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LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 526)

CONTINUING CONNECTED TRANSACTIONS

On 31 December 2012 after trading hours, Lisi Household, a wholly owned subsidiary of the Company, entered into (i) the Lease Agreement with Da Mei to lease the Property; (ii) the Export Agency Agreement with Lisi Import & Export for the provision of export agency services and (iii) the Import Agency Agreement for the provision of import agency services.

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

Since the applicable percentage ratios in respect of the maximum aggregate annual values under the Lease Agreement, Export Agency Agreement and Import Agency Agreement exceed 5%, the Lease Agreement, Export Agency Agreement and Import Agency Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

An independent board committee, comprising all the independent non-executive Directors will be established to advise the Independent Shareholders on the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement. The Board shall appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Lease Agreement, Export Agency Agreement and Import Agency Agreement; (ii) the recommendation from the independent board committee; (iii) a letter of advice from an independent financial adviser to the Independent Shareholders and (iv) notice of the SGM, will be despatched to the Shareholders on or before 22 January 2013.

THE LEASE AGREEMENT

Date

31 December 2012

Parties

- (i) 達美 (寧波) 新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited) as the lessor; and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited) as the lessee.

Da Mei is a non-wholly owned subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr Li Li Xin, the Company's chairman, executive director and substantial shareholder, and his spouse. Therefore Da Mei is a connected person of the Company.

Subject Matter

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

Details of Property

Description	Approximate gross area
Workshop (1st Floor)	25,248 sq. m
Workshop (2nd Floor)	9,021 sq. m
Office (2nd to 5th Floor)	3,200 sq. m

Term

The Lease Agreement is for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015.

Consideration

The monthly rental for the Property shall be RMB537,930. A security deposit equivalent to 1 month's rental will be paid to Da Mei. The rental shall be payable quarterly in advance.

The rental was determined after arm's length negotiations by the parties with reference to the market rental charge for adjacent lands and buildings in the local property market.

Conditions Precedent

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

The Annual Caps

Pursuant to the Lease Agreement, the respective amounts of rental payable to Da Mei during the term of the Lease Agreement are expected not to exceed the following amounts:

Period	Rental
From 1 January 2013 to 31 March 2013	RMB1,613,790
From 1 April 2013 to 31 March 2014	RMB6,455,160
From 1 April 2014 to 31 March 2015	RMB6,455,160
From 1 April 2015 to 31 December 2015	RMB4,841,370

The above annual caps have been determined by the Directors with reference to the rental payable under the Lease Agreement.

The Directors (other than the independent non-executive Directors who will make their recommendations in due course) are of the view that the terms of the Lease Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

THE EXPORT AGENCY AGREEMENT

Date

31 December 2012

Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited).

Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Li Xin and his spouse. Therefore Lisi Import & Export is a connected person of the Company.

Subject Matter

Lisi Import & Export shall provide export agency services to Lisi Household pursuant to the Export Agency Agreement. These services include assisting Lisi Household on handling government applications, settlement services and other liaison services between local government departments and the customers.

Term

The Export Agency Agreement is for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015.

Consideration

For the provision of the export agency services, Lisi Import & Export will charge an amount equivalent to approximately 1.50% of the gross transactions amounts handled by Lisi Import & Export on behalf of Lisi Household.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

Conditions Precedent

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

The Annual Caps

The respective amounts of service fees payable to Lisi Import & Export during the term of the Export Agency Agreement are expected not to exceed the following amounts:

Period	Amounts
From 1 January 2013 to 31 March 2013	RMB1,750,000
From 1 April 2013 to 31 March 2014	RMB7,300,000
From 1 April 2014 to 31 March 2015	RMB8,700,000
From 1 April 2015 to 31 December 2015	RMB7,100,000

The above proposed annual caps have been determined by the Directors with reference to (i) the past annual sales of Lisi Household of approximately RMB209,972,000, (ii) the estimated expanded annual sales of Lisi Household of approximately RMB400,000,000 as a result of the merger with the Shenzhen Factory, (iii) the forecasted growth rate of the business of Lisi Household of 15% per annum, (iv) the past similar transactions between Lisi Import & Export and Lisi Household and (v) the rate of service fees chargeable under the Export Agency Agreement.

The Directors (other than the independent non-executive Directors who will make their recommendations in due course) are of the view that the terms of the Export Agency Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

THE IMPORT AGENCY AGREEMENT

Date

31 December 2012

Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited).

Lisi Import & Export is a connected person of the Company.

Subject Matter

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the Import Agency Agreement. These services include the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Lisi Household with other third parties.

Term

The Import Agency Agreement is for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015.

Consideration

For the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.6% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

Conditions Precedent

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

The Annual Caps

The respective gross transaction amounts with Lisi Import & Export during the term of the Import Agency Agreement are expected not to exceed the following amounts:

Period	Transaction Amounts
From 1 January 2013 to 31 March 2013	RMB30,000,000
From 1 April 2013 to 31 March 2014	RMB123,750,000
From 1 April 2014 to 31 March 2015	RMB141,250,000
From 1 April 2015 to 31 December 2015	RMB120,000,000

The above proposed annual caps have been determined by the Directors with reference to (i) the past annual purchase of Lisi Household of approximately RMB58,859,313, (ii) the estimated expanded annual purchase of Lisi Household of approximately RMB120,000,000 as a result of the merger with the Shenzhen Factory, (iii) the forecasted growth rate of the business of Lisi Household of 15% per annum, (iv) the past similar transactions between Lisi Import & Export and Lisi Household and (v) the rate of service fees chargeable under the Import Agency Agreement.

The Directors (other than the independent non-executive Directors who will make their recommendations in due course) are of the view that the terms of the Import Agency Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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

The Group is principally engaged in the manufacturing and trading of household products.

Reference is made to the Company's circular dated 31 March 2010 relating to the existing continuing connected transactions with respect to the same subject matters under the Lease Agreement, Export Agency Agreement and Import Agency Agreement. The existing agreements shall expire on 31 December 2012. In addition, the annual sales and purchases of Lisi Household have increased due to merger with the Shenzhen Factory. The Lease Agreement, the Export Agency Agreement and the Import Agency Agreement shall enable Lisi Household to make use of the Property as its factory and office and the export and import agency services provided by Lisi Import & Export which are necessary for the continued smooth operation of Lisi Household's business.

LISTING RULES IMPLICATIONS

Da Mei is a non-wholly owned subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr Li Li Xin, the Company's chairman, executive director and substantial shareholder, and his spouse. Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Li Xin and his spouse. Therefore both Da Mei and Lisi Import & Export are connected persons of the Company. As a result, the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement constitute continuing connected transactions for the Company.

Since the applicable percentage ratios in respect of the maximum aggregate annual values under the Lease Agreement, Export Agency Agreement and Import Agency Agreement exceed 5%, the Leasing Agreement, Export Agency Agreement and Import Agency Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

GENERAL

An independent board committee, comprising all the independent non-executive Directors, will be established to advise the Independent Shareholders on the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement. The Board shall appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Lease Agreement, Export Agency Agreement and Import Agency Agreement; (ii) the recommendation from the independent board committee; (iii) a letter of advice from an independent financial adviser to the Independent Shareholders and (iv) notice of the SGM, will be despatched to the Shareholders on or before 22 January 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	the Board of directors of the Company
“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Da Mei”	達美 (寧波) 新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited), a sino-foreign equity joint venture incorporated under the laws of the PRC
“Directors”	the directors of the Company
“Export Agency Agreement”	the export agency agreement dated 31 December 2012 made between Lisi Import & Export and Lisi Household relating to the provision of export agency services
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Import Agency Agreement”	the import agency agreement dated 31 December 2012 made between Lisi Import & Export and Lisi Household relating to the provision of import agency services
“Independent Shareholders”	Shareholders who are not involved or interested in the transactions contemplated under the Lease Agreement, Export Agency Agreement and Import Agency Agreement
“Lease Agreement”	the lease agreement dated 31 December 2012 made between Da Mei and Lisi Household relating to the leasing of the Property
“Lisi Group”	利時集團股份有限公司 (Lisi Group Co., Ltd)
“Lisi Household”	寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Lisi Import & Export”	寧波利時進出口有限公司 (Lisi Import and Export Company Limited)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	34,269 square meters of factory space and 3,200 square meters of office premises located in 中國寧波市鄞州區投資創業中心誠信路518號 (518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC) which is the subject matter of the Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving the Lease Agreement, Export Agency Agreement and Import Agency Agreement and the transactions contemplated thereunder

“Shenzhen Factory” The manufacturing plant of the Group situated in Shenzhen which has been relocated to Ningbo as disclosed in the Company’s announcement dated 9 December 2011

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 31 December 2012

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