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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 17 September 2017, the Company, the Vendor, and the Vendor's Guarantors entered into the SPA, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$1.4 billion.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 17 September 2017, the Company, the Vendor, and the Vendor's Guarantors entered into the SPA, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration, which shall be satisfied by the Consideration Shares and the Promissory Note to be issued by the Company to the Vendor.

THE SPA

The principal terms of the SPA are set out below:

Date: 17 September 2017

Parties: (i) the Company;
(ii) the Vendor; and
(iii) the Vendor's Guarantors

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor, its ultimate beneficial owners and the Vendor's Guarantors are Independent Third Parties.

Asset to be acquired

Pursuant to the SPA, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 51% of the issued share capital of the Target Company as at the date of this announcement.

Consideration

Pursuant to the terms of the SPA, the Consideration shall be HK\$1.4 billion. The Consideration shall be satisfied by the issue of the Consideration Shares and the Promissory Note by the Company to the Vendor.

Consideration Shares

As at the date of this announcement, the Company has 5,678,038,571 Shares in issue. The Consideration Shares represent approximately 20.0% of the existing issued share capital of the Company and approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company).

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the existing Shares then in issue on the date of allotment and issue, and be entitled to receive all dividends and distributions which may be declared by the Company on or after the date of allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued to the Vendor under the General Mandate within five Business Days after Completion. The Directors were authorised to allot and issue up to 1,135,607,714 new Shares pursuant to the General Mandate. Up to the date of this announcement, the Company has not issued any Shares under the General Mandate. Accordingly, the issue of the Consideration Shares is within the limit of the General Mandate and is not subject to any approval by the Shareholders.

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

The Issue Price of HK\$1.0 per Consideration Share represents:

- (i) a discount of approximately 13.04% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.1% to the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$1.032 per Share;
- (iii) a premium of approximately 10.62% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.904 per Share; and
- (iv) a premium of approximately 39.99% to the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.7143 per Share.

The Issue Price was determined after arm's length negotiations among the parties taking into account, among other things, the prevailing market performance of the Shares.

Promissory Note

The Company shall issue to the Vendor the Promissory Note in the principal amount of HK\$264,392,286 within five Business Days after Completion on the following principal terms:

Issuer:	the Company
Principal amount:	HK\$264,392,286 (the " Principal Sum ")
Interest:	Nil
Maturity date:	the date falling on the expiry of three months from the issue date or such other date as the Company and the Vendor may agree in writing (the " Maturity Date ")
Repayment:	due and repayable on the Maturity Date
Repayment method:	In relation to the repayment of all or any part of the Principal Sum under the Promissory Note (the " Repayment "), the Repayment can be paid in cash and the Company has absolute discretion, subject to compliance with the applicable laws and regulations (including the Listing Rules), to capitalise all or any part thereof and issue and allot such number of new Shares which shall be equivalent to such amount of Repayment at the issue price of HK\$1.0 per Share to the Vendor and/or any persons as nominated by it.

Transferability: the Vendor may assign any of its rights and obligations under the Promissory Note to anyone provided that if such assignee is a connected person of the Company, the assignment will be subject to the Listing Rules and the prior written consent of the Company

Early redemption: the Company may repay all or part of the Principal Sum at any time prior to the Maturity Date by giving 10 days' prior written notice to the Vendor

The Consideration was arrived after arm's length negotiations between the Company and the Vendor and was determined with reference to (i) the existing business of the Target Group; (ii) the business potential of the Target Group; (iii) the business development and future prospects of the Target Group; (iv) the controlling stake of the Target Company; and (v) the reasons and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in this announcement.

If the Company repays the Promissory Note in cash, the Company will use the internal resources of the Group and/or borrowings from third parties. If the Company decides to capitalise the Promissory Note, it will comply with all relevant requirements under the Listing Rules (including but not limited to compliance with the prescribed minimum public float requirements). The Company has not decided on the details of the repayment arrangements and will make further announcements in compliance with the Listing Rules as and when appropriate.

The Directors consider that the terms and conditions of the SPA, including the Consideration and the Issue Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the Company (including its agents and professional advisors) having been satisfied with the results of the due diligence review, including but not limited to the review of the legal, financial and business position and prospects of the Target Group;
- (b) the Vendor having obtained all necessary approval, consents, notices, registration and licence required applicable laws and regulations and other agreements or contracts in relation to the SPA;
- (c) the Stock Exchange having approved the listing of, and permission to deal in, the Consideration Shares;
- (d) each of the representations and warranties provided by the Vendor under the SPA remaining true, accurate and complete as at the date of the SPA and Completion;

- (e) since the date of the SPA and up to the Completion Date, the Target Group maintains usual operations with no events occurred in the aspects including but not limited to business operation, financial conditions, management and personnel which may cause material adverse impact to the Target Group or may constitute material safety issues or material risks that have not been disclosed to the Company;
- (f) the Vendor having fully performed and complied with in all aspects all the covenants and undertakings required to be performed or complied by it under the SPA on or before the Completion;
- (g) all necessary approval, consent and authorisation, including approvals of the board of directors and shareholders, having been obtained by the Target Company for the SPA and the transaction contemplated thereunder and the execution of any relevant documents; and
- (h) 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 SPA having been obtained.

The Company may waive (in whole or in part) any of the conditions (a) to (h) (except that conditions (b) and (c) as set out above cannot be waived) by notice in writing to the Vendor.

In the event that any of the above conditions precedent have not been fulfilled (or waived, where applicable) on or before the Completion Date, the SPA shall cease and terminate immediately. Upon which, parties to the SPA shall be released and discharged from their respective obligations under the SPA, save for obligations with continuing effect under the SPA.

Vendor's Guarantors

In consideration of the Company entering into the SPA, the Vendor's Guarantors join in the SPA as the Vendor's guarantors and shall jointly and severally guarantee the due performance and observance by the Vendor of all its obligations, covenants, undertakings and warranties (if any) given by the Vendor pursuant to the SPA and shall indemnify and keep the Company fully indemnified against all losses, liabilities, damages, costs and expenses which the Company may suffer or incur, arising from or in connection with any default or breach on the part of the Vendor in performance of its obligations, covenants, undertakings and warranties thereunder.

Completion

Completion shall take place on the Completion Date. The Consideration Shares and the Promissory Note will be issued by the Company to the Vendor within five Business Days after Completion.

Upon Completion, the Company will take control of the Target Group which will become a direct non-wholly owned subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

SHAREHOLDERS' AGREEMENT

At Completion, the Company, the Vendor and the Vendor's Guarantors and the Target Company shall enter into the Shareholders' Agreement in relation to the management of the Target Company. The parties thereto shall co-operate with one another to achieve certain business objectives and principles and shall provide financial support and security in relation to the Target Company. Under the Shareholders' Agreement, the board of the Target Company can comprise of 3 directors, 2 of which can be nominated by the Company and one of which can be nominated by the Vendor.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately upon allotment and issue of all the Consideration Shares (assuming that there is no other change in the issued share capital of the Company):

	As at the date of this announcement		Immediately upon allotment and issue of all Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Li Lixin and his associates (<i>Note 1</i>)	2,843,631,680	50.1	2,843,631,680	41.7
Cheng Wei Hong	1,096,406,636	19.3	1,096,406,636	16.1
Vendor	0	0	1,135,607,714	16.7
Public Shareholders	1,738,000,255	30.6	1,738,000,255	25.5
Total	<u>5,678,038,571</u>	<u>100</u>	<u>6,813,646,285</u>	<u>100</u>

Note:

1. Mr. Li Lixin's interests in 2,843,631,680 Shares are 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

The Company is a company incorporated in Bermuda with limited liability. Its principal activity is investment holding. The Group is principally engaged in (i) manufacturing and trading of plastic and metal household products, (ii) operation of department stores and supermarkets, and (iii) wholesale of alcohol, wine, beverages and electrical appliances; (iv) the trading and sales of imported cars; and (v) investment holding.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor was incorporated with limited liability in the BVI and is an investment holding company. The Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company at the date of this announcement.

The Target Company is an investment holding company incorporated in the BVI on 6 January 2017. As at the date of this announcement, the Target Company is the legal and beneficial owner of the entire issued share capital of the HK Company. The HK Company is an investment holding company incorporated in Hong Kong on 29 March 2017, which owns 100% equity interest in the PRC Subsidiary A.

The PRC Subsidiary A is a limited liability company established in the PRC on 16 June 2017, which is an investment holding company. As at the date of this announcement, the registered capital of the PRC Subsidiary A is RMB10 million, all of which is unpaid and the entire equity interest in the PRC Subsidiary A is indirectly owned by the Target Company and the PRC Subsidiary A owns the entire equity interest in the PRC Subsidiary B.

The PRC Subsidiary B is a limited liability company established in the PRC on 19 June 2012, which is the only operating company in the Target Group and principally engaged in provision of motor vehicles supply chain services and other motor vehicle related services. As at the date of this announcement, the registered capital of the PRC Subsidiary B is RMB50 million, which is fully paid-up and the entire equity interest in the PRC Subsidiary B is indirectly owned by the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited financial information of the Target Group based on its unaudited management accounts prepared in accordance with the China Accounting Standards of Business Enterprises for the years ended 31 December 2016 and 2015 respectively:

	Year ended 2015 (unaudited) <i>(RMB\$000)</i>	Year ended 2016 (unaudited) <i>(RMB\$000)</i>
Revenue	273,975	30,074
Net profit/(loss) before taxation	(463)	(3,912)
Net profit/(loss) after taxation	(463)	(3,912)

The unaudited net asset value of the Target Group was approximately RMB39,921,000 as at 30 June 2017.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the Shareholders.

The Board believes that the automotive industry is a fast growing market in the PRC with significant growth potential. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to expand its automotive business and to broaden its source of income. To this end, the Directors consider the Acquisition is in line with the Group's business expansion strategy.

The Acquisition represents an investment opportunity for the Group to diversify and further expand its business portfolio into the PRC automotive sector with huge growth potential. It is expected that the Acquisition will diversify and expand the source of income of the Group and will also generate additional and stable cashflow. In view of the above, the Directors consider that the terms of the SPA (including the Consideration and the Issue Price) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition is more than 5% but all are less than 25%, the Acquisition constitutes a disclosable transaction for the Company and is therefore subject to announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following words and expressions shall have the meanings set out below, unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Shares pursuant to the SPA
“Business Days”	means 9:00 a.m. to 5:00 p.m. on any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“Board”	the board of Directors
“Company”	Lisi Group (Holdings) Limited (stock code: 526), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the SPA
“Completion Date”	20 September 2017 or such other date as the Company and the Vendor may agreed
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$1.4 billion to be paid by the Company to the Vendor for the Sale Shares pursuant to the SPA
“Consideration Shares”	1,135,607,714 new Shares to be allotted and issued by the Company to the Vendor as part of the Consideration
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 25 August 2017 to issue and allot up to 1,135,607,714 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Company”	Multiple Oasis Development Limited, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and/or its connected persons
“Issue Price”	the issue price of HK\$1.0 of each Consideration Share
“Last Trading Day”	15 September 2017, being the last trading day of the Shares before the signing of the SPA
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary A”	天津自貿試驗區樂能科技發展有限公司, a company established in the PRC with limited liability on 16 June 2017
“PRC Subsidiary B”	開利星空汽車銷售服務有限公司, a company established in the PRC with limited liability on 19 June 2012
“Promissory Note”	the promissory note in the total principal sum of HK\$264,392,286 issued by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	25,500 ordinary shares in the Target Company, representing 51% of the total issued shares of the Target Company as at the date of the SPA and on Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholders’ Agreement”	the agreement in relation to the Target Company to be entered into among the Company, the Vendor, the Vendor’s Guarantor and the Target Company at Completion
“SPA”	the sale and purchase agreement in relation to the Acquisition entered into among the Company, the Vendor and the Vendor’s Guarantor on 17 September 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dawn Brilliant Limited (旭熹有限公司), a company incorporated in the BVI with limited liability on 6 January 2017
“Target Group”	the Target Company together with its subsidiaries
“Vendor”	Sincere Dawn Limited, a company incorporated in the BVI with limited liability
“Vendor’s Guarantors”	three natural persons who are, Independent Third Parties

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

Hong Kong, 17 September 2017

As at the date of this announcement, the Board comprises Mr Li Lixin (Chairman), Mr Cheng Jianhe, Ms Jin Yaxue and Mr Tong Xin, 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.