the parties within three (3) months upon the end of the respective financial year.

Undertakings by the Company

Pursuant to the Acquisition Agreement, among others, the Company undertakes to the Vendor that for so long as it is permitted under applicable laws (including but not limited to the Listing Rules and the Takeovers Code), in the event that Target Audited Net Profit for the two financial years ending 31 December 2016 and 31 December 2017 are satisfied by the Target Group and upon the allotment and issue of Tranche C Consideration Shares, the Vendor shall have the right to nominate two personnel to be a non-executive Director and an independent non-executive Director by issuing a nomination notice to the Company, and the Company shall within 30 days upon receipt of such notice of nomination, procure a board meeting of the Company to be convened to consider and approve the resolutions for the appointment of such personnel

nominated by the Vendor as non-executive Director and independent non-executive Director and put forward such resolutions at the next annual general meeting or any special general meeting (whichever is earlier) of the Company for the appointment or re-election (as the case may be) of such personnel nominated by the Vendor as non-executive Director and independent non-executive Director, respectively.

Further announcement will be made in respect of such appointments as and when appropriate in accordance with the Listing Rules.

Undertakings by the Vendor

Pursuant to the Acquisition Agreement, among others, the Vendor undertakes to the Company that:

- (i) upon Completion, the Vendor shall procure that each of the companies of the Target Group to increase such necessary number(s) of directors to complement the need for the business development of the Target Group, on the principle that the number of directors for each of the companies of the Target Group shall be an odd number in the range of 3 to 7. Further, upon Completion, the Vendor shall procure the appointment of such personnel as nominated by the Company to be appointed as a financial controller to the OPCo (if the Company considers necessary);
- (ii) the Vendor shall with its reasonable efforts provide all necessary information to the Company for the purpose of obtaining the Shareholders' approval as required by the Listing Rules and the Takeovers Code; and
- (iii) the Vendor shall not, under any circumstances, be entitled to receive any special dividend to be approved by the Shareholders at the 2016 annual general meeting of the Company, regardless of whether the Vendor has become a shareholder of the Company at the time when the special dividend is declared.

Lock-up Undertakings by the Vendor

The Vendor further undertakes to the Company that (except with the prior written consent from the Company or for the purpose to avoid the General Offer Obligation and save for any pledge of the Consideration Shares for the purpose of financing operational needs of the Target Group given that the outstanding balance of such financing as at 30 June 2017 and 30 June 2018 shall not exceed the HK\$ equivalent of RMB50,000,000 and RMB100,000,000, respectively), from the date of the Acquisition Agreement up till 31 March 2019 (or such earlier date as may otherwise be agreed between the Company and the Vendor in writing), it will not and will procure that its associates (if any) will not:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (or enter into any agreement to transfer or dispose of or otherwise create any options, interests or encumbrances) (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of such Consideration Shares or any interests therein; or

- (ii) enter into any swap or other arrangement that transfers, in whole or in part, the economic effect of ownership of such Consideration Shares or any interests therein; or
- (iii) enter into any such transaction, the economic effect of which is the same as described in (i) or (ii) above; or
- (iv) propose or agree or enter into or announce any intention to enter into or effect any such transaction described in (i) or (ii) or (iii) above.

Ranking of the Consideration Shares

The Consideration Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

MANDATE TO ISSUE THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Consideration Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the effect of the issue of the Consideration Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the date of this announcement and assuming Completion having taken place, without taking into account the issue of any other new Shares, if any, after the date of this announcement and prior to the allotment and issue of the Tranche C Consideration Shares and on the assumptions as set forth in the paragraph headed “Consideration” above:

	As at the date of this announcement		Immediately upon the allotment and issue of the Tranche A Consideration Shares		Immediately upon the allotment and issue of the Tranche A Consideration Shares and Tranche B Consideration Shares		Immediately upon the allotment and issue of all the Consideration Shares (including the Tranche C Consideration Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Li Lixin and his associates (Note 1)	2,843,631,680	62.07%	2,843,631,680	51.70%	2,843,631,680	49.12%	2,843,631,680	36.94%
The Vendor	–	–	918,292,984	16.70%	1,207,385,220	20.86%	3,115,393,976	40.48%
Public Shareholders	1,738,000,255	37.93%	1,738,000,255	31.60%	1,738,000,255	30.02%	1,738,000,255	22.58%
	4,581,631,935	100%	5,499,924,919	100%	5,789,017,155	100%	7,697,025,911	100%

Note 1: Mr. Li Lixin's interests in 2,843,631,680 Shares is held as to 9,822,000 Shares personally, 19,258,000 Shares through his spouse Ms. Jin Yaer, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited and 1,482,412,666 Shares through Shi Hui Holdings Limited, which is wholly-owned by Big-Max Manufacturing Co., Limited. The issued share capital of Big-Max Manufacturing Co., Limited is beneficially owned as to 90% by Mr. Li Lixin and as to 10% by his spouse, Ms. Jin Yaer.

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in manufacturing and trading of household products, operation of department stores and supermarkets, and wholesale of wine and beverages, electrical appliances and investments holdings. Whilst the Group maintains its core businesses, the Board continuously explores different investment opportunities, which are of good potentials and able to generate return to the Shareholders, and is of the view that the Acquisition presents an excellent opportunity for the Group to leverage on the expertise and resources of the Target Group to develop its business of Parallel Import of cars in the PRC.

The Board believes that automotive industry is a fast growing market in the PRC with significant growth potential. For the six months ended 30 June 2016, there were a total of approximately 13.28 million cars newly registered in the PRC, according to the Ministry of Public Security of the PRC, which represented an increase of 1.99 million (or approximately 17.62%) as compared to the same period of last year. Further, according to China Association of Automobile Manufacturers, an organization founded with the approval of the Ministry of Civil Affairs of the PRC and consisting over 2,000 enterprises in the automotive industry, the total car sales in the first half of 2016 reached 11.04 million, which represented approximately 9.23% increment as compared to the same period of last year.

The Target Group possesses well-established business connection with suppliers, purchase agents and customers within the sector of the Parallel Import of cars in the TJFTZ. According to information from the People's Government of Tianjin Biahai New Area (天津濱海新區政府), sales of Parallel Imported Cars in TJFTZ accounted for approximately 74% and approximately 83% of the national total sales of Parallel Imported Cars in the PRC for the year of 2015 and the first four months of 2016, respectively. Furthermore, the Pilot Implementation Plan of TJFTZ for Parallel Imported Cars was promulgated in May 2015, which specifies the qualifications for the relevant pilot platforms and enterprises in TJFTZ and therefore facilitates the competitiveness of the Parallel Imported Cars in the market. In February 2016, several governmental departments in the PRC including Ministry of Commerce, Ministry of Public Security, Ministry of Transport and the General Administration of Customs jointly published a guideline (關於促進汽車平行進口試點的若干意見) in relation to the promotion of Parallel Import of cars. In the aforesaid guideline, a series of policies and measures are stipulated regarding pilot entities engaged in Parallel Import of cars, including how to apply for automatic import license, how to deal with compulsory

product certification, inspection and quarantine, customs declaration, registration, etc. The aforesaid policy and guideline are expected to be beneficial to the Parallel Import of cars in the PRC. In view of such favorable governmental measures, coupled with the increasing disposable income of citizens in the PRC which is expected to drive the demand for the high-end Parallel Imported Cars, the Board believes that the Target Group will benefit from the positive market sentiment.

Upon Completion, the Group will be able to consolidate the financial results of the Target Group into that of the Group. As a result, the financial performance and position of the Group is expected to be improved.

In consideration of the Target Audited Net Profit, the future prospects of the Target Group and other factors as mentioned above, the Directors (other than the independent non-executive Directors) consider that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Intention of the Vendor regarding the Group

The Vendor intends that the Group will continue its existing principal business. The Vendor also shares the view of the Board that the Group will be able to develop the business of Parallel Import of cars in the PRC by leveraging on the expertise and resources of the Target Group as mentioned in the section headed “Information of the Group and reasons for and benefit of the Acquisition”.

The Vendor has no current intention to make major changes to the existing employment arrangement of the Group, save for the nomination of Directors as detailed in the section headed “Undertakings by the Company”. The Vendor is considering suitable candidates and information regarding the proposed Directors to be nominated by the Vendor, and all other relevant information will be announced when appropriate and in compliance with the relevant rules and regulations.

The Company has not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal, express or implied, and negotiation (whether concluded or not) with an intention to acquire any new asset, business or body corporate, other than pursuant to the Acquisition Agreement and in the ordinary course of business, and/or to dispose of the existing business of the Group.

Financial information of the Target Group

As at 31 December 2015, the combined net asset value (unaudited) of the Target Group amounted to RMB121,049,000. Set out below are selected combined financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 December 2014 and 31 December 2015:

	Year ended 31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net (loss)/profit before taxation	<u>(2,615)</u>	<u>30,499</u>
Net (loss)/profit after taxation	<u>(2,344)</u>	<u>23,143</u>

INFORMATION OF THE VENDOR

The Vendor is an investment holding company. As at the date of the Acquisition Agreement, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company.

The Target Company indirectly wholly owns the entire issued equity interest in the OPCo, which is principally engaged in, among other businesses, the Parallel Import and trading of Parallel Imported Cars.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% and less than 100%, the entering of the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Further, subject to the achievement of the Target Audited Net Profit by the Target Group, (calculated with reference to the Illustrative Exchange Rate) the Vendor (an Independent Third Party) may be interested in up to 3,115,393,976 Shares, representing approximately 40.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As a result, the Vendor and its shareholders may become controlling shareholders and controllers, within the meaning of the Listing Rules, of the Company. Accordingly, the entering into of the Acquisition

Agreement also constitutes a connected transaction for the Company according to Rule 14A.28 of the Listing Rules and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder and his associates are therefore required to abstain from voting on the relevant resolution(s) to approve the Acquisition at the SGM.

POSSIBLE CONTINUING CONNECTED TRANSACTION

On 2 June 2016, the OPCo and Binhai Car City entered into the Strategic Cooperative Agreement for a period of three years with retrospective effect commencing from 1 January 2016 and ending on 31 December 2018.

The principal terms of the Strategic Cooperative Agreement are set out below:

Strategic Cooperative Agreement

Date	:	2 June 2016
Parties	:	(1) the OPCo; and (2) Binhai Car City
Subject	:	Pursuant to the Strategic Cooperative Agreement, Binhai Car City agreed to supply to the OPCo such Parallel Imported Cars as the OPCo may order from time to time, and procure the completion of all necessary procedures for the purpose of overseas procurement, including but not limited to, logistics and port clearance as well as tax filings to ensure that the sale of such Parallel Imported Cars to the OPCo satisfy all applicable laws, regulations and other conditions.

The amount of the order of the Parallel Imported Cars to be made by the OPCo will be determined with reference to (i) the amount of inventory in stock; and (ii) the amount of orders with the OPCo placed by its customers.

Further, in the event that any customer of the OPCo suffer any loss as a result of any purchase of Parallel Imported Cars from the OPCo which in turn cause any loss of Binhai Car City, the loss of which has been proven to be caused by reason of the OPCo, the OPCo shall within 15 days compensate Binhai Car City of such amount. In this regard, within 30 days upon the entering of the Strategic Cooperative Agreement, the OPCo shall provide a sum of RMB50,000,000 as guarantee amount.

- Term: : The Strategic Cooperative Agreement has a fixed term of three years commenced from 1 January 2016 and ending on 31 December 2018. The OPCo has a right to terminate the Strategic Cooperative Agreement by giving 30 days prior written notice to Binhai Car City.
- Pricing Policy : The purchase prices of the Parallel Imported Cars payable by the OPCo to Binhai Car City will be determined with reference to the prevailing market prices of similar products available on the market, and on terms no less favourable to the terms other independent third parties may offer to the OPCo. On the assumption that all conditions being equal, if the purchase price offered by other independent third parties to the OPCo is lower than the purchase price offered by Binhai Car City to the OPCo, Binhai Car City shall reduce the purchase price to the level in line with the lowest price in the market as other independent third parties may offer.

In the event there are suppliers which supply cars of the same brand and quality, OPCo shall ask for a price quote from such suppliers. The transaction between OPCo and Binhai Car City shall be effective upon confirmation by OPCo that the purchase price offered to OPCo by Binhai Car City does not exceed that offered by other suppliers.

In the event no suppliers supply cars of the same brand and quality (i.e. Binhai Car City being the exclusive supplier), Binhai Car City shall provide OPCo with a record of the purchase prices offered by Binhai Car City to other customers for cars of such brand and quality during a period of 30 days prior to the date of the proposed transaction. The transaction between OPCo and Binhai Car City shall be effective upon confirmation by OPCo that the purchase price offered to OPCo does not exceed the purchase prices offered to other customers.

Settlement term : For Parallel Imported Cars to be purchased with reference to the OpCo's inventory level, 20% of the purchase price will be payable by the OPCo in cash when an order is placed within 3 days upon a change of inventory in stock and the remaining balance of the purchase price will be payable by the OPCo upon completion of tax and port clearance of the relevant Parallel Imported Cars after three months.

For Parallel Imported Cars to be purchased with reference to the amount of orders placed with the OpCo by its customers, 20% of the purchase price will be payable by the OPCo in cash when the OpCo receives the deposit sum from its customers and places an order with Binhai Car City and the remaining balance of the purchase price will be payable by the OPCo upon completion of tax and port clearance of the relevant Parallel Imported Cars after three months.

In the event that there is late payment of the purchase price by OpCo, OpCo will be required to pay Binhai Car City damages amounting to 0.5% of the total amount payable calculated on a daily basis.

Condition precedent : The Strategic Cooperative Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM.

Others : As the transactions with Binhai Car City contemplated under the Strategic Cooperative Agreement will constitute as continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules upon Completion, accordingly, upon Completion the obligations of the OPCo thereunder is subject to the fulfillment of relevant requirements under the Listing Rules applicable to the Company being complied with. If any such requirements cannot be fulfilled, the OPCo reserves the rights to terminate its rights and obligations under the Strategic Cooperative Agreement until the fulfillment of the requirements.

It is proposed that the cap amounts of the Continuing Connected Transaction for each of the three financial years ending 31 December 2018 will not exceed the following:

For the year ending 31 December	Annual Cap (RMB' million)
2016	390
2017	1,000
2018	900

The annual cap amounts of the Continuing Connected Transaction under the Strategic Cooperative Agreement are determined with reference to (i) the historical transaction amount for the year ended 31 December 2015; and (ii) the open market prices and the anticipated increases in business demand.

The historical transaction amount of the Continuing Connected Transaction for the year ended 31 December 2015 was RMB259,346,000.

Reasons for the Strategic Cooperative Agreement

Binhai Car City is a company established in the PRC and is one of the largest platform companies engaged in the Parallel Import of cars in the TJFTZ. It is expected that Binhai Car City will be able to provide efficient and reliable services for the Target Group in securing stable supply from overseas car dealers and quality port services.

The Directors (excluding the independent non-executive Directors) consider that the terms of the Strategic Cooperative Agreement are fair and reasonable and the entering into of the Strategic Cooperative Agreement is in the interest of the Company and the Independent Shareholders as a whole.

Listing Rules Implications

Upon Completion, (i) the Vendor will become a substantial shareholder of the Company and therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules; and (ii) the Target Company will become a direct wholly-owned subsidiary of the Company. Binhai Car City is a company held as to 98% by the son-in-law and 2% by the brother of the ultimate beneficial owner of the Vendor, Binhai Car City is therefore an associate of a connected person of the Company upon Completion. Accordingly, the transactions with Binhai Car City as contemplated under the Strategic Cooperative Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules upon Completion.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the annual cap amount under the Strategic Cooperative Agreement are more than 5%, the transactions under the Strategic Cooperative Agreement are subject to the requirements of reporting, announcement, circular and Independent Shareholders' approval under the Listing Rules.

Internal Control

Upon Completion, the pricing policy for the Continuing Connected Transaction of the Group will be supervised and monitored by the finance department and management of the Group to ensure the Continuing Connected Transaction are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel and management of the Group will conduct regular checks to review and assess whether individual transactions contemplated under Continuing Connected Transaction are conducted in accordance with the terms of its respective agreement and will also regularly review whether the price paid for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. The independent non-executive Directors will review the transactions contemplated under the Continuing Connected Transaction and the auditors of the Group will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Continuing Connected Transaction have been and will be conducted on normal commercial terms and in accordance with the pricing policy of the Group and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

The IBC comprising Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian, for the propose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transaction has been established in compliance with Rule 14A.41 of the Listing Rules. Grand Vinco Capital Limited has been appointed by the IBC as the Independent Financial Adviser with respect to the Acquisition and the Continuing Connected Transaction.

The SGM will be convened for the purpose of considering, among other things, the approval of (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; (iii) the Continuing Connected Transaction; and (iv) the appointment of a personnel nominated by the Vendor as an executive Director subject to Completion and with effect from the Completion Date.

The Circular containing, among other things, further details of the Acquisition, the Specific Mandate, the Continuing Connected Transaction, a letter of advice from the Independent Financial Adviser to the IBC and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transaction and the notice of SGM will be despatched to the Shareholders in accordance with the Listing Rules. As additional time is required to prepare the financial information of the Target Group to be included in the Circular, the Circular is expected to be despatched by the Company to the Shareholders on or before 30 September 2016.

Completion of the Acquisition is subject to the conditions precedent under the paragraph headed “Conditions Precedent of the Acquisition” in this announcement, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 9 August 2016 and entered into between the Company and the Vendor in relation to the Acquisition
“Agreed Exchange Rate”	the mid-point exchange rate applicable for conversion of RMB to HK\$ published by the People’s Bank of China as at the date of SGM, the date when the signed auditors’ report containing the after-tax net profit of the Target Group for the financial year ending 31 December 2016 is being issued and the date when the signed auditors’ report containing the after-tax net profit of the Target Group for the financial year ending 31 December 2017 is being issued for determining the amount of Tranche A Consideration Shares, Tranche B Consideration Shares and Tranche C Consideration Shares, respectively

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Binhai Car City”	天津濱海國際汽車城有限公司 (Tianjin Binhai International Car City Co., Ltd.*), a company established in the PRC
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong, Cayman Islands and the PRC
“Circular”	the circular of the Company to be despatched to the Shareholders in relation to, among others, further details of the Acquisition, the Specific Mandate, the Continuing Connected Transaction, a letter of advice from the independent financial adviser to the IBC and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transaction, and the notice of SGM in accordance with the Listing Rules
“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the date falling on the fifth Business Day from the satisfaction of all relevant conditions precedent in the Acquisition Agreement, or such later date as may be mutually agreed with the Vendor
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable for the Sale Shares under the Acquisition Agreement
“Consideration Share(s)”	the new Shares, including Tranche A Consideration Shares, Tranche B Consideration Shares and Tranche C Consideration Shares, to be allotted and issued by the Company to the Vendor and/or its designated party at the Issue Price of HK\$0.3712 each as the Consideration for the Acquisition

“Continuing Connected Transaction”	the continuing connected transactions as contemplated under the Strategic Cooperative Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“General Offer Obligation”	the Vendor’s obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Vendor and parties acting in concert with it
“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
“Illustrative Exchange Rate”	the exchange rate for conversion of RMB into HK\$ at the rate of HK\$1 = RMB0.79209 in this announcement solely for illustration purposes
“IBC”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Acquisition and the Continuing Connected Transaction
“Independent Financial Adviser”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340) and a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders who are not interested in or involved in the Acquisition Agreement and the Strategic Cooperative Agreement and the transactions contemplated thereunder

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder (within the meaning of Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Issue Price”	the issue price of HK\$0.3712 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2016 or such later date as the Company and the Vendor may agree in writing
“MOU”	the memorandum of understanding dated 25 September 2015 entered into by and between the Company and the Vendor
“OPCo”	天津開利星空汽車城運營管理有限公司(Tianjin Kaili Xingkong Car City Operations Management Co., Ltd.*), a company established in the PRC and an indirectly wholly-owned subsidiary of the Target Company
“Parallel Import”	the importation of goods bearing a registered trademark or manufactured under license into a different jurisdiction by the owner of the trademark or right, otherwise with the consent of such owner
“Parallel Imported Cars”	cars imported into the PRC by way of Parallel Import
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Reorganisation”	the reorganisation to be completed by the Target Group pursuant to the Acquisition Agreement, pursuant to which, the Target Company will indirectly hold the entire interests of the OPCo, being a company established under the laws of the PRC, through its interests in World Vast being a company incorporated under the laws of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Share(s)”	the entire issued share capital of the Target Company
“SGM”	the special general meeting to be convened by the Company to consider, and if thought fit, to approve (i) the Acquisition Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under the Specific Mandate; (ii) the Strategic Cooperative Agreement and the transactions contemplated thereunder; and (iii) the appointment of a personnel nominated by the Vendor as an executive Director subject to Completion and with effect from the Completion Date
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperative Agreement”	the strategic cooperative agreement dated 2 June 2016 entered into between the OPCo and Binhai Car City for the purchase of Parallel Imported Cars from Binhai Car City by the OPCo
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Audited Net Profit”	<p>The target audited after-tax net profits for the Target Group as follows:</p> <p>For the financial year ending 31 December 2016: no less than RMB 30,000,000</p> <p>For the financial year ending 31 December 2017: no less than RMB80,000,000</p>
“Target Company”	Mega Convention Group Limited, a company incorporated in the British Virgin Islands with limited liability and is the legal and beneficial owner of the entire equity interest in the OPCo

“Target Group”	the Target Company and its subsidiaries
“TJFTZ”	the China (Tianjin) Pilot Free Zone
“Tranche A Consideration Shares”	the first tranche Consideration Shares to be issued and allotted for satisfaction of the first tranche of the Consideration
“Tranche B Consideration Shares”	the second tranche Consideration Shares to be issued and allotted for satisfaction of the second tranche of the Consideration
“Tranche C Consideration Shares”	the third tranche Consideration Shares to be issued and allotted for satisfaction of the third tranche of the Consideration
“Vendor”	Mighty Mark Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Ms. Chen Weihong, an Independent Third Party as at the date of this announcement
“World Vast”	World Vast International Enterprise Limited (世浩國際企業有限公司), a company incorporated in Hong Kong with limited liability and the holding company of the OPCo
“%”	per cent.

** The English translation of the Chinese name is for identification purposes only, and should not be regarded as the official English translation of the same name.*

By Order of the Board
Lisi Group (Holdings) Limited
Li Lixin
Chairman

Hong Kong, 9 August 2016

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