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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Lisi Group (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
AND  
NOTICE OF SPECIAL GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders****VINC**  **城高****Grand Vinco Capital Limited***(A wholly-owned subsidiary of Vinco Financial Group Limited)*

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A notice convening a special general meeting of Lisi Group (Holdings) Limited to be held at Unit A, 5/F, Garment Centre, No.576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 3:00 p.m. on 26 February 2013 is set out on pages 25 and 26 of this circular. Whether or not you intend to attend the meeting, you are advised to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

\* For identification purpose only

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## DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of 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
“Director(s)”	the director(s) 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
“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), 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 Cap 571 and the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement
“Independent Shareholders”	Shareholders who are not involved or interested in the transactions contemplated under the Lease Agreement, Export Agency Agreement and Import Agency Agreement

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## DEFINITIONS

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“Latest Practicable Date”	1 February 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain contained herein
“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 circular, 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 of the Company to be held on 26 February 2013 at 3:00 p.m. at Unit A, 5/F, Garment Centre, No.576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“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
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr Li Li Xin (*Chairman*)

Mr Cheng Jian He

*Non-executive Directors:*

Mr Xu Jin

Mr Lau Kin Hon

*Independent non-executive Directors:*

Mr He Chengying

Mr Cheung Kiu Cho Vincent

Mr Shin Yick Fabian

*Registered office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Principal place of business in*

*Hong Kong:*

Unit A, 5/F, Garment Centre,

No.576-586 Castle Peak Road,

Cheung Sha Wan

Kowloon

Hong Kong

6 February 2013

*To the Shareholders*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

#### INTRODUCTION

It was disclosed in the Company's announcement dated 31 December 2012 that 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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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This circular is to (i) give you information regarding the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, (ii) set out the recommendations of the Independent Board Committee in relation to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement and the advice of Vinco Capital in relation thereto and (iii) give you notice of the SGM to consider, and if thought fit, approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

### 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. Da Mei is principally engaged in property holding.

#### 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

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## LETTER FROM THE BOARD

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### 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:

<b>Period</b>	<b>Rental</b>
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, including the independent non-executive Directors, 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

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## LETTER FROM THE BOARD

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### 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. Lisi Import & Export is principally engaged in import and export of goods and technologies in the PRC.

### 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 1.20% of the gross transactions amounts handled by Lisi Import & Export on behalf of Lisi Household. The service fee is payable after completion of each transaction with the usual credit term of 30-60 days which is no less favourable than those offered by other independent third party agents..

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:

<b>Period</b>	<b>Amount</b>
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



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## LETTER FROM THE BOARD

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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 in November 2012 thereby increasing the annual production capacity in terms of sales of Lisi Household from approximately RMB220 million to RMB470 million, (iii) the forecasted growth rate of the business of Lisi Household of 15% per annum, (iv) the actual amount of service fees paid by Lisi Household to Lisi Import & Export for similar services for the last three years, being RMB1,600,296 for the year ended 31 March 2011, RMB2,087,594 for the year ended 31 March 2012 and RMB1,029,010 for the 6 months ended 30 September 2012 and (v) the rate of service fees chargeable under the Export Agency Agreement.

The Directors, including the independent non-executive Directors, 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.

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## LETTER FROM THE BOARD

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### Consideration

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs to Lisi Import & Export. In addition, 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 purchase price and the service fees are payable after completion of each transaction with the usual credit term of 30-45 days which is no less favourable than those offered by other independent third party agents..

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 aggregate gross transaction amounts with Lisi Import & Export and the service fees during the term of the Import Agency Agreement are expected not to exceed the following amounts:

<b>Period</b>	<b>Amount</b>
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 in November 2012 thereby increasing the annual production capacity in terms of sales of Lisi Household from approximately RMB220 million to RMB470 million, (iii) the forecasted growth rate of the business of Lisi Household of 15% per annum, (iv) the actual gross transaction amount between Lisi Household and Lisi Import & Export for similar services for the last three years, being RMB51,223,494 for the year ended 31 March 2011, RMB58,859,313 for the year ended 31 March 2012 and RMB43,257,935 for the 6 months ended 30 September 2012 and (v) the rate of service fees chargeable under the Import Agency Agreement.

The Directors, including the independent non-executive Directors, 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.

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## LETTER FROM THE BOARD

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### 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 expired 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.

### SGM

Notice of the SGM is set out on pages 25 and 26 of this circular. All resolutions to be proposed at the SGM will be voted on by poll.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend, you are advised to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr Li Li Xin is interested in 1,350,493,014 Shares (representing approximately 54.52% of the Company's entire issued share capital, which are held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Ya Er and 1,328,981,014 shares through Big-Max Manufacturing Co., Limited, whose issued share capital is beneficially owned as to 90% by Mr Li Li Xin and as to 10% by his spouse, Jin Ya Er. Pursuant to the Listing Rules, Mr Li Li Xin and his associates (together interested in 1,350,493,014 Shares), being connected persons and shareholders of the Company with material interests in the Lease Agreement, Export Agency Agreement and Import Agency Agreement, shall abstain from voting in the SGM.

### RECOMMENDATION

An Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Lease Agreement, Export Agency Agreement and Import Agency Agreement.

Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement, Export Agency Agreement and Import Agency Agreement. Vinco Capital considers that the Lease Agreement, Export Agency Agreement and Import Agency Agreement are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Your attention is drawn to the letter of advice from Vinco Capital set out in this circular containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out in this circular.

The Independent Board Committee, having taken the advice of Vinco Capital into account, considers the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Lease Agreement, Export Agency Agreement and Import Agency Agreement. The full text of the letter from the Independent Board Committee is set out in this circular.

The Directors, including the independent non-executive directors, are of the opinion that the granting of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the SGM.

Mr Li Li Xi, chairman and executive director of the Company who has a material interest in the Lease Agreement, Export Agency Agreement and Import Agency Agreement, has abstained from voting on the relevant board resolutions approving the same.

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

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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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)**

6 February 2013

*To the Independent Shareholders*

Dear Sir/Madam,

We have been appointed as the Independent Board Committee to advise Independent Shareholders in connection with the Lease Agreement, Export Agency Agreement and Import Agency Agreement, details of which are set out in the circular of the Company to the Shareholders dated 6 February 2013 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Vinco Capital in relation thereto as set out in the Circular, we are of the view that the Lease Agreement, Export Agency Agreement and Import Agency Agreement are in the interests of the Company and the Shareholders as a whole and the terms of the Lease Agreement, Export Agency Agreement and Import Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Lease Agreement, Export Agency Agreement and Import Agency Agreement.

Yours faithfully

**He Chengying**

*Independent non-executive  
Director*

**Cheung Kiu Cho Vincent**

*Independent non-executive  
Director*

**Shin Yick Fabian**

*Independent non-executive  
Director*

\* For identification purpose only

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Shareholders in connection with the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement which has been prepared for the purpose of incorporation in this circular:*

**VINCO**   
**Grand Vinco Capital Limited**  
Units 4909-4910, 49/F, The Center  
99 Queen's Road Central, Hong Kong

6 February 2013

*To the independent board committee, the independent shareholders and the shareholders of Lisi Group (Holdings) Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Shareholders in connection with the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, details of which are set out in the section headed "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 6 February 2013 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 31 December 2012, the Company announced that 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. Those agreements are not inter-conditional and are independent from each other.

As (i) 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; and (ii) 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, 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, the Export Agency Agreement and the Import Agency Agreement exceed 5%, the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Rule 14A of the Listing Rules.

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## LETTER FROM VINCO CAPITAL

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The Independent Board Committee, comprising Mr. Shin Yick Fabian, Mr. Cheung Kiu Cho Vincent and Mr. He Chengying, all being the independent non-executive Directors, has been formed to advise the Shareholders on the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement. In our capacity as the independent financial adviser to the Independent Board Committee and the Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement are, on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Shareholders solely in connection with their consideration of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM VINCO CAPITAL

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### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Shareholders in relation to the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement, we have considered the principal factors and reasons set out below:

#### 1. Background Information

##### *Information of the Group*

With reference to the Letter from the Board, the Group is principally engaged in the manufacturing and trading of household products.

##### *Information of Da Mei*

With reference to the Letter from the Board and further advised by the Directors, Da Mei is a sino-foreign equity joint venture incorporated under the laws of the PRC that engages in property holding.

##### *Information of Lisi Household*

With reference to the Letter from the Board and further advised by the Directors, Lisi Household is a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company and it is principally engaged in the manufacturing and trading of plastic and metallic products.

##### *Information of Lisi Import & Export*

As stated in the Letter from the Board, 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. Lisi Import & Export is principally engaged in import and export of goods and technologies in the PRC.

#### 2. Assessing the fairness and the reasonableness of the Lease Agreement

##### A. *Background and the terms of the Lease Agreement*

Pursuant to the Lease Agreement, Da Mei shall lease the Property to Lisi Household for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015. With reference to the Company's circular dated 31 March 2010 (the "2010 Circular") relating to the existing continuing connected transactions with respect to the same subject matters under the Lease Agreement. The existing agreement shall expire on 31 December 2012. Upon the Lease Agreement become unconditional as it is subject to the approval from the Independent Shareholders, the Lease Agreement will replace and supersede the previous lease agreement. The Property is occupying approximately 34,269 square meters of factory space and approximately 3,200 square meters of office premises located in 518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC (中國寧波市鄞州區投資創業中心誠信路518號).



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## LETTER FROM VINCO CAPITAL

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### *B. Consideration*

Reference is made to the Letter from the Board, 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 and 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. As the total gross area of the Property is approximately 37,469 square meters, the monthly rental of the Property shall be approximately RMB14.36 per square meter. To assess the fairness of the consideration, we have searched for comparables from the internet which provides information on vacant factories leasing quotation in Ningbo. We have reviewed and identified, on a best effort basis, 17 factories located in Yinzhou Investment & Venture Centre, which is considered to be exhaustive, for the purpose of our analysis. We considered that the comparables are fair and representative as those comparables are located in Yinzhou Investment & Venture Centre and the quotations are considered on normal commercial terms as the quotations are open to public. Based on the comparables we have identified, we noted that the range of the monthly rental for those factories comparables is between approximately RMB10 per square meter and approximately RMB17.5 per square meter. Therefore, the monthly rental for the Property of RMB14.36 per square meter is within the range of those nearby factories and we are of the view that the consideration is fair and reasonable and is on normal commercial terms.

### *C. Annual Caps*

As set out in the Letter from the Board, the Directors proposed the annual caps of RMB1,613,790 for the period from 1 January 2013 to 31 March 2013, RMB6,455,160 for the period from 1 April 2013 to 31 March 2014, RMB6,455,160 for the period from 1 April 2014 to 31 March 2015 and RMB4,841,370 for the period from 1 April 2015 to 31 December 2015. With reference to the Letter from the Board, the above annual caps have been determined by the Directors with reference to the rental payable under the Lease Agreement.

After discussion with the Directors, we understand that the underlying basis and assumption for determining the annual caps was based on the monthly rental of RMB537,930 multiplied by the number of months in the respective periods. Having considered the basis for determining the monthly rental of RMB537,930 as abovementioned, we are of the view that the basis for determining the annual caps is justifiable and are fair and reasonable so far as the Shareholders are concerned.

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## LETTER FROM VINCO CAPITAL

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### 3. Assessing the fairness and the reasonableness of the Export Agency Agreement

#### A. *Background and the terms of the Export Agency Agreement*

Pursuant to the Export Agency Agreement, 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. With reference to the 2010 Circular relating to the existing continuing connected transactions with respect to the same subject matters under the Export Agency Agreement, the existing agreement shall expire on 31 December 2012. Upon the Export Agency Agreement become unconditional as it is subject to the approval from the Independent Shareholders, the Export Agency Agreement will replace and supersede the previous export agency agreement. The Export Agency Agreement is for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015.

#### B. *Consideration*

Lisi Import and Export will charge an amount equivalent to approximately 1.20% of the gross transactions amount handled by Lisi Import and Export on behalf of Lisi Household.

In order to assess the fairness and reasonableness of the consideration, we have, to our best endeavours, conducted desktop research on the rates charged by the independent export and import agents to provide same export agency services as Lisi Import and Export does. However, due to the involvement of pricing policies of the independent export and import agents which are considered as confidential, we are not able to compare the rate charged by independent export and import agents against those charged by Lisi Import and Export. In addition, due to the fragmentation of the import and export agency sector in the PRC, we are unable to find published benchmark fee which applied to all import and export agency companies of the industry. Alternatively, we have reviewed relevant transactions under which Lisi Import and Export provided similar services to independent third parties. We are given to understand that Lisi Import and Export generally charged with a range from 1.10% to 1.50% of the gross transaction amounts handled. The 1.20% charged to Lisi Household is within the range and hence we consider that the terms of the Export Agency Agreement are on normal commercial terms and are fair and reasonable.

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## LETTER FROM VINCO CAPITAL

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### C. *Annual Caps*

The Directors proposed the annual caps of RMB1,750,000 for the period from 1 January 2013 to 31 March 2013, RMB7,300,000 for the period from 1 April 2013 to 31 March 2014, RMB8,700,000 for the period from 1 April 2014 to 31 March 2015 and RMB7,100,000 for the period from 1 April 2015 to 31 December 2015. As stated in the Letter from the Board, the 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 actual amount of service fees paid by Lisi Household to Lisi Import & Export for similar services for the last three years, being RMB1,600,296 for the year ended 31 March 2011, RMB2,087,594 for the year ended 31 March 2012 and RMB1,029,010 for the 6 months ended 30 September 2012 and (v) the rate of service fees chargeable under the Export Agency Agreement.

We noted that the annual caps for respective period for the Export Agency Agreement as stated above, substantially exceeds the transacted amounts for the year ended 31 March 2012 and that for the six months ended 30 September 2012. In assessing the fairness and reasonableness of the annual caps for the Export Agency Agreement, we have discussed with the Directors on the underlying basis and understood that the merger with the Shenzhen Factory are estimated to generate RMB400 million annual sales for the year ended 31 March 2014. Further to our discussion with the Directors, we are given to understand that the audited annual sales for the year ended 31 March 2012 for the Ningbo plant and the Shenzhen Factory were approximately RMB209 million and approximately RMB175 million respectively. The original Ningbo plant has already exceeded RMB200 million annual sales for the year ended 31 March 2012 while the Shenzhen Factory was still able to achieve more than RMB170 million annual sales for the year ended 31 March 2012 despite the adverse impact of plant relocation did affect the sales orders and operations. The Directors expects the sales from the customers of the Shenzhen Factory will recover after the completion of the relocation in November 2012. Based on the past track record of the two plants (now both located in Ningbo), the Directors and we are of the view that the estimated expanded annual sales for the year ended 31 March 2014 of Lisi Household of approximately RMB400 million (with the two original plants now merged together) is fair and reasonable.

The Directors also consider the forecasted growth rate of the business of Lisi Household of 15% per annum is reasonable after taking into account that (i) the Ningbo plant achieved approximately 35% growth in sales for the year ended 31 March 2012 and the Directors consider that it will continue its good performance and sustain its growth; (ii) the sales from the customers of the Shenzhen Factory will recover after the completion of the relocation in November 2012 which can provide a positive impact to the business growth of Lisi Household; and (iii) the synergies of merging the Shenzhen Factory to the business and operations of Lisi Household would achieve cost reduction and support more aggressive sales plan by cross-selling of metal and plastic products, having larger purchase volume, shared manufacturing overheads and centralized management resources. Therefore, we consider that the above assumptions on the business growth rate of Lisi Household are realistic and reasonable and hence we concur with the Directors' view that the estimated business growth rate of Lisi Household of 15% is fair and reasonable.

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## LETTER FROM VINCO CAPITAL

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The Directors expect that there will be an increase in transaction amounts between Lisi Household and Lisi Import and Export due to estimated annual sales expansion of approximately RMB400 million for the year ended 31 March 2014 according to the projected business growth rate of 15% for Lisi Household. The annual cap set for the period from 1 April 2013 to 31 March 2014 is RMB7.3 million while the estimated service fee provided by Lisi Import and Export is RMB4.8 million (i.e. derived by multiplying 1.2% by the estimated sales of RMB400 million). The buffer amount is approximately RMB2.5 million. We consider that such buffer amount and hence the annual cap is fair and reasonable as it will allow the flexibility to the Group to ensure its smooth operations if the sales for the year ended 31 March 2014 is larger than the estimated.

In light of the above, we considered that the Directors have used fair and reasonable basis to determine the annual caps for Export Agency Agreement and the proposed annual caps are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

#### **4. Assessing the fairness and the reasonableness of the Import Agency Agreement**

##### *A. Background and the terms of the Import Agency Agreement*

Pursuant to the Import Agency Agreement, 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 and other third parties. With reference to the 2010 Circular relating to the existing continuing connected transactions with respect to the same subject matters under the Import Agency Agreement, the existing agreement shall expire on 31 December 2012. Upon the Import Agency Agreement become unconditional as it is subject to the approval from the Independent Shareholders, the Import Agency Agreement will replace and supersede the previous export agency agreement. The Import Agency Agreement is for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015.

##### *B. Consideration*

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs to Lisi Import & Export. In addition, for the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.60% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household. The purchase price and the service fees are payable after completion of each transaction. 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.

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## LETTER FROM VINCO CAPITAL

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In order to assess the fairness and reasonableness of the consideration, we have, to our best endeavours, conducted desktop research on the rates charged by the independent export and import agents to provide same import agency services as Lisi Import and Export does. However, due to the involvement of pricing policies of the independent export and import agents which are considered as confidential, we are not able to compare the rate charged by independent export and import agents against those charged by Lisi Import and Export. In addition, due to the fragmentation of the import and export agency sector in the PRC, we are unable to find published benchmark fee which applied to all import and export agency companies of the industry. Alternatively, we have reviewed relevant transactions under which Lisi Import and Export provided similar services to independent third parties. We are given to understand that Lisi Import and Export generally charged with a range from 0.60% to 1.20% of the gross transaction amounts handled. The 0.60% charged to Lisi Household is at the lower end of the range and hence we consider that the terms of the Import Agency Agreement are on normal commercial terms and are fair and reasonable.

### *C. Annual Caps*

The Directors has proposed the annual caps of RMB30,000,000 for the period from 1 January 2013 to 31 March 2013, RMB123,750,000 for the period from 1 April 2013 to 31 March 2014, RMB141,250,000 for the period from 1 April 2014 to 31 March 2015 and RMB120,000,000 for the period from 1 April 2015 to 31 December 2015.

As set out in the Letter from the Board, 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 actual gross transaction amount between Lisi Household and Lisi Import & Export for similar services for the last three years, being RMB51,223,494 for the year ended 31 March 2011, RMB58,859,313 for the year ended 31 March 2012 and RMB43,257,935 for the 6 months ended 30 September 2012 and (v) the rate of service fees chargeable under the Import Agency Agreement.

The annual caps for respective period for the Import Agency Agreement as stated above, substantially exceeds the transacted amounts for the year ended 31 March 2012 and that for the six months ended 30 September 2012. In order to assess the fairness and reasonableness of the annual caps for the Import Agency Agreement, we have discussed with the Directors on the underlying basis and understood that the merge with the Shenzhen Factory may cause Lisi Household to increase the purchase of imported materials with an estimated amount of RMB120 million for the year ended 31 March 2014. Further to our discussion with the Directors, we are given to understand that the audited annual purchases for imported materials for the year ended 31 March 2012 for the Ningbo plant and the Shenzhen Factory were approximately RMB59 million and approximately RMB39 million respectively. The reduction of the purchase of imported materials for the Shenzhen Factory from approximately RMB68 million for the financial year ended 31 March 2011 to approximately RMB39 million for the year ended 31 March 2012 was due to the planned relocation

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## LETTER FROM VINCO CAPITAL

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of the Shenzhen Factory. Lisi Household reduced purchase to minimize the inventory level before relocation. The Directors expect the purchase of imported materials will resume to pre-relocation level after completion of the plant relocation and recovery of sales order to pre-relocation level. Based on the past annual purchases, if the purchase amount of the Shenzhen Factory is restored to pre-relocation level after relocation to Ningbo, the merged annual purchase will be approximately RMB120 million, therefore we are of the view that the assumption is fair and reasonable.

The Directors also consider the forecasted growth rate of the business of Lisi Household of 15% per annum, which is considered to be fair and reasonable as discussed above, will also provide a positive impact on the annual purchases. Hence, the Directors expect that there will be an increase in transaction amounts between Lisi Household and Lisi Import and Export. In addition, after discussion with the Directors, we are given to understand that imported raw materials by Lisi Household are essentially plastics and the prices of such raw materials will continue to rise in the coming years. The Directors expect that the cost of imported raw materials will grow at about 15% per annum. Given that recent monetary easing program announced by the United States government, the Japan government and the European Central Bank in order to stimulate economic recovery, we are of the view that there may be upward adjustment on the price of raw materials and will continue to rise in coming years as the low interest rates policy is expected to continue in all major countries and extremely low interest rates for the United States will continue until at least mid-2015 according to the Federal Reserve Bank of the United States. Therefore, we consider that the growth in prices of raw materials and its sustainability are fair and reasonable. Therefore, the Directors consider that there will be an increase in the volume of purchases of imported raw materials together with the expected increase in purchase prices. The transaction amount between Lisi Household and Lisi Import and Export would increase accordingly.

The annual cap set for the period from 1 April 2013 to 31 March 2014 is approximately RMB123.8 million while the estimated merged purchase amount is RMB120 million. Together with the estimated service fee of approximately RMB0.72 million (i.e. derived by multiplying 0.6% by RMB120 million) paid to Lisi Import and Export, the buffer amount is approximately RMB3.1 million. We consider that such buffer amount and hence the annual cap is fair and reasonable as it will allow the flexibility to the Group to ensure its smooth operations if the price of the imported raw materials rise higher than expected and the unexpected increase in purchase volume driven by unexpected increase in sales.

Based on the above, we considered that the Directors have used fair and reasonable basis to determine the annual caps for the Import Agency Agreement and the proposed annual caps are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

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## LETTER FROM VINCO CAPITAL

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### D. CONCLUSION

Having taken into account the above principal factors and reasons, we are of the view that the each of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement is on normal commercial terms, is in the ordinary and usual course of business of the Company. The terms and the relevant annual caps of the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Therefore, we advise we advise (i) the Shareholders and, (ii) the Independent Board Committee to recommend the Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Lease Agreement, the Export Agency Agreement and the Import Agency Agreement.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of directors

As at the Latest Practicable Date, the interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Number of shares (approximate % shareholding)
Li Li Xin	Company	Personal, corporate and deemed Interest (Note)	1,350,493,014 (54.52%)
Xu Jin	Company	Personal	253,837,198 (10.25%)

*Note:* These shares are held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Ya Er and 1,328,981,014 shares through Big-Max Manufacturing Co., Limited, whose issued share capital is beneficially owned as to 90% by Mr Li Li Xin and as to 10% by his spouse, Jin Ya Er.

### Interest of substantial shareholders

As at the Latest Practicable Date, the companies (whose director is also a Director of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:



*Long positions in the Shares*

<b>Name of shareholder</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number of shares (approximate % shareholding)</b>
Big-Max Manufacturing Co., Limited	Company	Beneficial Interest (Note)	1,328,981,014 (53.65%)

*Notes:* Mr Li Li Xin, chairman and executive Director, is a director of Big-Max Manufacturing Co., Limited.

**3. SERVICE CONTRACTS**

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

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or management shareholder or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

**5. OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2012 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) save as disclosed in this circular relating to the Lease Agreement, Export Agency Agreement and Import Agency Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

## 6. EXPERT AND CONSENT

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

<b>Name</b>	<b>Qualification</b>
Grand Vinco Capital Limited	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 Cap 571

As at the Latest Practicable Date, Vinco Capital had no beneficial interest in the share capital of any member of the Group nor did they have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 March 2012, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday at the principal place of business of the Company in Hong Kong at Unit A, 5/F, Garment Centre, No.576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from 6 February 2013, the date of this circular up to and including 26 February 2013:

Lease Agreement, Export Agency Agreement and Import Agency Agreement.

## 8. MATERIAL ADVERSE CHANGE

It was disclosed in the Company's interim results for the 6 months ended 30 September 2012 that the Company recorded a net loss for the period of approximately RMB4.2 million as compared to a net profit of approximately RMB5.9 million for the previous year. The loss was mainly due to the termination of the Shenzhen Factory and relocation to Ningbo. This relocation had caused some disruption in the normal production scheduling and product delivery and some loss in orders from customers. The management had taken measures as far as possible to confine the short term negative impact of plant relocation to a manageable level. Besides, the Group had to absorb some one-off negative impact from higher administrative expenses due to this plant relocation including severance payment for terminated employees and relocation expenses. Save as disclosed, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest audited consolidated financial statements of the Group were made up.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of Lisi Group (Holdings) Limited (利時集團（控股）有限公司) (“**Company**”) will be held at Unit A, 5/F, Garment Centre, No.576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on 26 February 2013 at 3:00 p.m. to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

#### **ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) the Lease Agreement (as defined and described in the circular of the Company dated 6 February 2013 (the “Circular”), a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Lease Agreement for each of the periods up to 31 December 2015 be and is hereby approved;
- (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Lease Agreement and the transactions contemplated thereunder.”

2. **“THAT**

- (a) the Export Agency Agreement (as defined and described in the Circular), a copy of which is tabled at the meeting and marked “B” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Export Agency Agreement for each of the periods up to 31 December 2015 be and is hereby approved;

\* *For identification purpose only*

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Export Agency Agreement and the transactions contemplated thereunder.”

3. **“THAT**

- (a) the Import Agency Agreement (as defined and described in the Circular), a copy of which is tabled at the meeting and marked “C” and signed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the annual caps (as set out in the Circular, of which this notice forms part) of the Import Agency Agreement for each of the periods up to 31 December 2015 be and is hereby approved;
- (c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Import Agency Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 6 February 2013

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

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