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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 NEW PROCUREMENT AND SALES AGREEMENT WITH SANJIANG SHOPPING CLUB**

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

The Company is pleased to announce that New JoySun, an indirect wholly-owned subsidiary of the Company, and Sanjiang Shopping Club entered into the New Procurement and Sales Agreement which came into effect on 27 August 2014 whereby New JoySun agreed to sell the Commodities to Sanjiang Shopping Club for the period between 1 January 2014 and 31 December 2014.

#### **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Sanjiang Shopping Club holds 18% equity interest in New JoySun Supermarket Chain, which is an indirect 82% owned subsidiary of the Company. Pursuant to Rule 14A.06(9) of the Listing Rules, Sanjiang Shopping Club is a connected person of the Company at the subsidiary level and the Transactions under the New Procurement and Sales Agreement between Sanjiang Shopping Club and New JoySun constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Transactions contemplated under the New Procurement and Sales Agreement is/are more than 1% but less than 5%, the New Procurement and Sales Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**BACKGROUND**

Reference is made to the Previous Announcement of the Company dated 11 July 2014 in relation to the Previous Procurement and Sales Agreement entered into between New JoySun and Sanjiang Shopping on 19 March 2013 and the transactions contemplated thereunder. Pursuant to the Previous Procurement and Sales Agreement, New JoySun agreed to sell the Commodities to Sanjiang Shopping Club for the period between 1 April 2013 and 31 March 2014.

The Previous Procurement and Sales Agreement expired on 31 March 2014. As disclosed in the Previous Announcement, New JoySun continued to sell the Commodities to Sanjiang Shopping Club after expiry of the Previous Procurement and Sales Agreement and the parties had engaged in negotiations to renew the Previous Procurement and Sales Agreement. Eventually, New JoySun and Sanjiang Shopping Club entered into the New Procurement and Sales Agreement which came into effect on 27 August 2014 whereby New JoySun agreed to sell the Commodities to Sanjiang Shopping Club for the period between 1 January 2014 and 31 December 2014.

**THE NEW PROCUREMENT AND SALES AGREEMENT**

**Major Terms**

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

- Effective Date : 27 August 2014
- Parties : (a) New JoySun (as supplier); and  
(b) Sanjiang Shopping Club (as purchaser)
- Term : 1 January 2014 to 31 December 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 New 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 Commodities, including but not limited to the price, size, quality standard and packaging requirements, shall be agreed by the parties under each purchase.

Pricing and Price Adjustment : The price 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.

Rebate : Sanjiang Shopping Club is entitled to a rebate of 3.5% of the total purchase price. In addition, if the total purchase amount reached RMB30 million and RMB35 million during the term of the New Procurement and Sales Agreement, Sanjiang Shopping Club is entitled to additional rebates of 0.5% and 1%, respectively, of its total purchase price.

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

### **Historical Transaction Amount**

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

For the period between 1 January 2013 and 31 December 2013, the total transaction amount in respect of the sales of the Commodities between New JoySun and Sanjiang Shopping Club was RMB29,675,000.

For the period between 1 January 2014 and 31 July 2014, the total transaction amount in respect of the sales of the Commodities between New JoySun and Sanjiang Shopping Club was RMB15,594,000.

### **ANNUAL CAP**

It is expected that the transaction amount in respect of the sales of the Commodities between New JoySun and Sanjiang Shopping Club for the year ending 31 December 2014 will not exceed RMB32,500,000 (the “**Annual Cap**”).

### **Basis for determining the Annual Cap**

In arriving at the Annual Cap (which represents a 9.5% increase compared to the transaction amount for the year ended 31 December 2013), the Directors had considered:

- (a) the historical transaction amount in respect of the sales of the Commodities between New JoySun and Sanjiang Shopping Club for the year ended 31 December 2013;

- (b) the transaction amount in respect of the sales of the Commodities between New JoySun and Sanjiang Shopping Club for the period between 1 January 2014 and 31 July 2014; and
- (c) the estimate of the transaction amount of the Transactions for the full year ended 31 December 2014 based on the actual transaction amount for the period between 1 January 2014 and 31 July 2014.

### **Reasons and benefits of entering into the New 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 New Procurement and Sales Agreement and the 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 of the date of this announcement, Sanjiang Shopping Club holds 18% equity interest in New JoySun Supermarket Chain, which is an indirect 82% owned subsidiary of the Company. Pursuant to Rule 14A.06(9) of the Listing Rules, Sanjiang Shopping Club is a connected person of the Company at the subsidiary level and the Transactions under the New Procurement and Sales Agreement between Sanjiang Shopping Club and New JoySun constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Transactions contemplated under the New Procurement and Sales Agreement is/are more than 1% but less than 5%, the New Procurement and Sales Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

“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 New 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
“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
“New Procurement and Sales Agreement”	the procurement and sales agreement entered into between New JoySun and Sanjiang Shopping Club and effective on 27 August 2014

“PRC”	the People’s Republic of China
“Previous Announcement”	the announcement issued by the Company on 11 July 2014 in relation to the Previous Procurement and Sales Agreement and the transactions contemplated thereunder
“Previous Procurement and Sales Agreement”	the procurement and sales agreement dated 19 March 2013 between New JoySun and Sanjiang Shopping Club
“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
“Shares”	ordinary shares of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the New Procurement and Sales Agreement
%	per cent.

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

Hong Kong, 29 August 2014

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

*\* 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.*