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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)

INSIDE INFORMATION LAND RESUMPTION

This announcement is made by Lisi Group (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

In July 2023, Ningbo New JoySun Supermarket Chain Limited* (寧波新江廈連鎮超市有限公司) (“**Ningbo New JoySun**”), an indirect wholly-owned subsidiary of the Company, received a notice from Ningbo Yinzhou District, Qiulai Town Relocation Office* (寧波市鄞州區邱隘鎮拆遷辦公室) (the “**Government Notice**”). According to the Government Notice, Ningbo New JoySun was informed that its properties located at Qiulai Town (邱隘鎮), namely, two pieces of land which are located at (a) Sheng Mo Road, Qiulai Town, Yinzhou District, Ningbo* (寧波市鄞州區邱隘鎮盛莫路) with a site area of approximately 3,087.6 square meters (“**Land 1**”) and (b) No. 166-168, Middle Road, Qiulai Town, Yinzhou District, Ningbo* (寧波市鄞州區邱隘鎮中路166號-168號) with a site area of approximately 757.98 square meters respectively (“**Land 2**”, together Land 1, the “**Lands**”), were subject to resumption by the local government (the “**Local Government**”) in the Yinzhou District, Ningbo Municipality, the PRC (the “**Land Resumption**”).

The Company has sought legal advice from its PRC lawyers in relation to the Land Resumption and was advised by the PRC lawyers that Ningbo New JoySun would be bound to surrender the Lands in accordance with the relevant laws and regulations of the PRC and Ningbo New JoySun would have no discretion to act in an opposite manner.

RESUMPTION OF LANDS

The board of directors of the Company (the “**Board**”) would like to announce that on 24 July 2023 (after trading hours), Ningbo New JoySun entered into a land resumption agreement with Ningbo Yinzhou District Housing Demolition and Relocation Service Centre* (寧波市鄞州區房屋拆遷服務中心) (the “**Relocation Centre**”) a department of Yinzhou District, Qiukai Town Relocation Office (the “**Relocation Office**”) (寧波市鄞州區邱隘鎮拆遷辦公室), in respect of resumption of the land use rights of Land 1 together with all buildings, structures and attachments thereat (the “**Land 1 Resumption Agreement**”).

On the same day, Ningbo New JoySun entered into another land resumption agreement with the Relocation Office in respect of the resumption of the land use rights of Land 2 together with all buildings, structures and attachments thereat (the “**Land 2 Resumption Agreement**”, together with Land 1 Resumption Agreement, the “**Land Resumption Agreements**”).

Pursuant to the Land Resumption Agreements, Ningbo New JoySun shall surrender the land use rights of the Lands to the Local Government.

Details of the Lands

Land 1

Land 1 is situated at Sheng Mo Road, Qiukai Town, Yinzhou District, Ningbo, the PRC* (寧波市鄞州區邱隘鎮盛莫路) with a site area of approximately 3,087.6 square meters. Land 1 has been approved for industrial use purpose. The buildings and structures (the “**Land 1 Buildings**”) erected thereat have a total building area of 4,534.75 square meters. As at the date of this announcement, the relocation of shop on Land 1 is in progress and the management believed that the relocation could be completed on schedule.

Land 2

Land 2 is situated at No. 166-168, Middle Road, Qiukai Town, Yinzhou District, Ningbo* (寧波市鄞州區邱隘鎮中路166號-168號) with a site area of approximately 757.98 square meters. Land 2 has been approved for commercial use purpose. The buildings and structures (the “**Land 2 Buildings**”) erected thereat have a total building area of 2,600.61 square meters. As at the date of this announcement, the relocation of shop on Land 2 is in progress and the management believed that the relocation could be completed on schedule.

Compensation and Payment Terms

Land 1 Resumption Agreement

Pursuant to the Land 1 Resumption Agreement, the compensation payable to Ningbo New JoySun for the Land 1 Resumption comprises five parts. The first part is the appraisal amount of the expropriated Land 1 and the Land 1 Buildings which is RMB28,826,534, and the second part is the monetary compensation subsidy which is RMB8,647,961. The third part and the fourth part are the compensation for one-time relocation and temporary resettlement fee and the compensation for loss of shutting down the business and production, which are both in the amount of RMB1,441,327. The fifth part is the compensation for loss of relocation of major facilities, which is RMB418,225. If Ningbo New JoySun is able to return Land 1 to the Relocation Centre and vacate the Land 1 Buildings to its satisfaction by 19 October 2023, Ningbo New JoySun shall receive RMB1,441,327, being 5% of first part of the compensation, i.e. the appraisal amount of the expropriated Land 1 and the Land 1 Buildings as an incentive award (the “**Land 1 Incentive Award**”). The Company shall also receive an additional compensation in the amount of RMB2,724,237.00 (“**Additional Amount**”). The aforesaid five parts of compensation, together with the Land 1 Incentive Award and the Additional Amount, totalling RMB44,940,938, is the entire amount of compensation that is payable to Ningbo New JoySun for the Land 1 Resumption (the “**Land 1 Compensation**”).

The Land 1 Compensation shall be payable by the Relocation Centre to Ningbo New JoySun in the following manner:

- RMB20,387,687 out of the Land 1 Compensation shall be paid within five days from the effective date of the Land 1 Resumption Agreement and Ningbo New JoySun shall guarantee to relocate and vacate the Land 1 and the Land 1 Buildings before 19 October 2023;
- RMB16,310,150 out of the Land 1 Compensation shall be paid within 10 days after Ningbo New JoySun vacates the Land 1 and the Land 1 Buildings and the condition is accepted by the Relocation Centre or expropriation implementation unit;
- RMB4,077,537 out of the Land 1 Compensation shall be paid within 15 business days from the date of the audit review; and
- The Land 1 Incentive Award and the Additional Amount shall be paid within 10 days and 10 business days respectively after the deadline of the relocation.

The Land 1 Compensation was determined by the Relocation Office based on the relevant laws, regulations, and procedures applicable to resumption of state-owned lands in Yinzhou District, which comprises the appraisal amount of the expropriated Land 1 and the Land 1 Buildings, the monetary compensation subsidy, one-time relocation and temporary resettlement fee, the loss of shutting down the business and production, the loss of relocation of major facilities, the Land 1 Incentive Award and Additional Amount.

The Land 1 Resumption Agreement becomes effective upon the signing by both parties.

Land 2 Resumption Agreement

Pursuant to the Land 2 Resumption Agreement, the compensation payable to Ningbo New JoySun for the Land 2 Resumption comprises five parts. The first part is the appraisal amount of the expropriated Land 2 and the Land 2 Buildings which is RMB89,893,224, and the second part is the monetary compensation subsidy, which is RMB26,967,968. The third part is the compensation for one-time relocation and temporary resettlement fee, which is RMB2,696,797. The fourth part is the compensation for loss of shutting down the business and production, which is RMB4,494,662. The fifth part is the compensation for loss of relocation of major facilities, which is RMB581,787. If Ningbo New JoySun is able to vacate Land 2 and the Land 2 Buildings to the Relocation Office to its satisfaction within three months from the date of the commencement of the resumption of Land 2, Ningbo New JoySun shall receive RMB4,494,662, being 5% of first part of the compensation, i.e. the appraisal amount of the expropriated Land 2 and the Land 2 Buildings as an incentive award (the “**Land 2 Incentive Award**”). The aforesaid five parts of compensation, together with Land 2 Incentive Award, totalling RMB129,129,100, is the entire amount of compensation that is payable to Ningbo New JoySun for the Land 2 Resumption (the “**Land 2 Compensation**”, together with Land 1 Compensation, “**Total Compensation**”).

The Land 2 Compensation shall be payable by the Relocation Office to Ningbo New JoySun in the following manner:

- RMB62,310,000 out of the Land 2 Compensation shall be paid within 20 business days from the effective date of the Land 2 Resumption Agreement;
- RMB37,390,000 out of the Land 2 Compensation shall be paid within 10 business days after the completion of deregistration of the Ningbo New JoySun’s land use rights in respect of Land 2 and its ownership of the Land 2 Buildings; and
- RMB24,934,438 out of the Land 2 Compensation shall be paid within 15 business days from the date of the audit review by the Relocation Office.
- The Land 2 Incentive Award shall be paid within 15 business days after the inspection of the vacation and the audit review are completed.

The Land 2 Compensation was determined by the Relocation Office based on the relevant laws, regulations, and procedures applicable to resumption of state-owned lands in Yinzhou District, which comprises the appraisal amount of the expropriated Land 2 and the Land 2 Buildings, the monetary compensation subsidy, one-time relocation and temporary resettlement fee, the loss of shutting down the business and production, the loss of relocation of major facilities and the Land 2 Incentive Award.

The Land 2 Resumption Agreement becomes effective upon the signing by both parties.

Information of the parties to the Land Resumption Agreements

The Company is an investment holding company and the principal business of the Group primarily includes (i) manufacturing and trading of household products; (ii) operation of supermarkets and property rental services; (iii) wholesales of alcohol, wine, beverages and electrical appliances; and (iv) investment holding.

The Relocation Centre and Relocation Office are the local authorities under the People's Government of Yinzhou District, Ningbo, Municipality, the PRC and, for the purpose of the Land Resumption, and they are the transferees of the Land 1 and Land 2 respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Relocation Centre, Relocation Office and the Local Government are governmental authorities of the PRC and is third parties independent of and not connected with the Company and its connected persons.

Financial Effects of the Land Resumption

Base on the latest audited financial statements as at 31 March 2023, the net book value of the assets subject to the Land Resumption was in the amount of approximately RMB42.9 million (equivalent to approximately HKD46.6 million). On account of the Total Compensation of approximately RMB174.1 million (equivalent to approximately HKD189.0 million), the Group is expected to record an estimated net gain before tax from the Land Resumption of approximately RMB131.2 million (equivalent to approximately HKD142.4 million). Such estimated net gain has not taken into account of any costs and expenses incurred relating to the Land Resumption and relocation and any PRC enterprise income tax and other related tax expenses to be or may be charged. The actual amount of the gain from the Land Resumption to be recorded by the Group is subject to audit, and accordingly, it may be different from the amount stated above.

Taking into account the above positive financial effects of the Land Resumption, the Board is of the view that the Land Resumption is fair and reasonable in the interests of the Company and its shareholders as a whole and would not have any material adverse effect to core businesses of the Group.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
Lisi Group (Holdings) Limited
Li Lixin
Chairman and Executive Director

Hong Kong, 24 July 2023

As at the date of this announcement, the Board comprises Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being executive directors, Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong being independent non-executive directors.

For the purpose of illustration only, the amounts denominated in RMB have been translated into HKD using the exchange rate of RMB1: HKD1.086. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

** For identification purposes only*