香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)
THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Lisi Group (Holdings) Limited (Stock Code: 526), Six Former Directors and a Former Company Secretary

SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited (**Exchange**)

CENSURES:

(1) **Lisi Group (Holdings) Limited** (**Company**);

IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT and **CENSURE** against:

(2) **Mr Li Lixin**, former Chairman and executive director (**ED**) of the Company (**Mr Li**);
(3) **Mr Cheng Jianhe**, former ED of the Company (**Mr Cheng**);
(4) **Ms Jin Yaxue**, former ED of the Company (**Ms Jin**);
(5) **Mr Shin Yick Fabian**, former independent non-executive director (**INED**) of the Company (**Mr Shin**);
(6) **Mr He Chengying**, former INED of the Company (**Mr He**);
(7) **Mr Kwong Kwan Tong**, former INED of the Company (**Mr Kwong**); and

CENSURES:

(8) **Ms Pang Yuen Shan Christina**, former company secretary of the Company (**Ms Pang**),

(The directors identified at (2) to (7) above are collectively referred to as the **Relevant Directors**. The Company, the Relevant Directors and Ms Pang are collectively referred to as the **Parties**.)

AND FURTHER DIRECTS:

Ms Pang to attend 24 hours of training on regulatory and legal topics and Listing Rule compliance, including (a) directors' duties; (b) the Corporate Governance Code; and (c) Chapters 13, 14 and 14A of the Listing Rules.

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SUMMARY OF FACTS

1. This case concerns:

1.1. breaches of the Listing Rules by the Parties relating to (a) fund transfers made by the Company's subsidiary to a connected person of the Company and (b) prepayments made by the Company's subsidiary to raw material suppliers; and

1.2. the Company's repeated failures to establish and maintain adequate internal controls, despite its previous Listing Rule breaches, warning letters issued by the Exchange since 2014, and the sanctions and directions imposed by the Exchange.

A. Fund Transfers

2. For over 38 months between April 2021 and June 2024, Ningbo New JoySun Corporation (**New JoySun**), a subsidiary of the Company, made 333 fund transfers (**Fund Transfers**) to Ningbo Lisi Holding Limited Company (**Ningbo Lisi**), a private company owned by Mr Li and therefore a connected person of the Company. At the material time, Mr Li was also the Company's controlling shareholder.

2.1. A breakdown of the Fund Transfers (all approved by Mr Li and Mr Cheng) is summarised in the table below:

Period	Number of Fund Transfers
FY2022: 1 April 2021 to 31 March 2022	65
FY2023: 1 April 2022 to 31 March 2023	77
FY2024: 1 April 2023 to 31 March 2024	146
After FY2024: 1 April 2024 to 28 June 2024	45

2.2. The Company claimed that the Fund Transfers were intended to demonstrate ongoing financial relationships between (a) the Company and its subsidiaries (the **Group**) and (b) Ningbo Lisi. The Group's understanding was that through the Fund Transfers, allegedly discussed and agreed between the Group and certain PRC banks, the Group could secure more favourable commercial terms from the banks in the future. However, the Company confirmed that the Group had not received any actual benefits.

2.3. The Group did not enter into any written agreement in respect of the Fund Transfers, which were interest-free, unsecured and without fixed repayment schedule.

2.4. The Fund Transfers were settled by Ningbo Lisi on a monthly basis, such that the outstanding balance at the end of each month was zero. Further Fund Transfers would then be made in the following month. The highest daily outstanding balance of the Fund Transfers during the period was approximately RMB329 million.

2.5. The Fund Transfers constituted 31 discloseable and connected transactions and 191 major and connected transactions (including two advances to an entity).

3. The Fund Transfers were conducted across three financial years. They were flagged by the auditor in each financial year's Board and Audit Committee meetings for year end audited annual results. Nonetheless, as reflected in the table in paragraph 2.1 above, the Fund Transfers continued to be approved and the Relevant Directors did not take action to address the risks and/or issues.[1]

3.1. In the Audit Committee meeting (**2022 AC Meeting**) and the Board meeting (**2022 Board Meeting**) held on 29 July 2022, the auditor flagged the Fund Transfers made during FY2022 and recommended the Group to: (a) regulate and strengthen its management of the Fund Transfers; (b) eliminate any fund transfers with Ningbo Lisi which were not of commercial nature; and (c) consider the approval and disclosure requirements of the Fund Transfers under the Listing Rules (**Auditor's 2022 Recommendations**).

3.2. In the Audit Committee meeting (**2023 AC Meeting**) and the Board meeting (**2023 Board Meeting**) held on 29 June 2023, the auditor flagged further Fund Transfers made during FY2023 and repeated the Auditor's 2022 Recommendations.

3.3. In the Audit Committee meeting and the Board meeting held on 28 June 2024, the auditor flagged further Fund Transfers made during FY2024 and repeated similar recommendations for a third year in a row. Thereafter, New JoySun ceased to execute further Fund Transfers with Ningbo Lisi. All outstanding balance of the Fund Transfers was fully recovered by 30 June 2024.

[1] The Fund Transfers were disclosed under "Material Related Party Transactions" of the Company's FY2022 and FY2023 annual reports, but there is no evidence showing that the Company had considered the relevant Listing Rules implications.

4. On 12 July 2024 (i.e. more than three years after the Fund Transfers were first made), the Company made an announcement disclosing the Fund Transfers (**July 2024 Announcement**).

B. Prepayments

5. In March 2024, Ningbo Lisi Household Products Company Limited (**Ningbo Lisi Household**), another subsidiary of the Company, entered into procurement contracts with three independent raw material suppliers (**Suppliers**) with a view to securing supplies of raw materials for a potential purchase order which was the subject of a tender bid submitted by the Group.

6. Between 27 and 29 March 2024, Ningbo Lisi Household prepaid the entire consideration of around RMB244 million to all three Suppliers (**Prepayments**). Between 15 April and 4 June 2024, Ningbo Lisi Household terminated all procurement contracts with the Suppliers as the Group failed in the tender bid. By 6 June 2024, all the Prepayments were fully repaid to Ningbo Lisi Household.

7. The Prepayments constituted two discloseable transactions and one major transaction of the Group. The Company disclosed the Prepayments in the July 2024 Announcement.

C. Internal Controls

8. The Fund Transfers and Prepayments indicated that the Company did not have in place adequate and effective internal controls. The material deficiencies of its internal controls included, among others, (a) insufficient awareness regarding compliance with Chapters 13, 14 and 14A of the Listing Rules, including the identification of connected or notifiable transactions, (b) lack of detailed written policies and procedures regarding fund transfers and (c) lack of detailed examination and approval authority for fund transfers and prepayments.

9. The Company had a long history of breaches of Chapters 13, 14 and 14A of the Listing Rules. Whilst the Company had received various warnings, sanctions and directions from the Exchange, the pattern of non-compliance with these Chapters had continued with the Fund Transfers and Prepayments. In particular:

    9.1. Between 2014 and 2016, three warning letters were issued to the Company for breaches of Chapters 13, 14 and 14A of the Listing Rules in relation to notifiable and/or connected transactions concerning supply of commodities, subscription of wealth management product and trust agreements to manage funds.

9.2. On 19 July 2023, the Exchange publicly censured the Company for failure on multiple occasions between 2017 and 2021 to comply with Chapters 13, 14 and 14A of the Listing Rules in relation to notifiable and/or connected transactions concerning subscriptions of financial products and provision of financial guarantees. The Exchange also directed the Company to take remedial actions.[2]

9.3. On 23 November 2023, the Company announced that, pursuant to the Exchange's directions, (a) it had appointed an internal control adviser to conduct a review and implemented all the adviser's recommendations, (b) it had appointed a compliance adviser for a term of two years from 1 August 2023 to 31 July 2025, and (c) the directors had completed training on Chapters 13, 14 and 14A of the Listing Rules.

10. Nonetheless, the Company did not consult its compliance adviser in respect of the Fund Transfers and Prepayments before they were executed. In addition, the Company's internal controls had remained inadequate to prevent and detect the Fund Transfers and Prepayments, and to ensure that the transactions at issue were conducted in compliance with the Listing Rules.

D. Involvement of the Relevant Directors

11. On the Fund Transfers:

11.1. Despite the auditor's recommendations, Mr Li and Mr Cheng continued to approve each of the 333 Fund Transfers across the three financial years . The Fund Transfers also gave rise to a clear conflict of interest between Mr Li and the Company but Mr Li did not take any step to avoid the conflict.

11.2. Ms Jin, Mr Shin, Mr He and Mr Kwong attended the 2022 Board Meeting and the 2023 Board Meeting (Mr Shin, Mr He and Mr Kwong also attended 2022 AC Meeting and 2023 AC Meeting). Notwithstanding the auditor's recommendations, they did not take adequate action to (a) ascertain the cause and facts of the matters flagged by the auditor, the issues and risks arisen therefrom and the Listing Rule implications, (b) safeguard the Group's interests and (c) procure the Company's compliance with the Listing Rules.

12. On the Prepayments, Mr Li and Ms Jin gave the relevant approvals.

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[2] See the Statement of Disciplinary Action against the Company published by the Exchange on 19 July 2023.

13. All the Relevant Directors also failed to ensure that the Company established and maintained appropriate and effective risk management and internal control systems during their long tenures as directors of the Company. As part of the audit committee, Mr Shin, Mr He and Mr Kwong also failed to ensure that management had performed its duty in respect of internal control matters.

E. Involvement of Ms Pang

14. At the material time, Ms Pang was the company secretary and a senior management member of the Company. The engagement letter between her and the Company provided that Ms Pang should devote such time as may be necessary to discharge her duties as the company secretary, which included (a) advising on compliance with laws and regulations, (b) advising on the best practice on corporate governance, and (c) establishing comprehensive corporate governance mechanisms.

15. Ms Pang attended the 2022 AC Meeting, 2022 Board Meeting, 2023 AC Meeting and 2023 Board Meeting. Notwithstanding the auditor’s recommendations, she did not take any steps to understand the cause, state of affairs and implication of the Fund Transfers. She did not advise the Board on governance matters or assist the Board to ensure that board procedures and applicable Listing Rules were followed.

16. Ms Pang misunderstood that her duties as company secretary were only administrative. She asserted that she first became aware of the details of the Fund Transfers during the Exchange’s investigation.

F. Remedial measures

17. On 22 October 2024, 20 June 2025 and 17 December 2025, the Company announced various remedial measures taken to prevent recurrence of similar breaches, including that the Company had:

    17.1. conducted an internal control review and implemented enhanced internal control measures;

    17.2. implemented enhancements to its office automation system, such that any unauthorised payment from the Group to connected persons would be detected and prevented; and

17.3. put in place necessary arrangements to enhance the operation of the Company's internal control monitoring group (**ICMG**) comprising of, among others, an executive director, the company secretary and other senior management members of the Group, such as: (a) communication channels being set up for relevant personnel to report and seek prior consultation for potential notifiable and connected transactions; (b) requirements of written agreements for connected transactions and review of the proposed transactions by the ICMG and the Board; (c) any prepayment of more than RMB30 million be reported to and reviewed by the ICMG; and (d) providing daily reports of connected transactions, prepayment transactions and financial assistance transactions for ICMG's review.

SETTLEMENT

18. The Company, the Relevant Directors and Ms Pang did not contest their respective breaches and agreed to accept the sanctions and directions as set out in this Statement of Disciplinary Action.

LISTING COMMITTEE'S FINDINGS

19. The Listing Committee found as follows:

Company

20. The Company breached Rules 13.13, 14.34, 14.38A, 14.40, 14A.34, 14A.35, 14A.36, 14A.39 and 14A.46 of the Listing Rules (Notes 1 to 3) for failing to comply with:

20.1. On the Fund Transfers:

(a) the announcement requirement in respect of the two advances to an entity;

(b) the written agreement, announcement, circular and shareholders' approval requirements in respect of the 31 discloseable and connected transactions; and

(c) the written agreement, announcement, circular and shareholders' approval requirements in respect of the 191 major and connected transactions, and

20.2. On the Prepayments:

(a) the announcement requirement in respect of the two Prepayments that constituted discloseable transactions; and

(b) the announcement, circular and shareholders' approval requirements in respect of the Prepayment that constituted a major transaction.

All Relevant Directors

21. They breached Rules 3.08 and 3.09B(2) (Notes 4 to 7) for failing to: (i) apply reasonable skill, care and diligence and safeguard the Company's assets and interests; (ii) avoid conflict of interest and duty (in respect of Mr Li); (iii) procure the Company's compliance with the Listing Rules; and (iv) procure the Company to have in place adequate and effective internal controls and procedures.

22. Their conduct demonstrated a blatant or reckless disregard for their directors' duties and responsibility under the Listing Rules:

22.1. The Fund Transfers involved significant amounts of funds. Despite a clear conflict of interest, the questionable rationale of the Fund Transfers and the auditor's recommendations, Mr Li and Mr Cheng continued to approve the Fund Transfers.

22.2. Ms Jin, Mr Shin, Mr He and Mr Kwong failed to take an active interest in the Company's affairs. There was no evidence that they had taken sufficient steps to follow up on the Fund Transfers even after the issue came to their attention. As a result, the Group continued to conduct the Fund Transfers, which remained undetected or unquestioned across three financial years.

22.3. It was clear that the Prepayments had Listing Rule implications, but Mr Li and Ms Jin still gave the relevant approvals.

22.4. The Relevant Directors also failed to procure the Company's Rule compliance and to ensure that the Company implemented and maintained adequate and effective internal controls in respect of notifiable and connected transactions, despite previous breaches by and sanctions and directions imposed on the Company.

23. By reason of their conduct above, it is in the Exchange's opinion that the occupying of the position of director or senior management of the Company or any of its subsidiaries by the Relevant Directors may cause prejudice to the interests of investors.

Ms Pang

24. As company secretary of the Company, by virtue of her conduct and knowledge, Ms Pang failed to take adequate action to consider and advise the Board on the Fund Transfers. She caused by action or omission the Company's contravention of the Listing Rules, and is liable under Rule 2A.10B(3) (Notes 8 to 9).

25. This matter highlights a deeply concerning weakness in the Company's Rule compliance culture, particularly at the highest levels of governance. The Board and senior management demonstrated a lack of diligence and accountability in discharging the Company's obligations under the Listing Rules.

CONCLUSION

26. The Listing Committee decided to impose the sanctions and directions set out in this Statement of Disciplinary Action.

27. For the avoidance of doubt, the Exchange confirms that the above sanctions and direction apply only to the Parties, and not to any other past or present directors or senior management of the Company.

Hong Kong, 25 June 2026

Notes:

1. Rule 13.13 requires a listed issuer to announce an advance to an entity if the assets ratio exceeds 8 per cent.

2. Rules 14.34, 14.38A and 14.40 provide that a listed issuer must publish an announcement as soon as possible after the terms of a discloseable or major transaction have been finalised. For major transactions, the listed issuer is required to send a circular to its shareholders, and the transaction must be made conditional on approval by the shareholders.

3. A connected transaction is subject to, among others, the written agreement, announcement, circular, independent shareholders' approval and reporting requirements under Rules 14A.34, 14A.35, 14A.36, 14A.39 and 14A.46.

4. Rule 3.08 provides that the Exchange expects directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. These duties include a duty to avoid actual and potential conflict of interest and a duty to apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer. Rule 3.08 also highlights the importance of directors taking an active interest in the issuer's affairs. This includes an obligation to follow up on anything untoward that comes to their attention.

5. Under Rule 3.09B(2), a director has obligations to use his/her best endeavours to procure the issuer to comply with the Listing Rules.

6. Under Principle D.2 of the Corporate Governance Code (Appendix C1 to the Listing Rules), the board is responsible for ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems.

7. Under Principle D.3.3 of the Corporate Governance Code (Appendix C1 to the Listing Rules), the audit committee is, among others, required to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major risk management and internal control matters.

8. Under Rule 2A.10B(3), the Listing Committee may impose the sanctions in Rule 2A.10 against any of the parties named in Rule 2A.09 if it finds the party has caused by action or omission or knowingly participated in a contravention of the Listing Rules.

9. Under Principle C.6 of the Corporate Governance Code (Appendix C1 to the Listing Rules), the company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters.