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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)**

**(1) CONNECTED AND MAJOR TRANSACTION IN RELATION TO  
THE FUNDS TRANSFERS AND DISCLOSURE UNDER RULE 13.13  
OF THE LISTING RULES; AND  
(2) DISCLOSEABLE AND MAJOR TRANSACTIONS IN RELATION  
TO THE ADVANCES TO SUPPLIERS**

**CONNECTED AND MAJOR TRANSACTIONS IN RELATION TO THE FUNDS  
TRANSFERS AND DISCLOSURE UNDER RULE 13.13 OF THE LISTING  
RULES**

**Background**

During the period from April 2021 to June 2024 (the “**Relevant Period**”), New JoySun, an indirect wholly-owned subsidiary of the Company, and Ningbo Lisi, a connected person of the Company, made various funds transfers with each other by way of bank transfers solely for the purpose of facilitating banking relationship with the intention of securing more favourable commercial terms with the Banks.

During the Relevant Period, the highest daily outstanding balance of the Funds Transfers made by New JoySun was approximately RMB329 million. By the end of June 2024, all the outstanding amount under the Funds Transfers had been settled, and New JoySun and Ningbo Lisi had ceased to carry out any funds transfers thereafter.

The Funds Transfers were not intended to create any commercial transactions between New JoySun and Ningbo Lisi or to provide any financial assistance to Ningbo Lisi. It had only come to the attention of the Company during the preparation of the annual results for the financial year ended 31 March 2024 that the Funds Transfers may be considered as “transactions” under the Listing Rules.

### **Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Funds Transfers determined on the basis of the highest daily outstanding balance was more than 25% but less than 100% at the relevant time, the Funds Transfers constituted a major transaction for the Company and were subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Ningbo Lisi is ultimately owned as to approximately 96.6% by Mr. Li Lixin who is a Director and a controlling shareholder of the Company, and therefore, Ningbo Lisi is an associate of Mr. Li Lixin and a connected person to the Company under the Listing Rules. Accordingly, the Funds Transfers constituted connected transaction for the Company and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the assets ratio in respect of the Funds Transfers exceeds 8% at the relevant time, the Company is subject to the general disclosure obligation under Rule 13.13 of the Listing Rules in respect of the Funds Transfers.

### **DISCLOSEABLE AND MAJOR TRANSACTIONS IN RELATION TO THE ADVANCES TO SUPPLIERS**

#### **Background**

In anticipation of securing a purchase order from the Group's customer which the Group had submitted a pitch for, Lisi Household entered into procurement contracts with the Suppliers for procurement of the relevant raw materials, and pre-paid the entire consideration thereunder, in March 2024 with the view to securing sufficient supplies of raw materials in preparation for the potential purchase order.

Unfortunately, since the Group failed to secure the intended purchase order eventually, Lisi Household had subsequently entered into termination agreements with the Suppliers respectively between April and June 2024 to terminate the procurement contracts and requested for full refund of the consideration pre-paid earlier. As at the date of this announcement, the entire amount of the consideration pre-paid has been received by the Group.

Although the procurement contracts and the pre-payments thereunder were conducted during the ordinary and usual course of business, it had come to the attention of the Company during the preparation of the annual results for the financial year ended 31 March 2024 that the pre-payments made under the procurement contracts would be presented as advances to the Suppliers in the financial statements.

### **Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Advances to Supplier A, on an aggregated basis, was more than 25% but less than 100% at the relevant time, the Advances to Supplier A constituted a major transaction for the Company and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Advances to Supplier B, on an aggregated basis, was more than 5% but less than 25% at the relevant time, the Advances to Supplier B constituted a discloseable transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Advances to Supplier C was more than 5% but less than 25% at the relevant time, the Advances to Supplier C constituted a discloseable transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **NON-COMPLIANCE AND REMEDIAL ACTIONS**

As disclosed above, (a) the Funds Transfers constituted a notifiable transaction and a connected transaction under Chapters 14 and 14A of the Listing Rules and were subject to the relevant requirements thereunder; (b) the assets ratio of the Funds Transfers exceeds 8% and the Company is under obligations to make disclosure under Rule 13.13 of the Listing Rules; and (c) each of the Advances to Supplier A, Advances to Supplier B and Advances to Supplier C constituted a notifiable transaction under Chapter 14 of the Listing Rules and was subject to the relevant requirements thereunder. As such, the failure by the Company to comply with the above requirements constituted non-compliance with the relevant provisions of Chapters 13, 14 and 14A of the Listing Rules.

The non-compliance with the relevant rules under Chapters 13, 14 and 14A of the Listing Rules was primarily due to the misunderstanding of the relevant personnel of the Group who were responsible for managing the Funds Transfers and the Advances to Suppliers that the relevant payments would not constitute "financial assistance" or "transactions" under Chapters 13, 14 and 14A of the Listing Rules and the misunderstanding as to the treatment of the relevant payments in the financial statements. To rectify the non-compliance, the Company has published this announcement pursuant to the applicable requirements under Chapters 13, 14 and 14A of the Listing Rules.

The Company regrets its non-compliance with the Listing Rules as disclosed in this announcement. The Company would like to emphasize that none of the Funds Transfers or the Advances to Suppliers involved any fraudulent financial reporting or misappropriation of the Group's assets. The Company had no intention to withhold any information relating to the relevant advances and the non-compliance with the Listing Rules was inadvertent and unintentional. Please refer to the section headed "Non-Compliance and Remedial Actions" for further details of the remedial measures proposed to be taken by the Company.

## **CONNECTED AND MAJOR TRANSACTIONS IN RELATION TO THE FUNDS TRANSFERS AND DISCLOSURE UNDER RULE 13.13 OF THE LISTING RULES**

### **Funds Transfers with Ningbo Lisi**

During the Relevant Period, New JoySun, an indirect wholly-owned subsidiary of the Company, and Ningbo Lisi, a connected person of the Company, made various funds transfers with each other by way of bank transfers (the "**Funds Transfers**").

As further detailed in the section headed "Reasons for and benefits of the Funds Transfers" below, the Funds Transfers were made solely for the purpose of facilitating banking relationship with the banks in the PRC (the "**Banks**") with the intention of securing more favourable commercial terms with the Banks, and were not intended to create any commercial transactions between New JoySun and Ningbo Lisi. New JoySun was not under any contractual obligations to make any Funds Transfers and no written agreement has been entered into between the parties in respect of the Funds Transfers. The Funds Transfers were not subject to any interests rates or repayment schedule or collateral.

During the Relevant Period, the amount paid out under the Funds Transfers was repaid under various tranches, and the entire outstanding amount was settled in full by the end of each month. During the Relevant Period, the highest daily outstanding balance of the Funds Transfers made by New JoySun was approximately RMB329 million. By the end of June 2024, all the outstanding amount under the Funds Transfers had been settled, and New JoySun and Ningbo Lisi had ceased to carry out any funds transfers thereafter.

### **Information on the parties**

The principal activities of the Group are (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. New JoySun is a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company during the Relevant Period.

Ningbo Lisi is a company established under the laws of the PRC and its business scope includes, among other things, textile, clothing, daily consumables and retail. Ningbo Lisi is ultimately owned as to approximately 96.6% by Mr. Li Lixin who is a Director and a controlling shareholder of the Company. Therefore, Ningbo Lisi is an associate of Mr. Li Lixin and a connected person to the Company under the Listing Rules.

### **Reasons for and benefits of the Funds Transfers**

Mr. Li Lixin, a Director and controlling shareholder of the Company, is a renowned entrepreneur in Ningbo, the PRC and he owns a number of private companies in the PRC (collectively, the “**Private Group**”), including but not limited to Ningbo Lisi. Focusing on the commercial retail business, Ningbo Lisi is a sizeable and reputable enterprise in Ningbo, the PRC. Based on the communications with the Banks, in considering whether to offer more favourable commercial terms to the Group, the Banks would consider, among other things, the influence of Mr. Li Lixin and the Private Group in Ningbo, the PRC, and whether there are any equity or financial relationships between the Group and the Private Group. In this connection, the Funds Transfers were conducted solely for the purpose of facilitating banking relationship and establishing the financial relationship between the two groups with the intention of helping the Group to secure more favourable commercial terms with the Banks. The Funds Transfers were not intended to create any commercial transactions between New JoySun and Ningbo Lisi or to provide any financial assistance to Ningbo Lisi. It had only come to the attention of the Company during the preparation of the annual results for the financial year ended 31 March 2024 that the Funds Transfers may be considered as “transactions” under the Listing Rules.

### **Listing Rules implications**

As the highest applicable percentage ratio in respect of the Funds Transfers determined on the basis of the highest daily outstanding balance was more than 25% but less than 100% at the relevant time, the Funds Transfers constituted a major transaction for the Company and were subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As Ningbo Lisi is an associate of Mr. Li Lixin and a connected person to the Company under the Listing Rules, the Funds Transfers constituted connected transaction for the Company and were subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the assets ratio in respect of the Funds Transfers exceeds 8% at the relevant time, the Company is subject to the general disclosure obligation under Rule 13.13 of the Listing Rules in respect of the Funds Transfers.

## **Disclosure in the Annual Reports**

Information relating to the Funds Transfers was disclosed in the Company's 2022 Annual Report (page 135) published on 29 July 2022 and the 2023 Annual Report (page 105) published on 27 July 2023. The Company wishes to emphasize that the Funds Transfers did not involve any fraudulent financial reporting or misappropriation of the Group's assets, and the Company has never had any intention to withhold any information relating to the Funds Transfers.

The Company wishes to take this opportunity to clarify that the relevant disclosure in the 2023 Annual Report should be amended as follow (with amendments in bold and underline):

*“During the year ended 31 March 2023, there are certain fund transfer with a related party with aggregated transaction amount of RMB2.8 billion (2022: RMB2.5 billion). The maximum outstanding balance during the year is **RMB0.3 billion** (2022: RMB0.3 billion). The balance is unsecured, interest-free and repayable on demand. The balance is fully settled as of the end of the reporting period.”*

## **DISCLOSEABLE AND MAJOR TRANSACTIONS IN RELATION TO THE ADVANCES TO SUPPLIERS**

### **Advances to Suppliers**

In anticipation of securing a purchase order from the Group's customer which the Group had submitted a pitch for, Lisi Household entered into procurement contracts with the Suppliers for procurement of the relevant raw materials in support of the potential purchase contract in March 2024.

Principal terms of the procurement contracts are as follows:

Procurement contracts with Supplier A

- Parties:** Lisi Household (as purchaser)  
Supplier A (as supplier)
- Date:** In respect of the first procurement contract: 18 March 2024  
In respect of the second procurement contract: 21 March 2024
- Consideration:** In respect of the first procurement contract: RMB24,888,000 in total  
In respect of the second procurement contract: RMB69,686,400 in total
- Raw materials purchased:** In respect of the first procurement contract: 622.2 tonnes of EX501, a form of copolyester  
In respect of the second procurement contract: 1,742.16 tonnes of EX501, a form of copolyester
- Payment terms:** Payment upon invoice.

Procurement contracts with Supplier B

- Parties:** Lisi Household (as purchaser)  
Supplier B (as supplier)
- Date:** In respect of the first procurement contract: 15 March 2024  
In respect of the second procurement contract: 21 March 2024
- Consideration:** In respect of the first procurement contract: RMB38,961,000 in total  
In respect of the second procurement contract: RMB39,460,500 in total
- Raw materials purchased:** In respect of the first procurement contract: 3,900,000 kilogram of IMHLC-T9, a form of RPET (recycled polyethylene terephthalate)  
In respect of the second procurement contract: 3,950,000 kilogram of IMHLC-T9, a form of RPET
- Payment terms:** Raw materials will only be delivered by Supplier B after receiving the consideration in full.



Procurement contract with Supplier C (as amended and supplemented by a supplemental agreement)

**Parties:** Lisi Household (as purchaser)

Supplier C (as supplier)

**Date:** 26 March 2024

**Consideration:** RMB71,179,680 in total

**Raw materials purchased:** 4,313.92 tonnes 82TR, a SAN (styrene acrylonitrile resin) product

**Payment terms:** 100% pre-payment

As further detailed in the paragraph headed “Reasons for and benefits of the Advances to Suppliers” in this announcement, Lisi Household pre-paid the entire consideration under the procurement contracts (the “**Advances**”) with the intention to secure sufficient supplies of raw materials from the Suppliers for the Group to perform its anticipated purchase order from its customer. Unfortunately, since the Group failed to secure the intended purchase order eventually, Lisi Household had subsequently entered into termination agreements with the Suppliers respectively between April and June 2024 to terminate the procurement contracts and requested for full refund of the consideration pre-paid earlier. As at the date of this announcement, the entire amount of the consideration pre-paid has been received by the Group.

### **Information on the parties**

The principal activities of the Group are (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. Lisi Household is a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company at the relevant time when the Advances were made.

Supplier A is a company established under the laws of the PRC and its business scope includes, among other things, sale of chemical products, plastic products, metal materials and petroleum products. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Supplier A was ultimately owned as to 100% by Cha Kang\* (查康) at the time when the relevant Advances were made.

Supplier B is a company established under the laws of the PRC and its business scope includes, among other things, sale of plastic products, rubber products and metal products. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Supplier B was ultimately owned as to 100% by Zhong Chuanliang\* (鐘傳亮) at the time when the relevant Advances were made.



Supplier C is a company established under the laws of the PRC and its business scope includes, among other things, sale of raw materials and products for chemicals, plastic and rubber, and export and import of goods and technologies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Supplier C was ultimately owned as to 100% by Hu Peidong\* (胡培東) at the time when the relevant Advances were made.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of Supplier A, Supplier B, Supplier C and their respective ultimate beneficial owners were Independent Third Parties at the relevant time; and (ii) the Suppliers were independent of each other at the relevant time.

### **Reasons for and benefits of the Advances to Suppliers**

The Group is principally engaged in, among other things, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances. As part of the Group's ordinary and usual course of business, the Group procured raw materials from its suppliers from time to time in support of the Group's principal business.

In anticipation of receiving a purchase order from the Group's customer which the Group has submitted a pitch for, where the Group may be required to ship out the finished products within one month after confirming the order, Lisi Household entered into the procurement contracts with the Suppliers and agreed to pre-paid the entire consideration to the respective Suppliers, who had sufficient inventory in stock, in order to secure sufficient supplies of raw materials and to speed up the manufacturing process by minimising the time spent for sourcing raw materials after confirming the potential purchase order.

Although the procurement contracts and the pre-payments thereunder were conducted during the ordinary and usual course of business, it had come to the attention of the Company during the preparation of the annual results for the financial year ended 31 March 2024 that the pre-payments made under the procurement contracts would be presented as advances to the Suppliers in the financial statements.

### **Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Advances to Supplier A, on an aggregated basis, was more than 25% but less than 100% at the relevant time, the Advances to Supplier A constituted a major transaction for the Company and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Advances to Supplier B, on an aggregated basis, was more than 5% but less than 25% at the relevant time, the Advances to Supplier B constituted a discloseable transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Advances to Supplier C was more than 5% but less than 25% at the relevant time, the Advances to Supplier C constituted a discloseable transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **NON-COMPLIANCE AND REMEDIAL ACTIONS**

As disclosed above, (a) the Funds Transfers constituted a notifiable transaction and a connected transaction under Chapters 14 and 14A of the Listing Rules and were subject to the relevant requirements thereunder; (b) the assets ratio of the Funds Transfers exceeds 8% and the Company is under obligations to make disclosure under Rule 13.13 of the Listing Rules; and (c) each of the Advances to Supplier A, Advances to Supplier B and Advances to Supplier C constituted a notifiable transaction under Chapter 14 of the Listing Rules and was subject to the relevant requirements thereunder. As such, the failure by the Company to comply with the above requirements constituted non-compliance with the relevant provisions of Chapters 13, 14 and 14A of the Listing Rules.

The non-compliance with the relevant rules under Chapters 13, 14 and 14A of the Listing Rules was primarily due to the misunderstanding of the relevant personnel of the Group who were responsible for managing the Funds Transfers and the Advances to Suppliers that the relevant payments would not constitute “financial assistance” or “transactions” under Chapters 13, 14 and 14A of the Listing Rules and the misunderstanding as to the treatment of the relevant payments in the financial statements. To rectify the non-compliance, the Company has published this announcement pursuant to the applicable requirements under Chapters 13, 14 and 14A of the Listing Rules.

The Company regrets its non-compliance with the Listing Rules as disclosed in this announcement. The Company would like to emphasize that none of the Funds Transfers or the Advances to Suppliers involved any fraudulent financial reporting or misappropriation of the Group’s assets. The Company had no intention to withhold any information relating to the relevant advances and the non-compliance with the Listing Rules was inadvertent and unintentional.

To prevent the reoccurrence of the similar incidents of non-compliance with the Listing Rules, the following remedial actions and measures have been, or will be, taken by the Group:

- (a) the Company has been strengthening the implementation of its internal control system on transactions and cash management, including but not limited to, increasing the number of members of the team which has been designated to monitor and oversee all the on-going transaction and material funds transfers by the Group, and the coordination and reporting arrangements for notifiable transactions among various departments of the Group, including the finance department, the business department and the Board. Before entering into each agreement or making any material funds transfers, the finance department will coordinate those departments to review the relevant agreements and the proposed funds transfers to ensure compliance with the Listing Rules;
- (b) the Board will arrange its legal advisers to arrange training sessions for the Directors and the relevant staff of the Group, which shall cover, among other matters, the compliance of the Listing Rules, practical knowledge relating to financial assistance, notifiable transaction, connected transaction and latest development of the Listing Rules;
- (c) the Company will maintain closer cooperation with its professional advisers in relation to regulatory compliance. If necessary, the Company will consult the Stock Exchange about the proper treatment of the proposed transaction and/or material funds transfers; and
- (d) the Company will engage internal control auditor to review its internal procedures un respect of the corporate governance, in particular the treasury management, for the year ending 31 March 2025, and will carry out the recommendations, if any, suggested by such internal control auditor.

**DEFINITIONS**

In this announcement, the following terms have the meanings set out below, unless the context requires otherwise:

“Advances”	the advances made by Lisi Household to the relevant Suppliers as described in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Banks”	the banks in the PRC as mentioned in this announcement
“Board”	the board of Directors of the Company

“Company”	Lisi Group (Holdings) Limited (stock code: 526), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Funds Transfers”	the funds transfers between New JoySun and Ningbo Lisi as described in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lisi Household”	寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected with the Company and/or the connected person(s) of the Company
“New JoySun”	寧波新江夏股份有限公司 (Ningbo New JoySun Corporation*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Ningbo Lisi”	寧波利時控股有限公司 (Ningbo Lisi Holding Limited Company*), a company established in the PRC which is owned as to approximately 96.6% by Mr. Li Lixin (a Director and a controlling shareholder of the Company)
“PRC”	the People’s Republic of China
“Relevant Period”	the period from April 2021 to June 2023

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suppliers”	Supplier A, Supplier B and Supplier C
“Supplier A”	寧波市簡唯貿易有限公司 (Ningbo City Jianwei Trade Company Limited*), a company established in the PRC
“Supplier B”	寧波市羽笙貿易有限公司 (Ningbo City Yusheng Trade Company Limited*), a company established in the PRC
“Supplier C”	寧波中尚國際貿易有限公司 (Ningbo Zhongshang International Trade Company Limited*), a company established in the PRC
“%”	per cent

By Order of the Board  
**LISI GROUP (HOLDINGS) LIMITED**  
**Li Lixin**  
*Chairman and Executive Director*

Hong Kong, 12 July 2024

*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 identification purpose only*