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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 TRANSACTION IN RELATION TO THE PROCUREMENT AND SALES AGREEMENT WITH SANJIANG SHOPPING CLUB**

#### **THE PROCUREMENT AND SALES AGREEMENT**

References are made to the announcements of the Company dated 5 March 2013, 21 June 2013 and 30 August 2013 and the circular of the Company dated 22 May 2013 in relation to, among other things, the Acquisitions (comprising the First Acquisition of the entire issued share capital of Wealthy Honor and the Second Acquisition of 5% of the issued share capital of New JoySun). Following completion of the Acquisitions on 30 August 2013, New JoySun became an indirect wholly-owned subsidiary of the Company.

Prior to completion of the Acquisitions, New JoySun entered into the Procurement and Sales Agreement with Sanjiang Shopping Club on 19 March 2013, whereby New JoySun agreed to sell the Commodities to Sanjiang Shopping Club for the period from 1 April 2013 to 31 March 2014.

#### **LISTING RULES IMPLICATIONS**

As at 30 August 2013 (being the date of completion of the First Acquisition) and the date hereof, Sanjiang Shopping Club held 18% equity interest in New JoySun Supermarket Chain, which is an 82% owned subsidiary of the Company. Pursuant to Rule 14A.11(1) of the Listing Rules, Sanjiang Shopping Club is a connected person of the Company at the subsidiary level and the Transactions under the Procurement and Sales Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the then relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Transactions contemplated under the Procurement and Sales Agreement were more than 1% but less than 5%, the Procurement and Sales Agreement was subject to the reporting, announcement and annual review requirements but exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE PROCUREMENT AND SALES AGREEMENT**

### **Background**

References are made to the announcements of the Company dated 5 March 2013 and 30 August 2013 and the circular of the Company dated 22 May 2013 in relation to, among other things, the Acquisitions (comprising the First Acquisition of the entire issued share capital of Wealthy Honor and the Second Acquisition of 5% of the issued share capital of New JoySun). Following completion of the Acquisitions on 30 August 2013, New JoySun became an indirect wholly-owned subsidiary of the Company.

Prior to completion of the Acquisitions, New JoySun entered into the Procurement and Sales Agreement with Sanjiang Shopping Club on 19 March 2013, whereby New JoySun agreed to sell the Commodities to Sanjiang Shopping Club for the period from 1 April 2013 to 31 March 2014.

### **The Procurement and Sales Agreement**

The principal terms of the Procurement and Sales Agreement are as follows:

Date	:	19 March 2013
Parties	:	(a) New JoySun (as supplier); and (b) Sanjiang Shopping Club (as purchaser)
Term	:	1 April 2013 to 31 March 2014
Sale and purchase of goods	:	New JoySun agreed to sell and Sanjiang Shopping Club agreed to purchase from Sanjiang Shopping Club the Commodities during the term of the Procurement and Sales Agreement. Each Transaction shall be effected by the relevant purchase order to be entered into between New JoySun and Sanjiang Shopping Club.

The Commodities agreed to be supplied by New JoySun to Sanjiang Shopping Club are essentially alcoholic products, particulars of each type of alcoholic products, including but not limited to the price, size, grade, quality standard and packaging requirements shall be agreed by the parties under each purchase.

Pricing and Price Adjustment : The prices of each type of the Commodities shall be agreed by the parties under each purchase. It is agreed that the price of any Commodity purchased by Sanjiang Shopping Club should not be higher than the price offered by New JoySun to any third party (as far as legitimate under the applicable laws).

The parties shall determine and adjust the price of the Commodities with reference to change of the price of the raw materials, production costs and supply and demand relationship, etc.

Payment Term : Sanjiang Shopping Club shall settle the payment of each purchase within 45 days upon delivery.

### **Amount of Transactions under the Procurement and Sales Agreement**

For the period between 30 August 2013 and 31 March 2014, the Transactions under the Procurement and Sales Agreement amounted to approximately RMB12,749,000.

### **Proposed Renewal of the Procurement and Sales Agreement**

Upon expiry of the Procurement and Sales Agreement, New JoySun continues to sell the Commodities to Sanjiang Shopping Club (the “**Existing Transactions**”). As all applicable percentage ratios calculated in accordance with the Listing Rules in respect of the aggregated amount of the Existing Transactions are less than 1%, the Existing Transactions are exempted from reporting, announcement, independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. New JoySun and Sanjiang Shopping Club are in the course of negotiating the terms for renewal of the Procurement and Sales Agreement. Subject to the further negotiations between the parties, the renewed Procurement and Sales Agreement will be for a term of not more than three years. In any event, the Company will closely monitor the amount of the Existing Transactions to ensure full compliance with the relevant requirements under the Listing Rules. The Company will make further announcement(s) and take other actions as required under the Listing Rules once the renewed Procurement and Sales Agreement is entered into or any of the applicable percentage ratios in respect of the Existing Transactions exceeds 1%.

### **Reasons and benefits of entering into the Procurement and Sales Agreement**

Sanjiang Shopping Club is a supermarket chain operator in Zhejiang Province. The Transactions will enable the Group to maintain and develop its long-term relationship with Sanjiang Shopping Club and in turn provide a stable source of revenue for the Group.

The Directors (including the independent non-executive Directors) are of the view that the Procurement and Sales Agreement and the Existing Transactions are (1) negotiated on an arm’s length basis and on normal commercial terms; and (2) fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

### **New JoySun**

New JoySun is a limited liability company incorporated in the PRC. New JoySun and its subsidiaries are principally engaged in wholesale of alcohol, wine, beverages and electrical appliances, rental operation of one department store, retail operation of one department store and a chain of supermarkets. For further details, please refer to the circular of the Company dated 22 May 2013.

### **Sanjiang Shopping Club**

Sanjiang Shopping Club is a joint stock company incorporated in the PRC whose shares are listed on Shanghai Stock Exchange (Stock Code: 601116). It is principally engaged in the operation of local chain supermarkets in Zhejiang Province.

## **LISTING RULES IMPLICATIONS**

As at 30 August 2013 (being the date of completion of the First Acquisition) and the date hereof, Sanjiang Shopping Club held 18% equity interest in New JoySun Supermarket Chain, which is an 82% owned subsidiary of the Company. Pursuant to Rule 14A.11(1) of the Listing Rules, Sanjiang Shopping Club is a connected person of the Company at the subsidiary level and the Transactions under the Procurement and Sales Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the then relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Transactions contemplated under the Procurement and Sales Agreement were more than 1% but less than 5%, the Procurement and Sales Agreement was subject to the reporting, announcement and annual review requirements but exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DELAY IN COMPLIANCE WITH THE LISTING RULES**

At the time of entering into of the Procurement and Sales Agreement on 19 March 2013, New JoySun has yet to become a subsidiary of the Company and as such, the Company had no obligation to comply with the requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder.

On 30 August 2013 (being the date of completion of the First Acquisition), New JoySun and its subsidiaries (including but not limited to New JoySun Supermarket Chain) became subsidiaries of the Company and the Transactions contemplated under the Procurement and Sales Agreement constituted a continuing connected transaction of the Company since the same date. However, due to inadvertent oversight, the Company did not make the relevant disclosures in connection with the Transactions in accordance with Chapter 14A of the Listing Rules at the material time.

## DEFINITIONS

“Acquisitions”	the First Acquisition and the Second Acquisition
“Board”	the board of Directors
“Commodities”	the commodities which essentially comprise alcoholic products and procured by Sanjiang Shopping Club from New Joysun pursuant to the Procurement and Sales Agreement
“Company”	Lisi Group (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Acquisition”	the acquisition of the entire issued share capital of Wealthy Honor by the Company pursuant to the sale and purchase agreement dated 4 March 2013 among the Company (as purchaser), Shi Hui (as vendor), Mr. Li Li Xin and Ms. Jin Ya Er (as guarantors)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New JoySun”	寧波新江廈股份有限公司 (New JoySun Corp.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“New JoySun Supermarket Chain”	寧波新江廈連鎖超市有限公司 (New JoySun Supermarket Chain Limited*), a limited liability company established in the PRC and is owned as to 82% and 18% by New JoySun and Sanjiang Shopping Club, respectively
“Procurement and Sales Agreement”	the procurement and sales agreement dated 19 March 2013 between New JoySun and Sanjiang Shopping Club
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Sanjiang Shopping Club”	三江購物俱樂部股份有限公司 (Sanjiang Shopping Club Co., Ltd*), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601116), holder of 18% equity interest in New JoySun Supermarket Chain and a connected person of the Company at the subsidiary level
“Second Acquisition”	the acquisition of 5% of the issued share capital of New JoySun by the Company from 寧波華盛實業總公司 (Ningbo Hua Sheng Industrial Company*) pursuant to the share transfer agreement between the parties dated 20 June 2013
“Shares”	ordinary shares of the Company
“Shareholders”	holders of the Shares
“Shi Hui”	Shi Hui Holdings Limited (世匯控股有限公司), a limited liability company incorporated in the BVI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Procurement and Sales Agreement
“Wealthy Honor”	Wealthy Honor Holdings Limited (盛新控股有限公司), a limited liability company incorporated in the BVI
“%”	per cent.

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

Hong Kong, 11 July 2014

*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. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian being independent non-executive Directors.*

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