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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Automobile New Retail (Holdings) Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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### CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED 中國汽車新零售（控股）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 526)**

#### CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**



**Lego Corporate  
Finance Limited**  
力高企業融資有限公司

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Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined under the section "Definitions" of this circular.

A letter from the Board containing is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 34 of this circular. A notice convening the SGM to be held at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 31 January 2022, Monday at 10:30 a.m. is set out on pages SGM-1 and SGM-2 of this circular.

Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

#### **PRECAUTIONARY MEASURES FOR THE SGM**

Please see page ii of this circular for measures being taken to prevent and control the spread of the COVID-19 pandemic, including but not limited to:

- compulsory temperature check before entering the SGM Venue, and those with a body temperature of over 37.3 degrees Celsius or with the flu-like symptoms or is otherwise unwell will not be admitted to the SGM Venue;
- wearing of surgical face mask is compulsory at any time within the SGM Venue; and
- signing of health declaration form before admission to the SGM Venue.

Any person who declines any of the aforementioned precautionary measures will not be admitted to the SGM Venue. The Company reminds the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

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## PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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In view of the ongoing COVID-19 pandemic, the Company will implement necessary preventive measures at the SGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature checks for all attendees at the entrance of the SGM venue. Any person with a body temperature of 37.3 degrees Celsius or above will not be allowed to attend the SGM.
- (ii) Prohibition from attendance at the SGM if the attendee has a fever. Persons exhibiting flu-like symptoms may also be refused admittance to the venue of the SGM.
- (iii) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the SGM.
- (iv) Appropriate proper distance between seats in line with the guidance from the Hong Kong Government will be maintained. Attendees are advised to maintain appropriate social distance with each other at all times when attending the SGM.
- (v) Any person who has travelled outside Hong Kong within 14 days immediately before the SGM (“**recent travel history**”), is subject to quarantine or self-quarantine in relation to COVID-19, or has close contact with any person under quarantine or with recent travel history shall not attend the SGM.
- (vi) No refreshments will be provided at the SGM.

To the extent permitted under the laws, regulations and Listing Rules, the Company reserves the rights to deny entry into the SGM venue or require any person, who does not comply with the precautionary measures, to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

The proxy form is attached to the SGM Circular for Shareholders who opt to receive physical circulars. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“2018 Export Agency Agreement”	the export agency agreement dated 22 November 2018 made between Lisi Import & Export and Lisi Household relating to the provision of export agency services
“2018 Import Agency Agreement”	the import agency agreement dated 22 November 2018 made between Lisi Import & Export and Lisi Household relating to the provision of import agency services
“2022 Export Agency Agreement”	the export agency agreement dated 20 December 2021 made between Lisi Import & Export and Lisi Household relating to the provision of export agency services
“2022 Import Agency Agreement”	the import agency agreement dated 20 December 2021 made between Lisi Import & Export and Lisi Household relating to the provision of import agency services
“Announcement”	the announcement of the Company dated 20 December 2021 in respect of, among others, the 2022 Export Agency Agreement and 2022 Import Agency Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means 9:00 a.m. to 5:00 p.m. on any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“Company”	China Automobile New Retail (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)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. He Chengying, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong, to advise the Independent Shareholders on the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, together with their respective associates (if any) who are required by the Listing Rules to abstain from voting on the resolutions approving the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder
“Latest Practicable Date”	12 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lisi Group”	利時集團股份有限公司 (Lisi Group Co., Ltd*)
“Lisi Household”	寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited*), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company which is principally engaged in manufacturing and global distribution of household plastics for daily use and metal hardware products
“Lisi Import & Export”	寧波利時進出口有限公司 (Lisi Import and Export Company Limited*)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Lixin, an executive Director and a controlling shareholder of the Company
“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

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## DEFINITIONS

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“percentage ratios”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be held at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 31 January 2022, Monday at 10:30 a.m. to consider, and if thought fit, to approve the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder
“SGM Venue”	14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*

*For the purpose of this circular and for illustrative purposes only, unless the context otherwise requires, conversion of RMB to HK\$ is based on the exchange rate of HK\$1.22 to RMB1.00, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.*

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## LETTER FROM THE BOARD

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### CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED 中國汽車新零售（控股）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 526)**

*Executive Directors:*

Mr. Li Lixin  
Mr. Cheng Jianhe  
Ms. Jin Yaxue

*Registered Office:*

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Non-Executive Director:*

Ms. Cheng Weihong

*Principal place of business in Hong Kong:*

Workshop 06 & 07, 36th Floor,  
King Palace Plaza  
No.52A Sha Tsui Road  
Tsuen Wan, New Territories  
Hong Kong

*Independent Non-Executive Directors:*

Mr. He Chengying  
Mr. Shin Yick Fabian  
Mr. Kwong Kwan Tong

12 January 2022

*To the Shareholders*

Dear Sir/Madam

### **CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with (i) further details of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the SGM and a form of proxy.

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## LETTER FROM THE BOARD

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### THE 2022 EXPORT AGENCY AGREEMENT

#### Date

20 December 2021

#### Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited\*); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited\*).

Lisi Import & Export is principally engaged in import and export of goods and materials in the PRC. Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Lixin and his son. Therefore Lisi Import & Export is a connected person of the Company.

#### Subject Matter

Lisi Import & Export shall provide export agency services to Lisi Household pursuant to the 2022 Export Agency Agreement. These export agency services primarily include assisting Lisi Household on handling government applications such as custom declarations, and settlement services and other liaison services between local government departments and the customers as requested by Lisi Household from time to time. The major category of products involved in the 2022 Export Agency Agreement will be plastic and metal household products. Lisi Import & Export would provide all such requested services for every transaction assigned by the Group.

#### Term

The 2022 Export Agency Agreement is for a term of three years commencing from 1 January 2022 and ending on 31 December 2024 subject to approval being obtained from the Independent Shareholders at the SGM.

#### Consideration

For the provision of the export agency services, Lisi Import & Export will charge an amount calculated based on the formula as set out in the 2022 Export Agency Agreement, which is equivalent to approximately 1.11% (subject to the change of the value added tax rebate on exports) of the gross transactions amounts to be handled by Lisi Import & Export on behalf of Lisi Household. Currently the rate of value added tax is 13% and the tax rebate is 13%. Change in the tax rebate from 0% to 13% will result in change in the rate of the export service fee from approximately 0.98% to 1.13% respectively. The actual export service fee in RMB will be subject to exchange rate fluctuations. The service fee is payable with the usual credit term of 30-60 days after completion of each transaction which is no less favourable than those offered by other independent third party agents.



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## LETTER FROM THE BOARD

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The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

### Condition precedent

The 2022 Export Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM.

### Historical transaction amount

The historical amounts of service fees paid to Lisi Import & Export under the 2018 Export Agency Agreement are as follows:

Period	Amount
From 1 January 2019 to 31 March 2019	RMB1,056,000
From 1 April 2019 to 31 March 2020	RMB5,240,000
From 1 April 2020 to 31 March 2021	RMB6,789,000
From 1 April 2021 to 31 December 2021	RMB6,820,000 ( <i>unaudited figures</i> )

### Annual Caps

The respective amounts of service fees payable to Lisi Import & Export during the term of the 2022 Export Agency Agreement are expected not to exceed the following amounts:

Period	Amount
From 1 January 2022 to 31 March 2022	RMB3,250,000
From 1 April 2022 to 31 March 2023	RMB13,150,000
From 1 April 2023 to 31 March 2024	RMB15,780,000
From 1 April 2024 to 31 December 2024	RMB13,320,000

The above proposed annual caps have been determined by the Directors with reference to, among others, (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Export Agency Agreement, (ii) the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2022, (iii) the expected growth of the business of Lisi Household at the rate of 20% per annum and the corresponding increase in the service fees payable for the calendar years from 2022 to 2024, and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on export activities (assuming further depreciation of the RMB exchange rate for up to 5% per year).

The estimated growth rate of the business of Lisi Household of 20% per annum is based on, among others, the following assumptions: (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Export Agency Agreement; (ii) the strength of Lisi Household in maintaining and enlarging its customer base; (iii) the continuous effort of the Group in cost control measures and business strategy of focusing on higher margin products and customers and development of new products and customers; and (iv) the sales growth of Lisi Household supported by continuous exchange rate depreciation of RMB in coming years which is widely expected in the market.

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## LETTER FROM THE BOARD

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### THE 2022 IMPORT AGENCY AGREEMENT

#### Date

20 December 2021

#### Parties

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited\*); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited\*).

By the reasons as set out in the section headed “The 2022 Export Agency Agreement” above, Lisi Import & Export is a connected person of the Company.

#### Subject Matter

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the 2022 Import Agency Agreement. These services include the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Lisi Household with other third parties. The government applications would include customs declarations and tax refund. The major category of products involved will be raw materials such as polypropylene and copolyester. Lisi Import & Export would provide all such services for every transaction assigned by the Group. In providing the import agency services, due to customs declaration, it is necessary for Lisi Import & Export to purchase the products in its name and resell the products to the Group at costs.

#### Term

The 2022 Import Agency Agreement is for a term of three years commencing from 1 January 2022 and ending on 31 December 2024 subject to approval being obtained from the Independent Shareholders at the SGM.

#### Consideration

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs. In addition, for the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.6% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household. The purchase price and the service fees are payable after completion of each transaction with the usual credit term of 30-45 days which is no less favourable than those offered by other independent third party agents.

The rate of service fees was determined after arm’s length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

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## LETTER FROM THE BOARD

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### Condition precedent

The 2022 Import Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM.

### Historical transaction amount

The historical gross transaction amounts with Lisi Import & Export under the 2018 Import Agency Agreement are as follows:

Period	Amount
From 1 January 2019 to 31 March 2019	RMB10,020,000
From 1 April 2019 to 31 March 2020	RMB76,405,000
From 1 April 2020 to 31 March 2021	RMB98,663,000
From 1 April 2021 to 31 December 2021	RMB100,712,000 ( <i>unaudited figures</i> )

### Annual Caps

The respective gross transaction amounts with Lisi Import & Export during the term of the 2022 Import Agency Agreement are expected not to exceed the following amounts:

Period	Amount
From 1 January 2022 to 31 March 2022	RMB27,200,000
From 1 April 2022 to 31 March 2023	RMB163,400,000
From 1 April 2023 to 31 March 2024	RMB183,400,000
From 1 April 2024 to 31 December 2024	RMB166,000,000

The above proposed annual caps have been determined by the Directors with reference to, among others, (i) the actual amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Import Agency Agreement; (ii) the annual purchase of Lisi Household under the 2018 Import Agency Agreement for calendar year of 2021 in the approximate amount of RMB118 million; (iii) the expected growth of the business of Lisi Household at the rate of 15% per annum for the calendar years of 2022 to 2024 which was deduced based on items (i) and (ii) above; and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of the RMB exchange rate for 5% per year) and the fluctuation of the price of the raw materials and transportation costs.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL

The Company has established various internal control measures in order to ensure that the transactions under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement will be conducted in accordance with the pricing policies of the Group and their respective terms are on normal commercial terms or on terms no less favourable than those offered by independent third parties for similar products or services in its ordinary and usual course of business. Such internal control measures mainly include the following:

- (i) The management obtains price quotation from at least two independent service providers or suppliers (subject to practical availability and feasibility), taking into account factors including the relevant experience, capability and available resources of the service providers or suppliers (“**Factors**”), to ensure the quality standards of the service providers or suppliers.
- (ii) In the event that the pricing terms and the Factors offered by Lisi Group and/or Lisi Import & Export (as the case may be) are not considered to be comparable with the pricing terms and the Factors offered by the other independent service providers or suppliers, the Group will not approve and accept the price quotation from Lisi Group and/or Lisi Import & Export (as the case may be). The final acceptance of price quotation offered by Lisi Group and/or Lisi Import & Export (as the case may be) shall be approved by the senior management of the Group in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Group and the Shareholders as a whole.
- (iii) The operation team of the Company conducts regular checks (once per quarter) on whether the transactions under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are conducted in accordance with the agreed contract terms.
- (iv) The independent non-executive Directors and the auditor of the Company will conduct annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

In order to ensure transaction amounts under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement will not exceed the relevant annual caps during the term, the Company adopts the following measures:

1. the Board shall arrange to provide training for the senior management and responsible finance staff on the compliance requirements and practical knowledge of notifiable transactions (including the continuing connected transactions);

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## LETTER FROM THE BOARD

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2. a legal officer (法律專員) is assigned to be responsible for internal control and in particular to monitor and oversee all the on-going transactions (including the continuing connected transactions), and to ensure the effective coordination and communication between various departments of the Company, including the finance department, the business department and the Board. The legal officer will report to the Directors regularly (every month);
3. a working group comprising members from Hong Kong and the PRC to ensure the operational internal control procedures are fully implemented;
4. the Board will engage an expert which will conduct annual internal control assessment; and
5. the operation team and the corporate governance team of the Company are responsible for collecting data and statistics of the continuing connected transactions under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement to ensure the relevant annual caps are not exceeded.

The Company shall ensure that the amounts of service fees payable under the 2022 Export Agency Agreement and the gross transactions amounts under the 2022 Import Agency Agreement will not exceed such amount that approval is required to be obtained from the Independent Shareholders before the date of the SGM.

In view of the fact that more personnel having joined and will be joining the Group to support the corporate governance matter of the Group and relevant staff having been trained further to handle and monitor continuing connected transactions, the Director (including the independent non-executive Directors) are of the view that the measures would be implemented strictly and effectively and the internal control procedures mentioned therein would be further strengthen.

### **REASONS FOR THE 2022 EXPORT AGENCY AGREEMENT AND 2022 IMPORT AGENCY AGREEMENT**

The principal activities of the Group are (i) provision of car trading platform related services; (ii) trading of imported cars; (iii) manufacturing and trading of plastic and metal household products; (iv) operation of department stores and supermarkets; (v) wholesale of alcohol, wine, beverages and electrical appliances and (vi) investment holding.

The 2022 Export Agency Agreement and the 2022 Import Agency Agreement will enable Lisi Household to make use of the export and import agency services provided by Lisi Import & Export which are necessary for the continued smooth operation of Lisi Household's business. By way of entering into the 2022 Export Agency Agreement and the 2022 Import Agency Agreement, the Group may utilise (i) the experience and resources of Lisi Import & Export in dealing and communicating with local government authorities, tax authorities and customs, (ii) the long term relationship established by Lisi Import & Export with the overseas suppliers so as to secure stable source of raw materials with favourable price and good credit payment terms, and (iii) connection of Lisi Import & Export with the financial institutions for credit support.

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## LETTER FROM THE BOARD

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Each of the 2022 Export Agency Agreement and 2022 Import Agency Agreement is a renewal of the respective existing agreements of the same subject matters which shall expire on 31 December 2021.

Since Mr. Li, who is an executive Director and the controlling shareholder of the Company, has material interest in each of the 2022 Export Agency Agreement and 2022 Import Agency Agreement, he has abstained from voting on the Board resolutions approving the 2022 Export Agency Agreement and 2022 Import Agency Agreement.

In respect of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement, the Directors (excluding the independent non-executive Directors whose views is set out in the letter of the Independent Board Committee set out on pages 14 to 15 of this circular), in view of the factors set out under the paragraphs “Annual Caps” under the sections headed “The 2022 Import Agency Agreement” and “The 2022 Export Agency Agreement”, are of the view that the terms of each of the 2022 Export Agency Agreement and 2022 Import Agency Agreement including their respective annual caps, are fair and reasonable and on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

### GENERAL INFORMATION ON THE PARTIES

#### The Group

The Company is an investment holding company and the Group is principally engaged in the trading of imported cars. Together with subsidiaries, the Company operates business through six segments: (i) the car trading platform segment is engaged in providing imported cars platform services and property rental services (ii) the car-sale segment is engaged in the trading of imported cars; (iii) the manufacturing and trading segment is engaged in the manufacture and trading of plastic and metallic household products; (iv) the retail segment is engaged in the management of department stores and the operation of supermarket operation; (v) the wholesale segment is engaged in the wholesales of wine and beverages and electrical appliances and (vi) the investments holding segment is engaged in the debts management and the investment in equity securities.

#### Information about Lisi Import and Export

Lisi Import & Export is principally engaged in import and export of goods and materials in the PRC. Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li and his son. Therefore Lisi Import & Export is a connected person of the Company.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li and his son. Therefore, Lisi Import & Export and Lisi Group are connected persons of the Company. Accordingly, each of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement constitutes continuing connected transactions for the Company.

Since the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the maximum aggregate annual values under each of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are more than 5%, each of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the SGM, any Shareholder with a material interest in the relevant resolution(s) to be passed at the SGM is required to abstain from voting on the resolution to be put forward to the independent Shareholders for approving the 2022 Export Agency Agreement and the 2022 Import Agency Agreement. Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, which directly owned 17,822,000 Shares, 1,382,141,014 Shares and 1,355,174,666 Shares representing approximately 0.22%, 17.18% and 16.85% of the issued share capital of the Company as at the Latest Practicable Date, respectively, will abstain from voting on the resolutions at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Independent Shareholders as a whole and on how to vote. Your attention is drawn to the letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to adviser the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out from pages 16 to 34 of this circular.

### SGM

The Company will convene the SGM at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 31 January 2022, Monday at 10:30 a.m. for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder.

The notice of the SGM is set out on pages 1SGM-1 and SGM-2 of this circular. The voting on resolutions to be proposed at the SGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

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## LETTER FROM THE BOARD

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The Company will publish an announcement on the results of the SGM with respect to whether or not the proposed resolutions have been passed by the Independent Shareholders.

A form of proxy is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

### RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 14 to 15 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 34 of this circular in respect of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder.

The Board (including the members of the Independent Board Committee, having considered the views of the Independent Financial Advisers) considers that the terms of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the members of the Independent Board Committee, having considered the views of the Independent Financial Advisers) recommends the Independent Shareholders to vote in favour of the resolutions approving the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder at the SGM.

### FURTHER INFORMATION

Your attention is also drawn to the information set out in the Appendices to this circular.

Yours faithfully,

For and on behalf of the Board

**CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED**

**Cheng Jianhe**

*Executive Director*





CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED  
中國汽車新零售（控股）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 526)**

12 January 2022

*To the Independent Shareholders*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular dated 12 January 2022 (the “**Circular**”) issued by the Company of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Lego Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board as set out on pages 4 to 13 of the Circular; (ii) the letter from the Independent Financial Adviser as set out on pages 16 to 34 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the Appendices to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that (i) the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned; (ii) the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder are on normal commercial terms and are in the ordinary and usual course of business of the Group; and (iii) are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the 2022 Export Agency Agreement and the 2022 Import Agency Agreement and the respective transactions contemplated thereunder.

Yours faithfully

For and on behalf of the

**Independent Board Committee**

**Mr. He Chengying**

**Mr. Shin Yick Fabian**

**Mr. Kwong Kwan Tong**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Annual Caps, which has been prepared for the purpose of inclusion in this circular.*



12 January 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement (the “**Framework Agreements**”), the transactions contemplated thereunder and the related Proposed Annual Caps, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 12 January 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 20 December 2021. Pursuant to the 2018 Export Agency Agreement and 2018 Import Agency Agreement, entered into between Lisi Household and Lisi Import & Export, Lisi Import & Export agreed to provide import and export agency services to Lisi Household with effect from the date of the 2018 Export Agency Agreement and 2018 Import Agency Agreement to 31 December 2021.

As the 2018 Export Agency Agreement and 2018 Import Agency Agreement have been expired on 31 December 2021, in order to regulate the provision of the export and import agency services, on 20 December 2021 after trading hours, Lisi Household and Lisi Import & Export entered into (i) the 2022 Export Agency Agreement; and (ii) the 2022 Import Agency Agreement for a term of three years commencing 1 January 2022 and ending on 31 December 2024 and proposed the respective annual caps for the continuing connected transactions (the “**Proposed Annual Caps**”).

As at the Latest Practicable Date, Lisi Import & Export is owned as to (i) 80% by Lisi Group which is beneficially owned as to 98.15% by Mr. Li, being an executive Director and controlling shareholder of the Company, and his son; and (ii) approximately 18.18% by a company wholly owned by Mr. Li and his son. Therefore, Lisi Import & Export is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the 2022 Export Agency Agreement

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and the 2022 Import Agency Agreement constitutes continuing connected transactions. Since the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the maximum aggregate annual values under each of the Framework Agreements are more than 5% each of the Framework Agreements are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the 2022 Export Agency Agreement and the 2022 Import Agency Agreement must abstain from voting on the relevant resolutions at the SGM. Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, which directly owns 17,822,000 Shares, 1,382,141,014 Shares & 1,355,174,666 Shares representing approximately 0.22%, 17.18% and 16.85% of the issued share capital of the Company as at the Latest Practicable Date, respectively, and their respective associates will be required to abstain from voting on the resolution(s) approving the Framework Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps at the SGM. To the best knowledge of the Directors after having made all reasonable enquiries, save for disclosed above, no other Shareholder has a material interest in the Framework Agreements and therefore no other Shareholder will be required to abstain from voting on the resolution(s) approving the Framework Agreements and the respective transactions contemplated thereunder and the Proposed Annual Caps at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. He Chengying, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong, has been established to advise the Independent Shareholders as to (i) whether the terms of the Framework Agreements and the Proposed Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Framework Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole; and (iii) whether to vote in favour of the relevant resolutions to be proposed at the SGM to approve the entering into of the Framework Agreements, the transactions contemplated thereunder and the Proposed Annual Caps. In our capacity as the Independent Financial Adviser, our role is to provide an independent opinion to the Independent Board Committee and the Independent Shareholders in such regards.

### OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance Limited had acted as an independence financial adviser to the Company in relation to the continuing connected transaction contemplated under the 2018 Export Agency Agreement and 2018 Import Agency Agreement, details of which were disclosed in the circular of the Company dated 30 November 2021. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointment and this appointment as an independent financial adviser, which is not conditional upon passing of the resolution to be proposed at the SGM, no arrangement exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the entering into of the Framework Agreements, the transactions contemplated thereunder and the Proposed Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the SGM and all such statements of belief, opinions and intentions of the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and/or the advisers of the Group. We have also sought and received confirmation from the Management that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Lisi Import & Export or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

#### **1. Background information of the Group and Lisi Import & Export**

##### ***1.1 Information of the Group***

The Company is an investment holding company principally engaged in the trading of imported cars. Together with subsidiaries, the Group operates business through six segments: (i) the car trading platform segment is engaged in providing imported cars platform services and property rental services; (ii) the car-sale segment is engaged in the trading of imported cars; (iii) the manufacturing and trading segment is engaged in the manufacture and trading of plastic and metallic household products; (iv) the retail segment is engaged in the management of department stores and the operation of supermarket operation; (v) the wholesale segment is engaged in the wholesales of wine and beverages and electrical appliances; and (vi) the investments holding segment is engaged in the debts management and the investment in equity securities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Lisi Household is a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company. Lisi Household is principally engaged in manufacturing and global distribution of household plastics for daily use and metal hardware products.

Set forth below are the financial information of the Group (i) for the year ended 31 March 2020 (“**FY2020**”); (ii) for the year ended 31 March 2021 (“**FY2021**”); (iii) for the six months ended 30 September 2020 (“**1H2020**”); and (iv) for the six months ended 30 September 2021 (“**1H2021**”), as extracted from the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”), the interim report of the Company for the six months ended 30 September 2020 (the “**2020/2021 Interim Report**”) and the interim report of the Company for the six months ended 30 September 2021 (the “**2021/2022 Interim Report**”).

	For the year ended 31 March		For the six months ended 30 September	
	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Total Revenue	2,665,845	1,850,030	860,245	1,031,685
– Manufacturing and trading segment	645,007	833,089	387,163	521,596
Gross Profit	501,400	320,100	246,139	276,837
Profit/(loss) before taxation	(144,672)	(2,508,284)	(189,125)	94,912
Profit/(loss) for the year/period	(154,458)	(2,550,993)	(209,046)	88,134
	As at 31 March		As at 30 September	
	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Total assets	7,947,376	5,125,561	7,390,708	5,065,454
Total liabilities	5,300,204	5,006,287	4,927,776	4,853,016
Total equity	2,647,172	119,274	2,462,932	212,438

*For FY2020 and FY2021*

As disclosed in the 2021 Annual Report, the revenue of the Group decreased by approximately 30.6% from approximately RMB2,665.8 million for FY2020 to approximately RMB1,850.0 million for FY2021. Such decrease was primarily due to a substantial year-to-year decrease in the trading and sales of imported cars business of the Group of approximately RMB989.6 million as a result of the trade friction between the United States of America and China, the issuance of Limits and Measurement Methods for Emissions from Light-duty Vehicles (China VI) and COVID-19 pandemic during the respective periods, which was partially offset by an increase in the manufacturing and trading segment of the Group. The Group recorded a considerable increase in an operational loss before taxation to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately RMB2,508.3 million for FY2021 as compared to that of approximately RMB144.7 million for FY2020, which mainly due to the substantial increase in the impairment losses on financial assets and guarantee contracts of approximately RMB1,866.9 million for FY2021 as compared to that of approximately RMB28.9 million for FY2020. As a result, the Group recorded a net loss of approximately RMB2,551.0 million for FY2021 as compared to that of approximately RMB154.5 million for FY2020.

### *For 1H2020 and 1H2021*

As disclosed in the 2021/2022 Interim Report, the revenue of the Group increased by approximately 19.9% from approximately RMB860.2 million for 1H2020 to approximately RMB1,031.7 million for 1H2021. Such increase was mainly attributable to the increase in revenue generated from the manufacturing and trading segment and the wholesale segment by approximately 34.7% and 96.1% respectively for 1H2021, which was partially offset by the decrease in revenue in the car trading platform segment. As advised by the Management, such increase was mainly due to the effective strategy implementation and the continuing effort of the Group to strengthen the customer base in the manufacturing and trading segment and to maintain high sales of wines and beverages in the wholesale segment. The Group recorded an operational profit before taxation of approximately RMB94.9 million for 1H2021 as compared to an operational loss before taxation of approximately RMB189.1 million for 1H2020, owing to (i) the increase in revenue as mentioned in the above; (ii) the impairment loss on goodwill decreased from approximately RMB165.2 million for 1H2020 to nil for 1H2021; and (iii) the reversal on financial assets and guarantee contracts increased to approximately RMB7.9 million for 1H2021 as compared to an impairment losses on financial assets and guarantee contracts of approximately RMB7.8 million for 1H2020. As a result, the Group recorded a net profit of approximately RMB88.1 million for 1H2021 as compared to a net loss of approximately RMB209.0 million for 1H2020.

### ***1.2 Information of Lisi Export & Export***

Lisi Import & Export is a company established under the laws of the PRC and is principally engaged in import and export of goods and materials in the PRC. As at the Latest Practicable Date, Lisi Import & Export is owned as to (i) 80% by Lisi Group which is beneficially owned as to 98.15% by Mr. Li, being an executive Director and controlling shareholder of the Company, and his son; and (ii) approximately 18.18% by a company wholly owned by Mr. Li and his son. Therefore, Lisi Import & Export is a connected person of the Company.

## **2. Reasons for and benefits of the entering into the Framework Agreements**

As disclosed in the above, Lisi Household is a wholly-owned subsidiary of the Company. The principal activity of the Lisi Household is manufacture and trade plastic and metallic household products.

According to the Letter from the Board, Lisi Import & Export shall provide export agency services and import agency services pursuant to the Framework Agreements. These services include the handling of government applications, settlement services, the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Lisi Household with



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other third parties and other liaison services between local government departments and the customers. The government applications would include customs declarations and tax refund. The major category of products involved will be plastic and metallic household products for export agency services and raw materials such as polypropylene and copolyester for import agency services. Lisi Import & Export would provide all such services for every transaction assigned by the Group. In providing the import agency services, due to customs declaration, it is necessary for Lisi Import & Export to purchase the products in its name and resell the products to the Group at costs.

By way of entering into the 2022 Export Agency Agreement and the 2022 Import Agency Agreement, the Group may utilise (i) the experience and resources of Lisi Import & Export in dealing and communicating with local government authorities, tax authorities and customs, (ii) the long term relationship established by Lisi Import & Export with the overseas suppliers so as to secure stable source of raw materials with favourable price and good credit payment terms, and (iii) connection of Lisi Import & Export with the financial institutions for credit support.

We have enquired with and advised by the Management that the transactions contemplated under the Framework Agreements are expected to occur on a continuing basis and the Management considers the provision of export agency services and import agency services are the common practices for the Company. By way of entering into the Framework Agreements, the Group may also utilise (i) the experience and resources of Lisi Import & Export in dealing and communicating with local government authorities, tax authorities and customs; (ii) the long term relationship established by Lisi Import & Export with the overseas suppliers so as to secure stable source of raw materials with favourable price and good credit payment terms; and (iii) connection of Lisi Import & Export with the financial institutions for credit support. Having established a stable long-term business relationship between Lisi Import & Export and the Company, Lisi Import & Export has gained an in-depth understanding of the operations and business models of the Company which help ensure continued smooth operation of the business of the Group.

In addition, as disclosed in the 2021/2022 Interim Report, in respect of manufacturing and trading segment of the Group, it is noted that the Group will continue with its efforts to develop and roll out new products so as to meet the high expectations of both old and new customers. Besides, the Group will also enlarge its customer base in both existing and emerging markets to achieve continuous achievement growth and performance improvement. As abovementioned, the Management expects the transactions will occur on a continuing basis. As such, it would (i) incur additional costs such as professional fees when it comes to making a regular disclosure for each of the related transaction and require to obtain approval from the Independent Shareholders under the Listing Rule; and (ii) experience a practical difficulty if the Group has to comply with the Listing Rules in respect of the continuing connected transaction each time a transaction is proposed. Accordingly, providing a framework for the negotiation of individual transactions under the agreement is necessary for the continued smooth operation of Lisi Household and beneficial to the Company and the Independent Shareholders.

Having considered the above mentioned factors, we concur with the view of the Management that the terms of the Framework Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.



**3. Principal terms of the Framework Agreements**

***2022 Export Agency Agreement***

The principal terms of the 2022 Export Agency Agreement are as follows:

*Date*

20 December 2021

*Parties*

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited\*); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited\*).

Lisi Import & Export is principally engaged in import and export of goods and materials in the PRC. Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Lixin and his son. Therefore, Lisi Import & Export is a connected person of the Company.

*Subject Matter*

Lisi Import & Export shall provide export agency services to Lisi Household pursuant to the 2022 Export Agency Agreement. These export agency services primarily include assisting Lisi Household on handling government applications such as custom declarations, and settlement services and other liaison services between local government departments and the customers as requested by Lisi Household from time to time. The major category of products involved in the 2022 Export Agency Agreement will be plastic and metal household products. Lisi Import & Export would provide all such requested services for every transaction assigned by the Group.

*Term*

The 2022 Export Agency Agreement is for a term of three years commencing from 1 January 2022 and ending on 31 December 2024.

*Consideration*

For the provision of the export agency services, Lisi Import & Export will charge an amount calculated based on the formula as set out in the 2022 Export Agency Agreement, which is equivalent to approximately 1.11% (subject to the change of the value added tax rebate on exports) of the gross transactions amounts to be handled by Lisi Import & Export on behalf of Lisi Household. Currently the rate of value added tax is 13% and the tax rebate is 13%. Change in the tax rebate from 0% to 13% will result in change in the rate of the export service fee from approximately 0.98% to 1.13% respectively. The actual export service fee in RMB will be subject to exchange rate fluctuations. The service fee is payable with the usual credit term of 30-60 days after completion of each transaction which is no less favourable than those offered by other independent third-party agents.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

### *Condition precedent*

The 2022 Export Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM.

As stated above, the export agency services fee quoted by Lisi Import & Export was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar service and the service fee is payable with the usual credit term of 30-60 days after completion of each transaction which is no less favourable than those offered by other independent third-party agents. The Company confirmed that the terms of the 2022 Export Agency Agreement were same as the terms of the 2018 Export Agency Agreement. As such, in assessing the fairness and reasonableness of the terms of the 2022 Export Agency Agreement, we have obtained and reviewed the comparable agreements obtained by the Company in respect of the export agency service fees quoted by six independent third-party agents for the three months ended 31 March 2019, the two years ended 31 March 2021 and for the nine months ended 31 December 2021, so as to understand the selection process of the Group for the suitable agents. It is noted that the independent third-party agents charged services fee ranging from 1.1% to 1.5% of the gross transaction amounts and allowed payment term up to 60 days after completion of each transaction. The service fee of the Group being comparable to the independent third-party agents and the payment term offered by Lisi Import & Export to the Group is within the range of those offered by independent third-party agents. Based on our review of the abovementioned agreements, we noted that the pricing basis and the terms for transaction contemplated under the 2022 Export Agency Agreement were comparable and no less favourable than those offered by independent third-party agents.

### *2022 Import Agency Agreement*

The principal terms of the 2022 Import Agency Agreement are as follows:

#### *Date*

20 December 2021

#### *Parties*

- (i) 寧波利時進出口有限公司 (Lisi Import and Export Company Limited\*); and
- (ii) 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited\*).

By the reasons as set out in the section headed "2022 Export Agency Agreement" above, Lisi Import & Export is a connected person of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Subject Matter*

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the 2022 Import Agency Agreement. These services include the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Lisi Household with other third parties. The government applications would include customs declarations and tax refund. The major category of products involved will be raw materials such as polypropylene and copolyester. Lisi Import & Export would provide all such services for every transaction assigned by the Group. In providing the import agency services, due to customs declaration, it is necessary for Lisi Import & Export to purchase the products in its name and resell the products to the Group at costs.

### *Term*

The 2022 Import Agency Agreement is for a term of three years commencing from 1 January 2022 and ending on 31 December 2024.

### *Consideration*

Lisi Household will purchase raw materials or goods from Lisi Import & Export at costs. In addition, for the provision of the import agency services, Lisi Import & Export will charge an amount equivalent to 0.6% of the gross transaction amounts handled by Lisi Import & Export on behalf of Lisi Household. The purchase price and the service fees are payable after completion of each transaction with the usual credit term of 30-45 days which is no less favourable than those offered by other independent third-party agents.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services.

### *Condition precedent*

The 2022 Import Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM.

As stated above, the import agency services fee quoted by Lisi Import & Export was determined after arm's length negotiations by the parties with reference to the market rates of comparable companies engaging in similar services and the purchase price and the service fees are payable after completion of each transaction with the usual credit term of 30-45 days which is no less favourable than those offered by other independent third-party agents. The Company confirmed that the terms of the 2022 Import Agency Agreement were same as the terms of the 2018 Import Agency Agreement. As such, in assessing the fairness and reasonableness of the terms of the 2022 Import Agency Agreement, we have obtained and reviewed the comparable agreements obtained by the Company in respect of the import agency service fees quoted by six independent third-party agents for the three months ended 31 March 2019, the two years ended 31 March 2021 and for the nine months ended 31 December 2021, so as to understand the selection process of the Group for the suitable agents. It is noted that the independent third-party agents charged services fee ranging from 0.6% to 1.2% of the gross transaction amounts and allowed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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credit term ranged from 10 to 45 days upon completion of each transaction. The service fee of the Group being comparable to the independent third-party agents and the payment term offered by Lisi Household to the Group is within the range of those offered to independent third-party agents. Based on our review of the abovementioned agreements, we noted that the pricing basis and the terms for transaction contemplated under the 2022 Import Agency Agreement were comparable and no less favourable than those offered by independent third-party agents.

We have enquired with and are advised by the Company that Lisi Import & Export is the only agency providing export agency services and import agency services to Lisi Household for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021. The Company has right to select any other service providers for provision of export agency services and import agency services as it, from time to time, thinks fit and appropriate for the benefits of the Company.

Given that (i) the pricing basis and the terms of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are no less favourable to the Company than those offered by the independent third-party agents; and (ii) the transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group, we concur with the Company that the Framework Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

#### 4. Assessment on the Proposed Annual Caps

##### *2022 Export Agency Agreement*

##### *Review of the historical annual caps and actual transaction amount*

The historical annual caps and respective actual transaction amounts for the export agency services contemplated under the 2018 Export Agency Agreement for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 are set out below:

2018 Export Agency Agreement	For the three months ended	For the year ended		For the nine months ended
	31 March 2019 (RMB'000)	31 March 2020 (RMB'000)	31 March 2021 (RMB'000)	31 December 2021 (RMB'000)
Historical annual caps	1,250	5,250	6,250	7,125
Actual transaction amount	1,056	5,240	6,789	6,820
Utilisation rate	84.5%	99.8%	108.6%	95.7

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated above, it is noted that the actual transaction amounts for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 amounted to approximately RMB1.1 million, RMB5.2 million, RMB6.8 million and RMB6.8 million respectively, and utilised up to approximately 84.5%, 99.8%, 108.6% and 95.7% of the annual caps for the respective periods. Given that (i) the utilisation rates of the historical annual caps for the export agency services contemplated under the 2018 Export Agency Agreement were relatively high in general; (ii) the historical annual caps were close to full utilisation for the year ended 31 March 2020 and the nine months ended 31 December 2021, and the utilisation of the annual cap has been exceeded of approximately 8.6% for the year ended 31 March 2021, it indicated that the Company had adopted a relatively conservative approach in estimating the transaction amounts in the previous years.

### *The Proposed Annual Caps*

	<b>For the three months ending 31 March 2022 (RMB'000)</b>	<b>For the year ending 31 March 2023 (RMB'000)</b>	<b>For the year ending 31 March 2024 (RMB'000)</b>	<b>For the nine months ending 31 December 2024 (RMB'000)</b>
<b>2022 Export Agency Agreement</b>				
Proposed Annual Caps	3,250	13,150	15,780	13,320

As stated in the Letter from the Board, the Proposed Annual Caps for the transactions contemplated under the 2022 Export Agency Agreement were determined with reference to, among other things, (i) the actual amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Export Agency Agreement; (ii) the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2022; (iii) the expected growth of the business of Lisi Household at the rate of 20% per annum and the corresponding increase in the service fees payable for the calendar years from 2022 to 2024; and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on export activities (assuming further depreciation of the RMB exchange rate for up to 5% per year).

In particular, the estimated growth rate of the business of Lisi Household of 20% per annum is based on, among others, the following assumptions: (i) the actual amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Export Agency Agreement; (ii) the strength of Lisi Household in maintaining and enlarging its customer base; (iii) the continuous effort of the Group in cost control measures and business strategy of focusing on higher margin products and customers and development of new products and customers; and (iv) the sales growth of Lisi Household expected to be supported by continuous exchange rate depreciation of RMB currently anticipated in the coming years.

In assessing the fairness and reasonableness of the Proposed Annual Caps for the transactions contemplated under the 2022 Export Agency Agreement, we have taken into account the following factors:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The historical amounts for the export agency services contemplated under the 2018 Export Agency Agreement*

As mentioned in the section headed “Review of the historical annual caps and actual transaction amount” under “2022 Export Agency Agreement” above, the actual transaction amounts for the three months 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 amounted to approximately RMB1.1 million, RMB5.2 million, RMB6.8 million and RMB6.8 million respectively, and utilised up to approximately 84.5%, 99.8%, 108.6% and 95.7% of the annual caps for the respective periods. We have discussed with the Management and are given to understand that the increasing trends of the utilisation rates of annual caps for the export agency services for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 were mainly attributable to the recovery of demand in overseas customers with the gradual and effective containment of the COVID-19 epidemic since the first half of 2021.

*The estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2022*

As enquired with and advised by the Management, the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2022 is estimated based on (i) the actual transaction amounts of approximately RMB8.6 million for the calendar year of 2021; and (ii) the actual sales amount recorded by the Group of approximately USD160 million for the calendar year of 2021.

In respect of the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2022, which represented an expected increase of approximately 31% as compared to the previous year, we have obtained and reviewed (i) the breakdowns of total service fees paid by Lisi Household to Lisi Import & Export for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021; and (ii) the breakdown of the total sales amount of Lisi Household by end-customers for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021. We noted that (i) the total service fees paid by Lisi Household to Lisi Import & Export for the calendar year of 2021 was approximately RMB8.6 million, representing an increase of approximately 59.6% as compared to that of approximately RMB5.4 million for the calendar year of 2020; and (ii) the total sales amount of the overseas end-customers recorded by Lisi Household for the calendar year of 2021 was approximately RMB868.1 million, representing an increase of approximately 43.5% as compared to that of approximately RMB605.0 million for the calendar year of 2020. As advised by the Management and disclosed in the Letter from the Board, they have adopted a relatively conservative approach and estimated the annual sales growth rate to be approximately 20% for the calendar year of 2022. Together with a buffer to cater for the unexpected business growth, the uncertain fluctuations in service charge rates and the impact of exchange rate fluctuation on export activities, the estimated annual sales would be amounted to approximately USD210 million for the calendar year of 2022. As a result, the Management’s estimated annual sales of approximately USD210 million for the calendar year of 2022 is considered reasonable.

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In addition, we have obtained and reviewed the confirmed purchase orders list as at 21 December 2021 and noted that the confirmed purchase orders of plastic and metallic household products of Lisi Household which was not yet delivered amounted to approximately USD70.0 million. We were advised by the Management that such confirmed purchase orders are scheduled to be delivered by the end of March 2022, representing approximately 33.3% of the expected total sales amount of USD210 million for the calendar year of 2022. We have, for due diligence purpose, sample checked the purchase orders in respect of the overseas customers from the confirmed purchase order list as at 21 December 2021 to assess the accuracy and reasonableness of the list. Based on the foregoing, the confirmed purchase orders received by the Group so far supported that the Management's estimated annual sales of approximately USD210 million for the calendar year of 2022 is considered reasonable.

*The expected growth of the business of Lisi Household at the rate of 20% per annum and the corresponding increase in the service fees payable for the calendar years from 2022 to 2024*

We have obtained and reviewed the breakdowns of the total sales amount of Lisi Household by end-customers for the five calendar years of 2017-2021. It is noted that the average historical growth rate in total service fees for the five calendar years from 2017 to 2021 was approximately 36.1%. As discussed with the Management, we are given to understand that the expected growth of the business of Lisi Household is estimated at a rate of 20% per annum from 2022 to 2024 with a relative conservative approach, due to the Management's view that the market will shift to the post-COVID era, and a relatively moderate annual growth rate is expected to be resulted after the immense rebound in demand in 2021.

Having considered the abovementioned factors, we are of the view that the Proposed Annual Caps in respect of the export agency services and the major factors considered as the bases of determining the Proposed Annual Caps under the 2022 Export Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *2022 Import Agency Agreement*

#### *Review of the historical annual caps and actual transaction amount*

The historical annual caps and respective actual transaction amounts for the import agency services contemplated under the 2018 Import Agency Agreement for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 are set out below:

	<b>For the three months ended 31 March 2019 (RMB'000)</b>	<b>For the year ended 31 March 2020 (RMB'000)</b>	<b>For the year ended 31 March 2021 (RMB'000)</b>	<b>For the nine months ended 31 December 2021 (RMB'000)</b>
<b>2018 Import Agency Agreement</b>				
Historical annual caps	18,750	77,080	85,420	102,750
Actual transaction amount	10,020	76,405	98,660	100,712
Utilisation rate	53.4%	99.1%	115.5%	98.0%

As illustrated above, it is noted that the actual transaction amounts for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 amounted to approximately RMB10.0 million, RMB76.4 million, RMB98.7 million and RMB100.7 million respectively, and utilised up to approximately 53.4%, 99.1%, 115.5% and 98.0% of the annual caps for the respective periods. Given that (i) the utilisation rates of the historical annual caps for the import agency services contemplated under the 2018 Import Agency Agreement were relatively high in general; (ii) the historical annual caps were close to full utilisation for the year ended 31 March 2020 and the nine months ended 31 December 2021, and the utilisation of the annual cap has been exceeded of approximately 15.5% for the year ended 31 March 2021, it indicated that the Company had adopted a relatively conservative approach in estimating the transaction amounts in the previous years.

#### *The Proposed Annual Caps*

	<b>For the three months ending 31 March 2022 (RMB'000)</b>	<b>For the year ending 31 March 2023 (RMB'000)</b>	<b>For the year ending 31 March 2024 (RMB'000)</b>	<b>For the nine months ending 31 December 2024 (RMB'000)</b>
<b>2022 Import Agency Agreement</b>				
Proposed Annual Caps	27,200	163,400	183,400	166,000

As stated in the Letter from the Board, the Proposed Annual Caps for the transactions contemplated under the 2022 Import Agency Agreement were determined with reference to, among other things, (i) the actual amount of past transactions between Lisi Import & Export and Lisi Household under the 2018 Import Agency Agreement; (ii) the annual purchase of Lisi Household



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under the 2018 Import Agency Agreement for calendar year of 2021 in the approximate amount of RMB118 million; (iii) the expected growth of the business of Lisi Household at the rate of 15% per annum for the calendar years of 2022 to 2024 which was deduced based on items (i) and (ii) above; and (iv) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of the RMB exchange rate for 5% per year) and the fluctuation of the price of the raw materials and transportation costs.

In assessing the fairness and reasonableness of the Proposed Annual Caps for the transactions contemplated under the 2022 Import Agency Agreement, we have taken into account the following factors:

*The historical amounts for the import agency services contemplated under the 2018 Import Agency Agreement*

As mentioned in the section headed “Review of the historical annual caps and actual transaction amount” under “2022 Import Agency Agreement” above, the actual transaction amounts for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 amounted to approximately RMB10.0 million, RMB76.4 million, RMB98.7 million and RMB100.7 million respectively, and utilised up to approximately 53.4%, 99.1%, 115.5% and 98.0% of the original annual caps for the respective periods. We have discussed with the Management and given to understand that the increasing trends of the utilisation rates of annual caps for the import agency services for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021 were mainly attributable to the rebound in demand in overseas customers with the gradual and effective containment of the COVID-19 epidemic since the first half of 2021.

In addition, as disclosed in the 2021/2022 Interim Report, it is noted that the revenue generated from the manufacturing and trading segment of the Company increased significantly by approximately RMB134.4 million or 34.7% for the six months ended 30 September 2021 as compared to the previous period, which was mainly attributable to the recovery of demand in overseas customers.

*The estimated annual growth rate of the Proposed Annual Caps under the 2022 Import Agency Agreement for the calendar years of 2022 to 2024*

Based on the projection table for the Proposed Annual Caps for the 2022 Import Agency Agreement, we noted that the Company assume an annual growth rate of approximately 35%, 13% and 11% for the calendar year of 2022, 2023 and 2024 respectively.

We are given to understand from the Management that the estimated annual growth rates of the calendar years of 2022 to 2024 was determined with reference to (i) the transaction amounts between Lisi Household and Lisi Import & Export under the 2018 Import Agency Agreement; (ii) the expected increase in the import volume of the raw materials and the expected increase in demand of the import agency services; and (iii) the estimated increase in the cost of the raw materials.

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In order to study the actual demand for plastic and metallic household products of Lisi Household, we have obtained and reviewed the breakdowns of the total sales amounts of Lisi Household by end-customers for the three months ended 31 March 2019, the two years ended 31 March 2021 and the nine months ended 31 December 2021. It is noted that the total sales amount of the overseas end-customers recorded by Lisi Household for the calendar year of 2021 was approximately RMB868.1 million, representing an increase of approximately 43.5% as compared to that of approximately RMB605.0 million for the calendar year of 2020, which illustrated an upward trend in demand of imported raw materials during the period.

As advised by the Management, as at 21 December 2021, there was approximately USD70.0 million (by sales amount) of the confirmed purchase orders of plastic and metallic household products of Lisi Household which was not yet delivered. The Company expected that additional raw materials need to be imported for manufacturing plastic and metallic household products in order to satisfy such confirmed purchase orders. Accordingly, the demand of the import agency services will therefore be expected to increase with such additional raw materials to be imported for those confirmed purchase orders of plastic and metallic household products of Lisi Household.

Moreover, the Management expected that the price of the major raw materials for manufacturing plastic and metallic household products, including polypropylene and copolyester, will continue to increase. We are given to understand that the Management has estimated a growth rate of approximately 15% for the price of raw materials for the calendar year of 2022. We have randomly selected and reviewed 52 samples of customs declaration form for the imported raw materials handled by Lisi Import & Export for the three calendar years of 2019-2021, and it is noted that there was a year-to-year increase of more than 30% in the unit price of imported raw materials for the calendar year of 2021 as compared to that of 2020. We have crosschecked the data to the purchasing price index for the industrial sector for November 2021 published by the National Bureau of Statistics of the PRC (中華人民共和國統計局), and noted that the purchasing price of chemical raw materials has increased by approximately 25.1% as compared to the previous period. As such, the Management's estimated growth rate of approximately 15% for the price of raw materials for the calendar year of 2022 is considered reasonable.

As advised by the Management and disclosed in the Letter from the Board, they have adopted a relatively conservative approach and estimated the annual growth rate to be approximately 15% for the calendar year of 2022. Together with a buffer to cater for the unexpected business growth, the impact of exchange rate fluctuation on import activities, and the fluctuation of the price of the raw materials and transportation costs, the estimated annual growth rate would be approximately 35% for the calendar year of 2022. As a result, the Management's estimated annual growth rate of approximately 35% of the Proposed Annual Cap for the calendar year of 2022 is considered reasonable.

With respect to the annual growth rates of approximately 13% and 11% of the Proposed Annual Caps for the calendar year of 2023 and 2024, as discussed with the Management, we are given to understand that the market is expected to shift to the post-COVID era, and a relatively moderate annual growth rate is expected to be resulted after the immense rebound in demand in 2021. The Management expects that the manufacturing and trading business activities will resume to a relatively stable level as in pre-COVID era, with an annual growth rate anticipated by the Management ranging from approximately 11% to 13% per annum.

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Having considered the above, we are of the view that the Proposed Annual Caps in respect of the import agency services and the major factors considered as the bases of determining the Proposed Annual Caps under the 2022 Import Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### 5. Internal control measures

As disclosed in the Letter from the Board, the Company has adopted, among other thing, the following internal control measures in relation to the transactions contemplated under the Framework Agreements in order to safeguard the interests of the Company and the Shareholders as a whole:

- (i) The management obtains price quotation from at least two independent service providers or suppliers (subject to practical availability and feasibility), taking into account factors including the relevant experience, capability and available resources of the service providers or suppliers (“**Factors**”), to ensure the quality standards of the service providers or suppliers.
- (ii) In the event that the pricing terms and the Factors offered by Lisi Group and/or Lisi Import & Export (as the case may be) are not considered to be comparable with the pricing terms and the Factors offered by the other independent service providers or suppliers, the Group will not approve and accept the price quotation from Lisi Group and/or Lisi Import & Export (as the case may be). The final acceptance of price quotation offered by Lisi Group and/or Lisi Import & Export (as the case may be) shall be approved by the senior Management in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Group and the Shareholders as a whole.
- (iii) The operation team of the Company conducts regular checks (once per quarter) on whether the transactions under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are conducted in accordance with the agreed contract terms.
- (iv) The independent non-executive Directors will conduct annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions

In order ensure transaction amounts under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement will be within the relevant annual caps during the term, the Company adopts the following measures:

- 1. the Board shall arrange to provide training for the senior management and responsible finance staff on the compliance requirements and practical knowledge of notifiable transactions (including the continuing connected transactions);

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2. a legal officer (法律專員) is assigned to be responsible for internal control and in particular to monitor and oversee all the on-going transactions (including the continuing connected transactions), and to ensure the effective coordination and communication between various departments of the Company, including the finance department, the business department and the Board. The legal officer will report to the Directors regularly (every month);
3. a working group comprising members from Hong Kong and the PRC to ensure the operational internal control procedures are fully implemented;
4. the Board will engage an expert which will conduct annual internal control assessment; and
5. the operation team and the corporate governance team of the Company are responsible for collecting data and statistics of the continuing connected transactions under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement to ensure the relevant annual caps are not exceeded.

In light of the above, as advised by the Management, we are given to understand that the Company has assigned specific responsibilities to its operation team, finance team, corporate governance team and legal officer in performing regular checks and monitoring of the unitization of annual caps to ensure its compliance with the limits approved by its Independent Shareholders and overseeing all related transactions to make sure all continuing connected transactions of the Company are in accordance with respective Framework Agreements and the Listing Rules.

In the event that the utilisation of annual caps is anticipated to exceed the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Framework Agreements, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

The Directors are of the view that the internal control measures above can ensure that the transactions contemplated under the Framework Agreements are on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the export agency services and the import agency services contemplated under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement are conducted in the ordinary and usual course of the business of the Company; the Proposed Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the SGM to approve the Framework Agreements and the Proposed Annual Caps.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Joshua Liu**  
*Managing Director*

*Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the securities and investment banking industries.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executives of the Company or their associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares/ underlying shares (Note 1)	Approximate percentage of the issued share capital of the Company
Mr. Li Lixin	Note 2	2,755,137,680 (L)	34.25%
		2,737,284,681 (S)	34.03%
Ms. Cheng Weihong	Note 3	1,849,407,702 (L)	22.99%
		398,000,000 (S)	4.95%

*Note 1:* (L) denotes long positions (S) denotes short positions.

*Note 2:* Mr. Li Lixin's interest in 2,755,137,680 shares is held as to 17,822,000 shares personally, 1,382,141,014 shares through Big-Max Manufacturing Co., Limited ("**Big-Max**") and 1,355,174,666 shares through Shi Hui Holdings Limited ("**Shi Hui**"). The issued share capital of Big-Max and Shi Hui are wholly-owned by Mr. Li Lixin.

*Note 3:* Ms. Cheng Weihong's interest in 1,849,407,702 shares is held as to 956,407,702 shares through Mighty Mark Investments Limited ("**Mighty Mark**") and 893,000,000 shares through Hopeful Glad Limited ("**Hopeful Glad**"). The issued share capital of Mighty Mark and Hopeful Glad are wholly-owned by Ms. Cheng Weihong.

Save as disclosed above, none of the Directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

**(b) Substantial Shareholders' interests and short positions**

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,382,141,014 (L)	17.18%
		1,382,111,014 (S)	17.18%
Shi Hui Holdings Limited	Beneficial owner	1,355,174,666 (L)	16.85%
		1,355,173,667 (S)	16.85%
Tong Shipping	Interest of spouse	1,849,407,702 (L)	22.99%
		398,000,000 (S)	4.95%
Mighty Mark Investments Limited	Beneficial owner	956,407,702 (L)	11.89%
Hopeful Glad Limited	Beneficial owner	893,000,000 (L)	11.10%
		398,000,000 (S)	4.95%
Central Huijin Investment Ltd.	Person having a security interest in shares/Interest in controlled corporation	2,413,065,680 (L)	29.99%
China Construction Bank Corporation	Person having a security interest in shares/Interest in controlled corporation	2,413,065,680 (L)	29.99%
Poly Platinum Enterprises Limited	Person having a security interest in shares/ Beneficial owner	1,051,144,000 (L)	13.07%
Greater Bay Area Homeland Development Fund (GP) Limited	Person having a security interest in shares/Interest in controlled corporation	1,051,144,000 (L)	13.07%



Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國 浙江省財政廳)	Person having a security interest in shares	1,049,971,001 (L)	13.05%
浙江省財務開發公司	Person having a security interest in shares	1,049,971,001 (L)	13.05%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/Interest in controlled corporation	1,048,124,000 (L)	13.03%
Caitong Securities Co., Limited	Person having a security interest in shares	700,971,001 (L)	8.71%

Note: (L) denotes long positions (S) denotes short positions.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

### 3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of Group.

Mr. Li Lixin, an executive Director and a controlling Shareholder of the Company and his son, beneficially owns 98.15% equity interest of 利時集團股份有限公司 (Lisi Group Co. Ltd) (“**Lisi Co.**”). Mr. Cheng Jianhe, an executive Director, and Ms. Jin Yaxue, an executive Director, are also directors of Lisi Co. As at the Latest Practicable Date, the principal businesses of Lisi Co. and its subsidiaries (“**Lisi Group**”) include the manufacturing and sale of plastic and hardware products, the operation of department stores and supermarket chain, and investments in property development in the PRC.

Lisi Group operates four department stores (the “**Excluded Department Stores**”) and one supermarket (the “**Excluded Supermarket**”). Two out of the four Excluded Department Stores and the Excluded Supermarket are located in Ningbo City and the remaining two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City in Zhejiang Province, respectively. All four Excluded Department Stores commenced business in 2010 or 2011 and recorded net losses for each of the two financial years ended 31 December 2012. Since the Excluded Department Stores are still in their startup stage of operation and are loss making, the Directors decided not to acquire the Excluded Department Stores at the material time.

The Excluded Supermarket is situated at the basement of one of the Excluded Department Stores and forms part of that Excluded Department and as such, the Directors decided not to include the Excluded Supermarket into the target group acquired by the Group from Lisi Group in August 2013.

The Directors believed that the Group was capable of carrying on its business independently of, and at arm's length from, the Excluded Department Stores and the Excluded Supermarket owned by Lisi Group, on the basis that, among other factors:

- (a) while two of the Excluded Department Stores are situated in Ningbo City, the districts in which they are located are different from those in which the two department stores owned by the Group namely, New JoySun department store and Xiangshan Lisi Department Store, are located. The other two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City; and

- (b) the Company entered into a non-competition deed (the “**Non-competition Deed**”) with Shi Hui, the guarantors and Lisi Co (the “**Covenantors**”) on 31 August 2013. Under the Non-Competition Deed, the Covenantors has undertaken not to engage, other than through the Excluded Department Stores and the Excluded Supermarket, in any businesses of manufacture and sale of household products as well as the retail trade in merchandise in department stores and supermarkets in Ningbo City. The non-competition restrictions under the Non-Competition Deed shall terminate on the earlier of (i) the date on which the Covenantors cease to be a controlling Shareholder; and (ii) the date on which the Shares ceased to be listed on the Stock Exchange. As such, Lisi Group will not open, own or operate any new department stores or supermarkets in Ningbo City other than the Excluded Department Stores and the Excluded Supermarket so long as the Non-Competition Deed is in effect. Under the Non-Competition Deed, the Covenantors granted the Company an option to purchase the whole or part of the interest in the Excluded Department Stores or the Excluded Supermarket. The price at which the option will be exercised shall be negotiated and agreed between the Company and Lisi Co. at the time of exercise. If the parties fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price. The Covenantors also granted the Company a right of first refusal in the event that Lisi Co. wishes to sell the whole or part of its interest in the Excluded Department Stores or the Excluded Supermarket to any third party. Decisions as to whether or not to exercise the right of first refusal shall be subject to the review and approval of the independent non-executive Directors. If the Company decides not to acquire such interest, an announcement will be issued by the Company setting out the reasons for not exercising such right and Lisi Co. may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to the Company.

#### 4. DIRECTORS’ INTERESTS IN ASSETS

On 1 April 2021, Lisi Household entered into a lease agreement (the “**Lease Agreement**”) with 寧波利時電器制造有限公司 (Ningbo Lisi Electrical Appliances Manufacturing Company Limited\*) (“**Lisi Electrical**”) for the renewal of the leasing of a property at 518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC for a period of three years commenced from 1 June 2021 and expiring on 31 May 2024. For details, please refer to the announcement of the Company dated 1 April 2021. Lisi Electrical is indirectly wholly owned by 寧波利時塑膠有限公司 (Ningbo Lisi Plastics Company Limited\*) (“**Lisi Plastics**”). Lisi Plastics is owned as to 75% by Lisi Group. Lisi Group in turn is ultimately beneficially owned as to 98.15% by Mr Li Lixin, the Company’s executive Director and controlling Shareholder, and his son.

As at the Latest Practicable Date, so far as the Directors are aware, save for Mr. Li’s interest in the Lease Agreement mentioned above, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group, save for the following:

- (a) the Lease Agreement dated 1 April 2021, between Lisi Household and Lisi Electrical as disclosed in the Company's announcement dated 1 April 2021 pursuant to which Lisi Electrical leased a property located at 518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC for a period of three years commenced from 1 June 2021 and expiring on 31 May 2024. Lisi Electrical is indirectly wholly owned by Lisi Plastic is owned as to 75% by Lisi Group. Lisi Group in turn is ultimately beneficially owned as to 98.15% by Mr Li Lixin, the Company's executive Director and controlling Shareholder, and his son;
- (b) the Lease Agreement dated 20 December 2021 made between Da Mei and Lisi Household as disclosed in the Company's announcement dated 20 December 2021 pursuant to which Da Mei leased a property located in 中國寧波市鄞州區投資創業中心誠信路518號 (518 Cheng Xin Lu, Yinzhou Investment & Venture Centre, Yinzhou, Ningbo, PRC\*) to Lisi Household for a term of nine months commenced from 1 January 2022 and ending on 30 September 2022 where Da Mei is a non-wholly owned subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr. Li Lixin, the Company's executive Director and controlling shareholder, and his son;
- (c) the Mutual Supply Agreement dated 20 December 2021 made between New JoySun Corp. ("New JoySun") and Lisi Group as disclosed in the Company's announcement dated 20 December 2021 pursuant to which New JoySun agreed to procure its subsidiaries to supply to Lisi Group and its subsidiaries electronic appliances, food and beverage products. In return, Lisi Group agreed to procure its subsidiaries to supply to New JoySun and its subsidiaries certain household products. Lisi Group is beneficially owned as to 98.15% by Mr. Li Lixin, the Company's executive director and controlling shareholder, and his son;
- (d) the 2022 Export Agency Agreement as disclosed in the Company's announcement dated 20 December 2021 pursuant to which Lisi Import & Export provided export agency services to Lisi Household pursuant to such agreement for a terms of three years commenced from 1 January 2022 and ending on 31 December 2024 where Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Lixin and his son; and
- (e) the 2022 Import Agency Agreement as disclosed in the Company's announcement dated 20 December 2021 pursuant to which Lisi Import and Export provided import agency services to Lisi Household for a term of three years commenced from 1 January 2022 and ending on 31 December 2024 where Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by a company wholly owned by Mr. Li Lixin and his son.

**7. EXPERT AND CONSENT**

The following are the qualifications of the expert who have given opinion contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or report and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, the Independent Financial Adviser (i) did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2021, the date to which the latest audited financial statements of the Group was made up; and (ii) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**8. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of each of the 2022 Export Agency Agreement and the 2022 Import Agency Agreement will be published on the websites of the Stock Exchange and the Company for a period of 14 days from the date of this circular.

\* *For identification purposes only*

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## NOTICE OF SPECIAL GENERAL MEETING

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### CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED 中國汽車新零售（控股）有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 526)**

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “SGM”) of China Automobile New Retail (Holdings) Limited (the “Company”) will be held at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 31 January 2022, Monday at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the 2022 Export Agency Agreement (as defined in the circular of the Company dated 12 January 2022 (the “Circular”)) and the transactions contemplated thereunder together with the relevant annual caps in relation thereto for the three years ending 31 December 2024 be and are hereby confirmed, approved and ratified;
- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the 2022 Export Agency Agreement and the transactions contemplated thereunder; and
- (c) any and all actions of the Company, or of any Director or officer of the Company, taken in connection with the foregoing resolutions prior to the execution hereof be and were hereby ratified, confirmed, approved and adopted in all respects as fully as if such action(s) had been presented to for approval, and approved by, the Company prior to such action being taken.”

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## NOTICE OF SPECIAL GENERAL MEETING

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2. “THAT

- (a) the 2022 Import Agency Agreement (as defined in the Circular) and the transactions contemplated thereunder together with the relevant annual caps in relation thereto for the three years ending 31 December 2024 be and are hereby confirmed, approved and ratified;
- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the 2022 Import Agency Agreement and the transactions contemplated thereunder; and
- (c) any and all actions of the Company, or of any Director or officer of the Company, taken in connection with the foregoing resolutions prior to the execution hereof be and were hereby ratified, confirmed, approved and adopted in all respects as fully as if such action(s) had been presented to for approval, and approved by, the Company prior to such action being taken.”

By Order of the Board

**CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED**

**Cheng Jianhe**

*Executive Director*

Hong Kong, 12 January 2022

*Notes:*

- 1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- 3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.
- 4. The transfer books and register of members of the Company will be closed from 26 January 2022 to 31 January 2022, both days inclusive, to determine the entitlement of shareholders of the Company to attend and vote at the SGM, during which period no share transfers can be registered. In order to be eligible to attend and vote at the SGM, all duly completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 25 January 2022.
- 5. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the resolutions as set out in this notice will be decided by poll at the meeting.

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## NOTICE OF SPECIAL GENERAL MEETING

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In view of the current COVID-19 pandemic situation, the Company will implement the following precautionary measures at the SGM to protect the Shareholders and other attendees from risk of infection:

1. At the entrance of the SGM Venue, a compulsory body temperature check will be conducted on every person attending the SGM. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the SGM Venue.
2. Every attendees will be required to sign and complete a health declaration form before admission to the SGM Venue.
3. Seating at the SGM Venue will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for Shareholders to attend the SGM. The Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
4. Every attendee is required to wear a surgical face mask at any time within the SGM Venue.
5. Any attendee who declines any of the abovementioned measures will not be admitted to the SGM Venue.
6. No food or beverages or gifts will be provided to the attendees at the SGM.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry to the SGM venue or require any person to leave the SGM Venue in order to ensure the safety of the attendees at the SGM.

The Company would like to remind the Shareholders to consider appointing the Chairman of the SGM as his/her/its proxy to vote on the resolution at the SGM as an alternative to attending the SGM in person. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM.

Subject to the development of the COVID-19 situation, the Company may implement and/or adjust precautionary measures for the SGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate.

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