
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 **Lisi Group (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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LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 526)

**(1) MAJOR TRANSACTION
IN RELATION TO
SUBSCRIPTION OF FINANCIAL PRODUCTS;
(2) CONTINUING CONNECTED TRANSACTIONS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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

VINCO  **榮高**

Vinco Financial Limited

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

A notice convening the SGM to be held at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Tuesday, 12 November 2024 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

24 October 2024

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DEFINITIONS

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

“2022 Export Agency Agreement”	the export agency agreement dated 20 December 2021 entered into 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 entered into between Lisi Import & Export and Lisi Household relating to the provision of import agency services
“2022 Mutual Supply Agreement”	the mutual supply agreement dated 20 December 2021 entered into between New JoySun (for itself and on behalf of its subsidiaries) and Lisi Group (for itself and on behalf of its subsidiaries)
“2025 Export Agency Agreement”	the export agency agreement dated 30 September 2024 entered into between Lisi Import & Export and Lisi Household relating to the provision of export agency services
“2025 Import Agency Agreement”	the import agency agreement dated 30 September 2024 entered into between Lisi Import & Export and Lisi Household relating to the provision of import agency services
“2025 Mutual Supply Agreement”	the mutual supply agreement dated 30 September 2024 entered into between New JoySun (for itself and on behalf of its subsidiaries) and Lisi Group (for itself and on behalf of its subsidiaries)
“Agreement”	the agreement dated 30 September 2024 entered into between National Trust and Lisi Household in relation to the subscription of the National Trust Financial Products by Lisi Household
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Lisi Group (Holdings) Limited (stock code: 526), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Da Mei”	達美(寧波)新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited*), a sino-foreign equity joint venture incorporated under the laws of the PRC and a subsidiary of Lisi Group
“Director(s)”	director(s) of the Company
“Emerald Holding”	Emerald Holding (Luxembourg) S.à.r.l, a company incorporated in Luxembourg with limited liability
“FY2023”	the financial year ended 31 March 2023
“FY2024”	the financial year ended 31 March 2024
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a licensed corporation permitted to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise and make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the respective transactions contemplated thereunder
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected with the Company and/or the connected person(s) of the Company
“Latest Practicable Date”	23 October 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Intent”	the letter of intent dated 22 October 2024 entered into among Manukura, as vendor, More Concept Limited, a wholly-owned subsidiary of the Company, as purchaser, and the Company and Mr. Li, as guarantors in respect of the exclusive negotiation of the Potential Acquisition

DEFINITIONS

“Lifu Land”	寧波利富置業有限公司 (Ningbo Lifu Land Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of Lisi Group
“Lisi Electrical”	寧波利時電器制造有限公司 (Ningbo Lisi Electrical Appliances manufacturing Company Limited*), a sino-foreign enterprise established in the PRC and a subsidiary of Lisi Group
“Lisi Group”	利時集團股份有限公司 (Lisi Group Co., Ltd*), a limited liability company incorporated in the PRC, which is beneficially owned as to 98.15% by Mr. Li and his son
“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 an indirect wholly-owned subsidiary of the Company
“Lisi Import & Export”	寧波利時進出口有限公司 (Lisi Import and Export Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of Lisi Group
“Lisi Manufacturing”	Lisi Manufacturing Co., Limited, a limited liability company incorporated in Hong Kong, which is wholly-owned by Mr. Li
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manukura”	Manukura (CMCI) Limited
“Mr. Li”	Mr. Li Lixin, the Chairman, the executive Director and a controlling shareholder of the Company
“National Trust”	國民信托有限公司 (National Trust Company Limited*), one of the licensed financial institutions in the PRC under the supervision of the China Banking and Insurance Regulatory Commission
“National Trust Financial Products”	the financial products offered by National Trust and to be subscribed by Lisi Household at the maximum subscription amount of RMB800 million pursuant to the Agreement
“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

DEFINITIONS

“New JoySun Investment”	寧波新江廈投資有限公司 (Ningbo New JoySun Investment Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of Lisi Group
“New JoySun Supermarket”	寧波新江廈連鎖超市有限公司 (Ningbo New JoySun Supermarket Chain Limited*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Ningbo Huayi”	寧波華逸投資有限公司 (Ningbo Huayi Investment Co., Ltd.*), a company incorporated in the RPC, which is wholly-owned by Mr. Li and his son
“Potential Acquisition”	a potential transaction involving the acquisition by the Group of the entire issued share capital of Emerald Holding pursuant to the Letter of Intent, the details of which are set out in the announcement of the Company dated 22 October 2024
“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
“Previous Agreements”	collectively, the agreements entered into between (i) National Trust and New JoySun Supermarket, and (ii) National Trust and New JoySun, on various dates between April 2020 and September 2020 in relation to the subscription of the Previous National Trust Financial Products by each of New JoySun Supermarket and New JoySun, which were subsequently amended by the Supplemental Agreements, and each “Previous Agreement” shall be construed accordingly
“Previous National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket and New JoySun separately between April 2020 and September 2020 at the maximum subscription amount of RMB800 million pursuant to the Previous National Trust Agreements (as amended by the Supplemental Agreements), which is expected to reach their respective maturity dates consecutively between October 2024 and March 2025, details of which are set out in the circulars of the Company dated 29 April 2022 and 12 April 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Tuesday, 12 November 2024 at 10:00 a.m. for (i) the Shareholders to consider and, if thought fit, to approve the Agreement for subscription of the National Trust Financial Products and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider and, if thought fit, to approve the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder
“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)
“Shi Hui”	Shi Hui Holdings Limited, a limited liability company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Li
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	collectively, the supplemental agreements entered into between (i) National Trust and New JoySun Supermarket; and (ii) National Trust and New JoySun, on 14 March 2023 to amend the term of the corresponding Previous Agreements
“USD”	United States dollars, the lawful currency of the United States of America
“1st National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB50 million pursuant to the Previous Agreement dated 29 April 2020
“2nd National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB90 million pursuant to the Previous Agreement dated 18 May 2020
“3rd National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB60 million pursuant to the Previous Agreement dated 28 June 2020
“4th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB80 million pursuant to the Previous Agreement dated 10 August 2020

DEFINITIONS

“5th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB70 million pursuant to the Previous Agreement dated 17 August 2020
“6th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB70 million pursuant to the Previous Agreement dated 21 August 2020
“7th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun Supermarket at the subscription amount of RMB60 million pursuant to the Previous Agreement dated 24 August 2020
“8th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB60 million pursuant to the Previous Agreement dated 31 August 2020
“9th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB60 million pursuant to the Previous Agreement dated 3 September 2020
“10th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB60 million pursuant to the Previous Agreement dated 7 September 2020
“11th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB50 million pursuant to the Previous Agreement dated 10 September 2020
“12th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB50 million pursuant to the Previous Agreement dated 14 September 2020
“13th National Trust Financial Products”	the financial products offered by National Trust and subscribed by New JoySun at the subscription amount of RMB40 million pursuant to the Previous Agreement dated 16 September 2020
“%”	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.

LETTER FROM THE BOARD



LISI GROUP (HOLDINGS) LIMITED

利時集團（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

Independent Non-Executive Directors:

Mr. He Chengying

Mr. Shin Yick Fabian

Mr. Kwong Kwan Tong

Principal place of business in Hong Kong:

Office 6, 2/F

International Enterprise Centre 3

No. 18 Tai Chung Road, Tsuen Wan

New Territories, Hong Kong

24 October 2024

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION
IN RELATION TO
SUBSCRIPTION OF FINANCIAL PRODUCTS;
(2) CONTINUING CONNECTED TRANSACTIONS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2024 in relation to, among other things, the subscription of the National Trust Financial Products, the 2025 Export Agency Agreement and the 2025 Import Agency Agreement.

LETTER FROM THE BOARD

On 30 September 2024, Lisi Household, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with National Trust pursuant to which Lisi Household conditionally agreed to subscribe for the National Trust Financial Products for the maximum subscription amount of RMB800 million.

On 30 September 2024, Lisi Household entered into (i) the 2025 Export Agency Agreement with Lisi Import & Export for the provision of export agency services; and (ii) the 2025 Import Agency Agreement with Lisi Import & Export for the provision of import agency services.

The purpose of this circular is to provide you with, among other things, (i) further details of the National Trust Financial Products and the transactions contemplated thereunder; (ii) further information on the 2025 Export Agency Agreement and the 2025 Import Agency Agreement; (iii) the recommendation from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2025 Export Agency Agreement and the 2025 Import Agency Agreement; and (v) a notice to convene the SGM.

BACKGROUND

References are made to the circular of the Company dated 29 April 2022 in relation to, among other things, the subscription of the Previous National Trust Financial Products and the circular of the Company dated 12 April 2023 in relation to, among other things, the extension of the Previous National Trust Financial Products.

Between April 2020 and September 2020, National Trust entered into the Previous National Trust Agreements with each of (i) New JoySun Supermarket, an indirect wholly-owned subsidiary of the Company, and (ii) New JoySun, separately pursuant to which New JoySun Supermarket and New JoySun collectively subscribed for the Previous National Trust Financial Products at the maximum subscription amount of RMB800 million for a term of 36 months commenced from the respective commencement dates.

On 14 March 2023, National Trust entered into the Supplemental Agreements with (i) New JoySun Supermarket, and (ii) New JoySun (in respect of the respective Previous National Trust Financial Products subscribed by each of them) to extend the respective terms of the Previous National Trust Financial Products from 36 months to 54 months. The Previous National Trust Financial Products are expected to reach their respective maturity dates consecutively between October 2024 and March 2025. Details of the maturity dates and the respective subscription amounts of the Previous National Trust Financial Products under each of the Previous Agreements are set out in the table below:

LETTER FROM THE BOARD

Previous National Trust Financial Products	Maturity Date	Approximate subscription Amount (RMB million)
1st National Trust Financial Products	28 October 2024	50
2nd National Trust Financial Products	17 November 2024	90
3rd National Trust Financial Products	27 December 2024	60
4th National Trust Financial Products	9 February 2025	80
5th National Trust Financial Products	16 February 2025	70
6th National Trust Financial Products	20 February 2025	70
7th National Trust Financial Products	23 February 2025	60
8th National Trust Financial Products	28 February 2025	60
9th National Trust Financial Products	2 March 2025	60
10th National Trust Financial Products	6 March 2025	60
11th National Trust Financial Products	9 March 2025	50
12th National Trust Financial Products	13 March 2025	50
13th National Trust Financial Products	16 March 2025	40

SUBSCRIPTION OF NATIONAL TRUST FINANCIAL PRODUCTS

On 30 September 2024, Lisi Household, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with National Trust pursuant to which Lisi Household conditionally agreed to subscribe for the National Trust Financial Products for the maximum subscription amount of RMB800 million. The subscription monies under the Agreement would be solely financed by the redemption of the Previous National Trust Financial Products with reference to the respective maturity dates set out above. A summary of the National Trust Financial Products is set out as follows:

LETTER FROM THE BOARD

National Trust Financial Products

- Date: 30 September 2024
- Parties: (1) National Trust
(2) Lisi Household
- Name of the financial products: 國民信托申鑫85號單一資金信托
- Maturity date: Three years from (i) the effective date of the Agreement for the financial products relating to the initial tranche of the subscription amount; and (ii) the respective commencement dates of the financial products after Lisi Household has transferred subsequent tranches of the subscription amounts under the Agreement to the trust account to be managed by National Trust
- Nature: Standalone trusts (單一類信托)
- Mandate: In accordance with the management instruction of the settlor and beneficiary, to invest in treasury bonds, financial bonds, central bank bills, bank deposits, cash, bank wealth management products, issuing trust loans, and other money market instruments that comply with laws and regulations
- Maximum subscription amount: RMB800 million
- Payment method: Lisi Household may settle the subscription amount by installments, and the first tranche of the subscription amount shall be not less than RMB40,000,000. Lisi Household shall transfer the first tranche of the subscription amount to the trust account to be managed by National Trust within 60 business days after the effective date of the Agreement, and shall transfer subsequent tranches of all remaining subscription amounts to the trust account within 180 business days after the effective date of the Agreement.
- Principal guarantee: No guarantee of minimum return
- Historical rate of return: 4.55% to 4.93%
- Conditions precedent of the Agreement: The Agreement shall become effective upon fulfillment of all of the following conditions:
- (a) Lisi Household and National Trust having duly signed the Agreement and risk disclosure statement;

LETTER FROM THE BOARD

- (b) National Trust and the relevant parties, being Independent Third Parties, having duly signed the relevant transaction documents for carrying out the investments;
- (c) such other conditions as may be required by National Trust, which includes (i) National Trust being reasonably satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Group; and (ii) the passing of the necessary resolution(s) required to be obtained by Lisi Household in respect of the Agreement and the transactions contemplated thereunder having been obtained; and
- (d) the Company having satisfied all applicable requirements under the Listing Rules, that is the passing of the ordinary resolution(s) by the Shareholders at the SGM to approve the Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the condition set out in paragraph (a) above has been fulfilled.

BASIS OF DETERMINING THE MAXIMUM SUBSCRIPTION AMOUNT OF THE NATIONAL TRUST FINANCIAL PRODUCTS

The maximum subscription amount and terms of the National Trust Financial Products were determined after arm's length negotiation between Lisi Household and National Trust having taken into account various factors including (i) cash management of the Group; (ii) the level of risk and expected return of the National Trust Financial Products; and (iii) other comparable financial products available in the market.

With regards to the cash management of the Group, the Board considered the current financial position of the Group. Based on the unaudited consolidated management accounts of the Group for the five months ended 31 August 2024, as at 31 August 2024, the Group had net current assets of approximately RMB1,992 million and cash and cash equivalents of approximately RMB852 million. The Board also considered the expected idle funds in the amount of approximately RMB800 million from the redemption of the Previous National Trust Financial Products by the Group in the coming months. The Board also considered that the risks associated with the National Trust Financial Products are relatively low and the National Trust Financial Products offer a better expected return than the prevailing fixed-term deposit interest rates generally offered by commercial banks in the PRC and similar expected return compared with other comparable financial products available in the market.

For details of the factors considered by the Board in determining the maximum subscription amount of the National Trust Financial Products, please refer to the paragraph headed "Reasons for and benefits of the subscription of the National Trust Financial Products" below.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE SUBSCRIPTION OF NATIONAL TRUST FINANCIAL PRODUCTS

All the National Trust Financial Products will be classified by the Group as financial assets at fair value through profit or loss and the maximum amount of financial assets at fair value through profit or loss to be recognised by the Group will be approximately RMB800 million (assuming that the maximum amount of the National Trust Financial Products is subscribed by the Group). Any future changes in the fair value of the National Trust Financial Products will be recognized in profit or loss of the Group. After the Agreement has become effective, the Group will also recognize any return from the National Trust Financial Products as investment income. Save as disclosed above, it is expected that the subscription of the National Trust Financial Products by the Group will not have any significant impact on the Group's assets, liabilities and earnings.

REASONS FOR AND BENEFITS OF SUBSCRIPTION OF NATIONAL TRUST FINANCIAL PRODUCTS

The Company previously utilized certain idle funds to subscribe for the Previous National Trust Financial Products. Purchase of wealth management products has been one of the means by the Group's management to increase the Group's income. The Previous National Trust Financial Products are expected to reach maturity consecutively between October 2024 and March 2025.

In deciding whether to subscribe for the National Trust Financial Products, the Board has considered, among other things, (i) the background and financial condition of National Trust; (ii) the historical return of the Previous National Trust Financial Products; (iii) the level of risk and expected return of the National Trust Financial Products when compared with similar financial products offered by two other trust companies; (iv) the expected maturity dates of the Previous National Trust Financial Products; and (v) the Group's cash management and working capital level against the maturity dates of the National Trust Financial Products.

According to the 2023 annual report of National Trust, National Trust was established in 1987 with the approval for establishment from the China Banking and Insurance Regulatory Commission. National Trust is a licensed financial institution in the PRC and is principally engaged in the asset management and provision of financial products in the PRC. Based on the said annual report, National Trust (i) recorded revenue and net profit of approximately RMB928.5 million and RMB382.9 million, respectively for the year ended 31 December 2023; and (ii) managed trust assets in the amount of approximately RMB249,509.3 million as at 31 December 2023. Hence, the Board considered National Trust to be a reputable and financially stable licensed financial institution with a strong track record.

Based on the historical rate of return ranging from 4.55% to 4.93%, the Board considered that the National Trust Financial Products offered (i) a better expected return than the prevailing three-year fixed-term deposit interest rate of approximately 2.35% generally offered by commercial banks in the PRC; and (ii) similar expected rate of return compared with the expected rate of return in the range of approximately (a) 4.2% to 4.5%; and (b) 4.6% to 5.0% for similar financial products offered by two other trust companies. Notwithstanding that other trust companies offer comparable financial products with similar expected rate of return, the Board considered that the National Trust Financial Products would be a better option for the Group taking into account the reputation, financial condition and track record of National Trust.

LETTER FROM THE BOARD

The Board considered the level of risk of the National Trust Financial Products to be relatively low given that the mandate of the National Trust Financial Products is to invest in treasury bonds, financial bonds, central bank bills, bank deposits, cash, bank wealth management products, issuing trust loans, and other money market instruments.

As the Previous National Trust Financial Products are expected to reach their respective maturity dates consecutively between October 2024 and March 2025, the Board considered that the Group is expected to have idle funds in the amount of approximately RMB800 million from the redemption of the Previous National Trust Financial Products, which could be used solely to finance the subscription monies under the Agreement.

Based on the unaudited consolidated management accounts of the Group for the five months ended 31 August 2024, as at 31 August 2024, the Group had a net current assets of approximately RMB1,992 million and a cash and cash equivalents of approximately RMB852 million. Before entering into the Agreement, the management of the Company had assessed the Group's working capital needs for the upcoming 16 months and was of the view that the subscription of the National Trusts Financial Products would not affect the working capital or business operation of the Group. Factors considered when assessing the Group's working capital needs include, among other things, the Group's existing working capital level, the historical cash flow of the Group's continuing business segments, and the Group's expected funding needs. Based on the working capital forecast of the Group for the 16-month period ending 31 December 2025, it is forecasted that the Group will generate net cash of approximately RMB141 million for the 16-month period ending 31 December 2025 (taking into account the Potential Acquisition). As at the Latest Practicable Date, the terms of the Potential Acquisition are subject to further negotiations between the parties to the Letter of Intent and no legally binding agreement in relation to the Potential Acquisition has been entered into. Although the term of the Agreement would last for three years, the Company had assessed the Group's working capital for the 16-months period ending 31 December 2025 because the Company considered that it would be difficult to accurately assess the working capital forecast beyond the 16-month period as the working capital needs of the Group in the longer term may be subject to various factors such as changes in the business environment and market conditions in both domestic mainland China and the international markets as well as changes to the impact of international geopolitical tensions. In addition, the Group had recorded net cash generated from operating activities of approximately RMB247.9 million and RMB68.3 million for FY2023 and FY2024, respectively, which shows that the Group's working capital needs could be met by the net cash generated from its business operations. Furthermore, as the subscription monies under the Agreement would be solely financed by the redemption of the Previous National Trust Financial Products, the Group would not be required to use any of its existing idle funds for subscription of the National Trust Financial Products. Hence, the Board considered that the subscription of the National Trusts Financial Products would not affect the working capital or business operation of the Group even though the Agreement would last for three years.

The decrease in the Group's net cash generated from operating activities from approximately RMB247.9 million for FY2023 to RMB68.3 million for FY2024 was mainly due to the increase in the Group's advance to third parties of approximately RMB244.2 million for FY2024. As set out in the announcement of the Company dated 12 July 2024, in anticipation of securing a purchase order from the Group's customer which the Group had submitted a pitch for, Lisi Household entered into procurement contracts with the relevant suppliers for procurement of the relevant raw materials, and pre-paid the entire consideration thereunder, in March 2024 (the "**Advance to Suppliers**") with the view to securing sufficient supplies of raw materials in preparation for the potential purchase order. However, as the Group failed to secure the intended purchase order with the its customer, the Group subsequently entered into termination agreements with the relevant suppliers respectively between April and June 2024 and the entire amounts of the consideration pre-paid for the relevant raw materials had been fully refunded to the Group as at the Latest Practicable Date. The Board considered the Advance to Suppliers to be an isolated event and therefore the Group will have sufficient net cash generated from its business operations to meets its working capital needs.

LETTER FROM THE BOARD

After considering the above, the Board is of the view that the risks associated with the National Trust Financial Products are relatively low and the National Trust Financial Products offer a better expected return than the prevailing fixed-term deposit interest rates generally offered by commercial banks in the PRC, and the proposed subscription of the National Trust Financial Products is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has material interests in the subscription of the National Trust Financial Products or is required to abstain from voting on the Board resolutions approving the subscription of the National Trust Financial Products and the transactions contemplated thereunder.

INVESTMENT STRATEGY

The Company's investment policies for the investments in financial products are formulated with reference to rating of the financial products. Given that (i) the National Trust Financial Products are regular return products (固定收益類產品) with historical annual rate of return ranging from 4.55% to 4.93%; and (ii) the historical rate of return of the Previous National Trust Financial Products had been stable, the Board considers the risk of the investment in the National Trust Financial Products is relatively low.

In respect of the underlying assets of the financial products, the Group is restricted by the Company's investment policies to purchase those financial products investing only in national debts, financial debts, central bank bills, bank wealth management, deposits as well as state-owned enterprise bonds and trust products with higher ratings. Although the underlying assets of the National Trust Financial Products have not yet been determined and may not be in line with the Group's principal business, the primary objective of the proposed investments in the National Trust Financial Products is to utilize certain idle funds of the Group so as to generate better returns. Furthermore, the mandate of the National Trust Financial Products is to invest in treasury bonds, financial bonds, central bank bills, bank deposits, cash, bank wealth management products, issuing trust loans, and other money market instruments that comply with laws and regulations in accordance with the management instruction of the settlor and beneficiary. As such, the Directors are of the view that the proposed subscription of the National Trust Financial Products aligns with the Company's investment policies and is in the interests of the Company and the Shareholders as a whole.

2025 EXPORT AGENCY AGREEMENT AND 2025 IMPORT AGENCY AGREEMENT

References are made to the circular of the Company dated 12 January 2022 in relation to, among other things, the 2022 Export Agency Agreement and 2022 Import Agency Agreement.

As each of the 2022 Export Agency Agreement and 2022 Import Agency Agreement shall expire on 31 December 2024, on 30 September 2024, Lisi Household, an indirect wholly-owned subsidiary of the Company, entered into each of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement with Lisi Import & Export to renew the respective existing agreements of the same subject matters.

LETTER FROM THE BOARD

2025 EXPORT AGENCY AGREEMENT

Date

30 September 2024

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*).

Subject Matter

Lisi Import & Export shall provide export agency services to Lisi Household pursuant to the 2025 Export Agency Agreement. These export agency services primarily include assisting Lisi Household in 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 products involved in the 2025 Export Agency Agreement will be mainly plastic and metal household products under the following four categories: (i) hydration, which includes stainless steel bottles, plastic bottles, kids bottles, bike bottles, shakers and infusers; (ii) food storage, which includes storage canisters and food storage containers; (iii) kitchen and home organizers, which includes fridge bins, fresh keeper, cutlery trays, storage bins and desk organizers; and (iv) bakeware, which includes carbons steel pans, aluminium plates, silicone and steel pans, roaster pans, and kitchen tools and accessories. Lisi Import & Export would provide all such requested services for every transaction assigned by the Group. The Group could obtain similar services from other Independent Third Party agents if the terms offered by Lisi Import & Export are less favourable than those offered by other Independent Third Party agents.

Term

The 2025 Export Agency Agreement is for a term of three years commencing from 1 January 2025 and ending on 31 December 2027, unless at any time Lisi Household gives at least one (1) month prior notice of termination to Lisi Import & Export.

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 2025 Export Agency Agreement, which is equivalent to approximately 1.11% of the gross transactions amounts to be handled by Lisi Import & Export on behalf of Lisi Household (assuming that the rate of value added tax is 13% and the tax rebate rate is 13%). Currently, the rate of value added tax is 13% and the tax rebate rate is 13%. Assuming the rate of value added tax remains at 13%, any decrease in the tax rebate rate from 13% to 0% will result in the rate of the export service fee to decrease from 1.11% to 0.98%. 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.

LETTER FROM THE BOARD

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates ranging from 1.5% to 4.3% of the gross transaction amounts obtained by the Group from five comparable companies engaging in similar services.

Condition Precedent

The 2025 Export Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM. The 2025 Export Agency Agreement and the 2025 Import Agency Agreement are not inter-conditional.

Historical Annual Caps and Historical Transaction Amounts

The historical annual caps and historical transaction amounts of service fees paid to Lisi Import & Export under the 2022 Export Agency Agreement are as follows:

Period	Historical Annual Caps (RMB'000)	Historical Transaction Amount (RMB'000)
From 1 January 2022 to 31 March 2022	3,250	2,755
From 1 April 2022 to 31 March 2023	13,150	11,107
From 1 April 2023 to 31 March 2024	15,780	12,975
From 1 April 2024 to 30 September 2024	13,320	6,884
		<i>(Note)</i>

Note: based on the unaudited actual transaction amount for the six months ended 30 September 2024

As set out above, the actual transaction amounts for the respective periods from 1 January 2022 to 31 March 2024 did not exceed the respective annual caps under the 2022 Export Agency Agreement and the actual transaction amount for the period from 1 April 2024 to 31 December 2024 is not expected to exceed the respective annual cap by the end of the current term.

Annual Caps

The respective amounts of service fees payable to Lisi Import & Export during the term of the 2025 Export Agency Agreement are expected not to exceed the following amounts:

Period	Amount (RMB'000)
From 1 January 2025 to 31 March 2025	4,375
From 1 April 2025 to 31 March 2026	17,700
From 1 April 2026 to 31 March 2027	18,550
From 1 April 2027 to 31 December 2027	14,475

LETTER FROM THE BOARD

The above proposed annual caps have been determined by the Directors with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2022 Export Agency Agreement; (ii) the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2025; (iii) the expected growth of the business of Lisi Household at the rate of 5% per annum and the corresponding increase in the service fees payable for the calendar years from 2025 to 2027; 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 10% per year).

2025 IMPORT AGENCY AGREEMENT

Date

30 September 2024

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*).

Subject Matter

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the 2025 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 products involved will mainly be raw materials under the following categories, namely polypropylene, copolyester, ethylene-propylene copolymer, styrene-acrylonitrile copolymer, linear low density polyethylene, polystyrene and styrene-methacrylate copolymer. 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. The Group could obtain similar services from other Independent Third Party agents if the terms offered by Lisi Import & Export are less favourable than those offered by other Independent Third Party agents.

Term

The 2025 Import Agency Agreement is for a term of three years commencing from 1 January 2025 and ending on 31 December 2027, unless at any time Lisi Household gives at least one (1) month prior notice of termination to Lisi Import & Export.

LETTER FROM THE BOARD

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 ranging from 0.6% to 1.5% of the gross transaction amounts obtained by the Group from five comparable companies engaging in similar services.

Condition Precedent

The 2025 Import Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM. The 2025 Import Agency Agreement and the 2025 Export Agency Agreement are not inter-conditional.

Historical Annual Caps and Historical Transaction Amounts

The historical annual caps and historical gross transaction amounts with Lisi Import & Export under the 2022 Import Agency Agreement are as follows:

Period	Historical Annual Caps (RMB'000)	Historical Transaction Amount (RMB'000)
From 1 January 2022 to 31 March 2022	27,200	26,094
From 1 April 2022 to 31 March 2023	163,400	147,172
From 1 April 2023 to 31 March 2024	183,400	40,014
From 1 April 2024 to 30 September 2024	166,000	32,235 (Note)

Note: based on the unaudited actual transaction amount for the six months ended 30 September 2024

As set out above, the actual transaction amounts for the respective periods from 1 January 2022 to 31 March 2024 did not exceed the respective annual caps under the 2022 Import Agency Agreement and the actual transaction amount for the period from 1 April 2024 to 31 December 2024 is not expected to exceed the respective annual cap by the end of the current term. The Directors noted that there was a significant reduction in the gross transaction amounts for import agency services under the 2022 Import Agency Agreement for FY2024 and the six months ended 30 September 2024. This was mainly due to the increase in the Group's procurement of raw materials and goods from local suppliers instead of overseas suppliers during the relevant periods for more effective cost control and hence was in the interests of the Company and the Shareholders.

LETTER FROM THE BOARD

Annual Caps

The respective gross transaction amounts with Lisi Import & Export during the term of the 2025 Import Agency Agreement are expected not to exceed the following amounts:

Period	Amount <i>(RMB'000)</i>
From 1 January 2025 to 31 March 2025	28,900
From 1 April 2025 to 31 March 2026	170,850
From 1 April 2026 to 31 March 2027	175,850
From 1 April 2027 to 31 December 2027	149,400

The above proposed annual caps have been determined by the Directors with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2022 Import Agency Agreement; (ii) the sales forecast of Lisi Household for the calendar year of 2025 based on the expected growth of the business of Lisi Household at the rate of 5% per annum; and (iii) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of the RMB exchange rate for 10% per year) and the fluctuation of the price of the raw materials and transportation costs.

Despite the Group's low utilisation rate for import agency services under the 2022 Import Agency Agreement for FY2024 and the six months ended 30 September 2024, the Directors noted that there was a decreasing trend in the average unit price of imported raw materials in the recent period and a drop of approximately 13.5% in the average unit price of imported raw materials for the period from 1 April 2024 to 30 September 2024 as compared with the period from 1 April 2023 to 31 March 2024. Meanwhile, the Group's historical gross transaction amount of import agency services increased by approximately 61% on average during the same period. As such, the Directors consider that the Group would likely increase its procurement of raw materials from overseas suppliers during the term of the 2025 Import Agency Agreement to enhance its cost efficiency due to the recent price reduction for imported raw materials.

In setting the proposed annual caps for the transactions contemplated under the 2025 Import Agency Agreement, the Directors have considered that the Group's demand for import agency services during the relevant periods will be subject to the Group's expected demand for raw materials to be procured from overseas suppliers, which in turn will be affected by the type of products demanded by the Group's customers from time to time as well as the price quotations for the supply of the relevant raw materials and goods to be obtained by the Group from its overseas suppliers and domestic suppliers. Hence, the Directors considered that the proposed annual caps under the 2025 Import Agency Agreement should take into account the fluctuation in the Group's demand for import agency services and the potential increase in the procurement of raw materials by the Group from overseas suppliers depending on the then prevailing market conditions.

LETTER FROM THE BOARD

INTERNAL CONTROL

The Company has established various internal control measures in order to ensure that the transactions under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement Agreements 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 include the following:

- (i) The management of the Company 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 Import & Export 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 Import & Export. The final acceptance of price quotation offered by Lisi Import & Export 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 of the Company as a whole.
- (iii) The operation team of the Company conducts regular checks (once per quarter) on whether the transactions under the 2025 Export Agency Agreement and the 2025 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 2025 Export Agency Agreement and the 2025 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);

LETTER FROM THE BOARD

2. the operation team of the Company 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 operation team of the Company 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement to ensure the relevant annual caps are not exceeded.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2025 EXPORT AGENCY AGREEMENT AND 2025 IMPORT AGENCY AGREEMENT

The principal activities of the Group are (i) manufacturing and trading of household products; (ii) operation of supermarkets and property rental services; (iii) wholesales of alcohol, wine, beverages and electrical appliances; and (iv) investment holding.

The 2025 Export Agency Agreement and the 2025 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 2025 Export Agency Agreement and the 2025 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) the connection of Lisi Import & Export with the financial institutions for credit support.

Each of the 2025 Export Agency Agreement and 2025 Import Agency Agreement is a renewal of the respective existing agreements of the same subject matters which shall expire on 31 December 2024.

Since Mr. Li, the Chairman, the executive Director and the controlling shareholder of the Company, has material interest in each of the 2025 Export Agency Agreement and 2025 Import Agency Agreement, he has abstained from voting on the Board resolutions approving the 2025 Export Agency Agreement and 2025 Import Agency Agreement.

LETTER FROM THE BOARD

In respect of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement, the Directors (excluding the independent non-executive Directors whose views is set out in the letter from the Independent Board Committee set out on pages 27 to 28 of this circular) are of the view that the terms of each of the 2025 Export Agency Agreement and 2025 Import Agency Agreement, including their respective proposed 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 interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company. Together with its subsidiaries, the Company operates business through four segments: (i) manufacturing and trading of household products; (ii) operation of supermarkets and property rental services; (iii) wholesales of alcohol, wine, beverages and electrical appliances; and (iv) investment holding.

National Trust

According to the 2023 annual report of National Trust, National Trust was established in 1987 with the approval for establishment from the China Banking and Insurance Regulatory Commission. National Trust is a licensed financial institution in the PRC and is principally engages in the asset management and provision of financial products in the PRC.

According to public information available to the Company and to the best knowledge of the Board, National Trust is owned as to:

- (i) approximately 40.72% by 富德生命人壽保險股份有限公司 (Funde Sino Life Insurance Co., Ltd.*) (“**FunDe Sino**”), a life insurance company in the PRC and is owned as to:
 - (a) 20.00% by 富德控股(集團)有限公司 (Funde Holdings Group Co., Ltd.*) (“**FunDe Holdings**”) indirectly. Funde Holdings is a Shenzhen-based company established in 2007 and principally engages in property development, which is ultimately owned as to approximately 94.00% by 張峻 (Zhang Jun*) and approximately 6.00% by 陶美縈 (Tao Meiying*);
 - (b) approximately 17.93% by 深圳市厚德金融控股有限公司 (Shenzhen Houde Financial Holdings Co., Ltd.*) which is owned as to 56.75% by 張逢源 (Zhang Fengyuan*), 39.92% by 羅桂都 (Luo Guidu*) and 3.33% by 方曉紅 (Fang Xiaohong*);
 - (c) approximately 16.77% by 深圳市國民投資發展有限公司 (Shenzhen National Investment Development Co., Ltd.*), which is indirectly owned as to 51.00% by 陳小兵 (Chen Xiaobing*) and 49.00% by 張錦填 (Zhang Jintian*); and

LETTER FROM THE BOARD

- (d) approximately 15.27% by 深圳市盈德置地有限公司 (Shenzhen Yingde Land Co., Ltd.*), which is indirectly owned as to approximately 52.00% by 新亞洲集團有限公司 (Sun Asia Group Company Limited) (“**Sun Asia**”) and approximately 48.00% by 張慶龍 (Zhang Qinlong*). Sun Asia is wholly-owned by National Property Investment Group Limited, a company with registered address in the British Virgin Islands.
- (ii) approximately 31.73% by 上海豐益股權投資基金有限公司 (Shanghai Fengyi Equity Investment Fund Co., Ltd.*), which is wholly-owned by FunDe Sino; and
- (iii) approximately 27.55% by 上海璟安實業有限公司 (Shanghai Jingan Industrial Co., Ltd.*), which is wholly-owned by 深圳市新啟源實業發展有限公司 (Shenzhen Xinqiyuan Industrial Development Co., Ltd.*) (“**Shenzhen Xinqiyuan**”). Shenzhen Xinqiyuan is owned as to 99.00% by 深圳泊通實業發展有限公司 (Shenzhen Potong Industrial Development Co., Ltd.*) (“**Shenzhen Potong**”) and 1.00% by 深圳城鵬科技發展有限公司 (Shenzhen Chengpeng Technology Development Co., Ltd.*). Shenzhen Potong is indirectly owned as to 70.00% by 莊泳水 (Zhuang Yongshui*) and 30.00% by 楊振常 (Yang Zhenchang*).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, National Trust and its ultimate beneficial owners are Independent Third Parties.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is, and in the past twelve months, there has been, no material loan arrangement between (a) National Trust, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of National Trust who can exert influence on the subscription of the National Trust Financial Products; and (b) the Company, any connected person at the Company’s level and/or any connected person at the subsidiary level (to the extent that such subsidiary is involved in the subscription of the National Trust Financial Products).

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, 18.18% by Ningbo Huayi, which is wholly-owned by Mr. Li and his son, and 1.82% by Mr. Li Zhihong (李志鴻), being the father of Mr. Li. Therefore, Lisi Import & Export is a connected person of the Company.

Lisi Group

Lisi Group is principally engaged in manufacturing and sales of plastics and hardware products, operation of department stores, and investment in real estate development projects in the PRC. Lisi Group is beneficially owned as to (i) 98.15% by Mr. Li and his son, (ii) 1.40% by Mr. Li Zhihong (李志鴻); (iii) 0.15% by Mr. Cheng Jianhe, an executive Director; (iv) 0.15% by Mr. Jin Yaxue, an executive Director; and (v) and 0.15% by Mr. Xu Jinbo (許金波). Therefore, Lisi Group is a connected person of the Company.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Major transaction

As the highest applicable percentage ratios in respect of the subscription of the National Trust Financial Products, when calculated on an aggregated basis, is more than 25% and less than 100%, the subscription of the National Trust Financial Products constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Continuing connected transactions

Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by Ningbo Huayi, which is wholly-owned by Mr. Li, the Chairman, the executive Director and the controlling shareholder of the Company, and his son. Lisi Group is beneficially owned as to 98.15% by Mr. Li and his son. Therefore, Lisi Import & Export and Lisi Group are connected persons of the Company. Accordingly, the entering into of each of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement constitutes continuing connected transactions for the Company.

Since the applicable percentage ratios in respect of the maximum aggregate annual values under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are more than 5%, the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement. Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene the SGM at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Tuesday, 12 November 2024 at 10:00 a.m. for (i) the Shareholders to consider and, if thought fit, to approve, among other matters, the Agreement for the subscription of the National Trust Financial Products and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the respective transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM for the approval of the Agreement.

LETTER FROM THE BOARD

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 2025 Export Agency Agreement and the 2025 Import Agency Agreement. As at the Latest Practicable Date, Mr. Li personally held 17,822,000 Shares and held 2,737,315,680 Shares through Lisi Manufacturing, representing approximately 0.22% and 34.03%, respectively of the total issued share capital of the Company. As Mr. Li and his associate, Lisi Manufacturing, have material interests in the 2025 Export Agency Agreement and the 2025 Import Agency Agreement, each of them will abstain from voting on the resolutions approving the 2025 Export Agency Agreement and 2025 Import Agency Agreement at the SGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the 2025 Export Agency Agreement and/or the 2025 Import Agency Agreement and no other Shareholder is required to abstain from voting on the resolution(s) approving the 2025 Export Agency Agreement and/or the 2025 Import Agency Agreement at the SGM.

SGM

The notice of the SGM is set out on pages SGM-1 to SGM-3 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.

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 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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

Subscription of National Trust Financial Products

The Board considers that the terms of the Agreement for the subscription of the National Trust Financial Products and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the proposed subscription of the National Trust Financial Products is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution(s) approving the Agreement for the subscription of the National Trust Financial Products and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

2025 Export Agency Agreement and 2025 Import Agency Agreement

Your attention is drawn to the letter of the Independent Board Committee set out on pages 27 to 28 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 29 to 48 of this circular in respect of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the respective transactions contemplated thereunder.

The Board (including the members of the Independent Board Committee, having considered the advice of the Independent Financial Adviser) considers that (i) the terms of the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of the Group's business. Accordingly, the Board (including the members of the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the resolutions approving the 2025 Export Agency Agreement and the 2025 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
LISI GROUP (HOLDINGS) LIMITED
Cheng Jianhe
Executive Director



LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

24 October 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 24 October 2024 (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.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of the Group’s business, as well as to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Vinco Financial 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 7 to 26 of the Circular; (ii) the letter from Vinco Financial as set out on pages 29 to 48 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2025 Export Agency Agreement, the 2025 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 terms of the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the 2025 Export Agency Agreement, the 2025 Import Agency Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of the Group's business. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the 2025 Export Agency Agreement, the 2025 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

LETTER FROM VINCO FINANCIAL

The following is the full text of the letter of advice from Vinco Financial Limited to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement, which has been prepared for the purpose of inclusion in this circular.

VINCO 
Vinco Financial Limited

24 October 2024

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 2025 Export Agency Agreement and the 2025 Import Agency Agreement, and 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 24 October 2024 (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 30 September 2024. On 30 September 2024, Lisi Household entered into (i) the 2025 Export Agency Agreement with Lisi Import & Export for the provision of export agency services; and (ii) the 2025 Import Agency Agreement with Lisi Import & Export for the provision of import agency services.

As the 2022 Export Agency Agreement and 2022 Import Agency Agreement shall expire on 31 December 2024, on 30 September 2024, Lisi Household and Lisi Import & Export entered into (i) the 2025 Export Agency Agreement and (ii) the 2025 Import Agency Agreement to renew the respective existing agreements of the same subject matters for a term of three years commencing from 1 January 2025 and ending on 31 December 2027 and proposed the respective annual caps for the continuing connected transactions.

As at the Latest Practicable Date, Lisi Import & Export is owned as to 80% by Lisi Group and 18.18% by Ningbo Huayi, which is wholly-owned by Mr. Li, the Chairman, the executive Director and the controlling shareholder of the Company, and his son. Lisi Group is beneficially owned as to 98.15% by Mr. Li and his son. Therefore, Lisi Import & Export is a connected person of the Company. Accordingly, the entering into of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement constitutes continuing connected transactions for the Company.

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Since the applicable percentage ratios in respect of the maximum aggregate annual values under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are more than 5%, the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 2025 Export Agency Agreement and the 2025 Import Agency Agreement and their 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the transactions contemplated thereunder are 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement, the transactions contemplated thereunder and their 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 the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we were not appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company. Accordingly, we consider that we are eligible to give independent advice on, among other things, the 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

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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 personnel; (iii) the opinions expressed by and the representations of the management of the 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. Information on the parties

1.1 The Group

The Company is an investment holding company. Together with its subsidiaries, the Company operates business through four segments: (i) manufacturing and trading of household products; (ii) operation of supermarkets and property rental services; (iii) wholesales of alcohol, wine, beverages and electrical appliances; and (iv) investment holding.

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Set forth below are the financial information of the Group for FY2023 and FY2024, as extracted from the annual report of the Company for FY2024 (the “**2024 Annual Report**”).

	For the year ended 31 March	
	2024	2023
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Total Revenue	2,687,361	2,422,402
– Manufacturing and trading segment	1,442,861	1,284,359
– Retail segment	332,798	395,948
– Wholesale segment	878,022	708,461
– Investments holding segment	33,680	33,634
Gross Profit	695,224	628,182
Profit for the year	325,051	269,764 <i>(note)</i>
	As at 31 March	
	2024	2023
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Total assets	4,066,312	3,870,766
Total liabilities	1,672,045	1,795,784
Total equity	2,394,267	2,074,982

Note: The profit for FY2023 does not include the discontinued operations.

For FY2023 and FY2024

As disclosed in the 2024 Annual Report, the revenue of the Group increased by approximately 10.9% from approximately RMB2,422.4 million for FY2023 to approximately RMB2,687.4 million for FY2024. Such increase was primarily due to (i) the increase of approximately 12.3% in revenue generated from the manufacturing and trading business segment as the reduction of its operating cost and enhancement of production and product quality by installing automation systems in its production process; and (ii) the increase of approximately 23.9% in revenue generated from the wholesale business as the modest increase in revenue of wines and beverages and a promising increase in revenue of the electrical appliances segment, particularly heating, ventilation, and air conditioning. We also noted the other segments contributed to the revenue are (i) retail business with the decrease of approximately 15.9% in revenue due to increasing move to retail online shopping, e-commerce and large supermarket chains; and (ii) investments holdings segment which remained stable, respectively. As set out in the above table, the profit for FY2023 does not include the discontinued operation, segment of car-sale business and car trading platform business for FY2023, as it is not meaningful without comparable for FY2024. The Group recorded an increase of approximately 20.5% in profit for the year from approximately RMB269.8 million for FY2023 to approximately RMB325.1 million for FY2024. Such increase was driven by the increase in revenue and the net gain on disposal of certain land use rights and properties of the Group.

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The Group's audited total assets and total liabilities as at 31 March 2024 amounted to approximately RMB4,066.3 million and RMB1,672.0 million respectively. The Group's audited consolidated net assets value amounted to approximately RMB2,394.3 million as at 31 March 2024, representing an increase of approximately 15.4% as compared to that of approximately RMB2,075.0 million as at 31 March 2023. We noted such increase was mainly due to (i) the increase of approximately 43.4% in the trade and other receivables and contract assets and prepayments and (ii) the increase of approximately 20.9% in cash and cash equivalents. The Group's debt-to-equity ratio (bank loans and other borrowings over total equity) decreased from 40.9% as at 31 March 2023 to 27.8% as at 31 March 2024, mainly due to the decrease of bank loans of approximately RMB185.6 million in FY2024.

1.2 Lisi Household

Lisi Household is a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company. Lisi Household is principally engaged in manufacturing and trading of plastic and metallic household products.

1.3 Lisi Import & Export

Lisi Import & Export is a limited liability company incorporated in 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 80% by Lisi Group, 18.18% by Ningbo Huayi, which is wholly owned by Mr. Li and his son, and 1.82% by Mr. Li Zhihong (李志鴻), being the father of Mr. Li. Therefore, Lisi Import & Export is a connected person of the Company.

1.4 Lisi Group

Lisi Group is principally engaged in manufacturing and sales of plastics and hardware products, operation of department stores, and investment in real estate development projects in the PRC. Lisi Group is beneficially owned as to (i) 98.15% by Mr. Li and his son, (ii) 1.40% by Mr. Li Zhihong (李志鴻); (iii) 0.15% by Mr. Cheng Jianhe, an executive Director; (iv) 0.15% by Mr. Jin Yaxue, an executive Director; and (v) and 0.15% by Mr. Xu Jinbo (許金波). Therefore, Lisi Group is a connected person of the Company.

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2. Reasons for and benefits of the entering into the 2025 Export Agency Agreement and the 2025 Import Agency Agreement

As set out in the Letter from the Board, Lisi Import & Export shall provide export agency services and import agency services pursuant to the 2025 Export Agency Agreement and the 2025 Import Agency Agreement. 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 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 metal 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.

We have enquired with and advised by the Management that the transactions contemplated under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement, 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 to ensure continued smooth operation of the business of the Group.

In addition, as disclosed in the 2024 Annual Report, in respect of manufacturing and trading segment of the Group, it is noted that the Group will continue to drive vigorously on product development and align their client base with higher margin products and customers. Besides, the Group will implement cost control measures including integrating and realigning management and sales resources, as well as making structural changes in procurement and manufacturing planning. 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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3. Principal terms of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement

2025 Export Agency Agreement

The principal terms of the 2025 Export Agency Agreement are as follows:

Date

30 September 2024

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*).

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 in 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 products involved in the 2025 Export Agency Agreement will be mainly plastic and metal household products under the following four categories: (i) hydration, which includes stainless steel bottles, plastic bottles, kids bottles, bike bottles, shakers and infusers; (ii) food storage, which includes storage canisters and food storage containers; (iii) kitchen and home organizers, which includes fridge bins, fresh keeper, cutlery trays, storage bins and desk organizers; and (iv) bakeware, which includes carbons steel pans, aluminium plates, silicone and steel pans, roaster pans, and kitchen tools and accessories. Lisi Import & Export would provide all such requested services for every transaction assigned by the Group. The Group could obtain similar services from other Independent Third Party agents if the terms offered by Lisi Import & Export are less favourable than those offered by other Independent Third Party agents.

Term

The 2025 Export Agency Agreement is for a term of three years commencing from 1 January 2025 and ending on 31 December 2027, unless at any time Lisi Household gives at least one (1) month prior notice of termination to Lisi Import & Export.

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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 2025 Export Agency Agreement, which is equivalent to approximately 1.11% of the gross transactions amounts to be handled by Lisi Import & Export on behalf of Lisi Household (assuming that the rate of value added tax is 13% and the tax rebate rate is 13%). Currently the rate of value added tax is 13% and the tax rebate rate is 13%. Assuming the rate of value added tax remains at 13%, any decrease in the tax rebate rate from 13% to 0% will result in the rate of the export service fee to decrease from 1.11% to 0.98%. 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.

The rate of service fees was determined after arm's length negotiations by the parties with reference to the market rates ranging from 1.5% to 4.3% of the gross transaction amounts obtained by the Group from five of comparable companies engaging in similar services.

Condition Precedent

The 2025 Export Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM. The 2025 Export Agency Agreement and the 2025 Import Agency Agreement are not inter-conditional.

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 2025 Export Agency Agreement were same as the terms of the 2022 Export Agency Agreement. As such, in assessing the fairness and reasonableness of the terms of the 2025 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 five Independent Third Party agents for the recent period (from 1 July 2024 to 30 September 2024), which are the latest comparable terms of Independent Third Party we can obtain and review in the market, so as to understand the recent selection process of the Group for the suitable agents and to assess whether the terms of the 2025 Export Agency Agreement is more favourable than the latest terms offered by the Independent Third Party agents. It is noted that the Independent Third Party agents charged services fee ranging from 1.5% to 4.3% of the gross transaction amounts and allowed payment term up to 60 days after completion of each transaction. The service fee offered by Lisi Import & Export to the Group is more favourable than those offered by 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. Furthermore, we have obtained an exhaustive list of the historical transaction under the 2022 Export Agency Agreement for the three months ended 31 March 2022, the two years ended 31 March 2024 and the six months ended 30 September 2024 (the "**Relevant Financial Period**"), being a period falling within the 2022 Export Agency Agreement, from the Company. We have then selected and reviewed samples based on the following criteria: (i) the total number of selected samples is not less than 10 sets and (ii) the total transaction amount of the selected samples is not less than 1% for the Relevant Financial

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Period. We consider such criteria and the corresponding selected samples are fair, sufficient and representative for the purpose of our assessment, given that they represented (i) the largest transactions, which are selected by us independently from the full transaction list, in relation to the export agency services provided by Lisi Import and Export to Lisi Household (ii) for each of the Relevant Financial Period. Firstly, we sorted the transaction at the largest amount in each month on the list (the “**Selected Transactions**”). We then selected the samples beginning from the largest transaction amount of those Selected Transactions with aggregate 1% of the total transaction amount for each of the Relevant Financial Period and collected the corresponding samples (including the invoice, the sales confirmation and the customs declaration form) of each of those transactions from the Company. As such, we identified 18 sets of samples for us to review and assess whether the transactions were in compliance with the terms under 2022 Export Agency Agreement. Pursuant to the review we performed on the list of historical transaction under the 2022 Export Agency Agreement and the corresponding selected samples, we found both the service fee and payment terms offered by Lisi Import & Export were no less favourable than those offered by the Independent Third Party agents for each of the Relevant Financial Period and the actual historical transactions under the 2022 Export Agency Agreement (including but not limited to the pricing and credit terms) are similar to those stipulated under the 2025 Export Agency Agreement. Based on our review of the abovementioned agreements, we noted that the pricing basis and the term for transaction contemplated under the 2025 Export Agency Agreement were comparable and no less favourable than those offered by Independent Third Party agents.

2025 Import Agency Agreement

The principal terms of the 2025 Import Agency Agreement are as follows:

Date

30 September 2024

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*).

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Subject Matter

Lisi Import & Export shall provide import agency services to Lisi Household pursuant to the 2025 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 products involved will mainly be raw materials under the following categories, namely polypropylene, copolyester, ethylene-propylene copolymer, styrene-acrylonitrile copolymer, linear low density polyethylene, polystyrene and styrene-methacrylate copolymer. 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. The Group could obtain similar services from other Independent Third Party agents if the terms offered by Lisi Import & Export are less favourable than those offered by other Independent Third Party agents.

Term

The 2025 Import Agency Agreement is for a term of three years commencing from 1 January 2025 and ending on 31 December 2027, unless at any time Lisi Household gives at least one (1) month prior notice of termination to Lisi Import & Export.

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 ranging from 0.6% to 1.5% of the gross transaction amounts obtained by the Group from five comparable companies engaging in similar services.

Condition Precedent

The 2025 Import Agency Agreement is conditional upon the approval being obtained from the Independent Shareholders at the SGM. The 2025 Import Agency Agreement and the 2025 Export Agency Agreement are not inter-conditional.

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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 2025 Import Agency Agreement were same as the terms of the 2022 Import Agency Agreement. As such, in assessing the fairness and reasonableness of the terms of the 2025 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 five Independent Third Party agents for the recent period (from 1 July 2024 to 30 September 2024), which are the latest comparable terms of Independent Third Party we can obtain and review in the market so as to understand the recent selection process of the Group for the suitable agents and to assess whether the terms of the 2025 Import Agency Agreement is more favourable than the latest terms offered by the Independent Third Party agents. It is noted that the Independent Third Party agents charged services fee ranging from 0.6% to 1.5% of the gross transaction amounts and allowed credit term ranging from 10 days upon completion of each transaction. The service fee paid to the Independent Third Party agents was equivalent to or less favourable than those paid to Lisi Import & Export and the payment term offered by Lisi Import & Export is more favourable to the Group than those offered by the Independent Third Party agents.

Furthermore, we have obtained an exhaustive list of the historical transaction under the 2022 Import Agency Agreement for the Relevant Financial Period, being a period falling within the 2022 Import Agency Agreement, from the Company. We have then selected and reviewed samples based on the following criteria: (i) the total number of selected samples is not less than 10 sets and (ii) the total transaction amount of the selected samples is not less than 1% for the Relevant Financial Period. We consider such criteria and the corresponding selected samples are fair, sufficient and representative for the purpose of our assessment, given that they represented (i) the largest transactions, which are selected by us independently from the full transaction list, in relation to the import agency services provided by Lisi Import and Export to Lisi Household (ii) for each of the Relevant Financial Period. We selected the samples beginning from the largest amount of transaction for each of the Relevant Financial Period on the list and collected the corresponding samples (including the sales confirmation, the delivery note and the customs declaration form) of each of those transactions from the Company. As such, we identified 10 sets of samples for us to review and assess whether the transactions were in compliance with the terms under 2022 Import Agency Agreement. Pursuant to the review we performed on the list of historical transaction under the 2022 Import Agency Agreement and the corresponding selected samples, we found both the service fee and payment terms offered by Lisi Import & Export were no less favourable than those offered by the Independent Third Party agents for each of the Relevant Financial Period and the actual historical transactions under the 2022 Import Agency Agreement (including but not limited to the pricing and credit terms) are similar to those stipulated under the 2025 Import Agency Agreement. Based on our review of the abovementioned agreements, we noted that the pricing basis and the terms for transaction contemplated under the 2025 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 Relevant Financial Period. 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.

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Given that (i) the pricing basis and the terms of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are no less favourable to the Group 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 terms of each of the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

4. Assessment on the proposed annual caps

2025 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 2022 Export Agency Agreement for the Relevant Financial Period are set out below:

	For the three months ended 31 March 2022 (RMB'000)	For the year ended 31 March 2023 2024 (RMB'000) (RMB'000)		For the nine months ending 31 December 2024 (RMB'000)
2022 Export Agency Agreement				
Historical annual caps	3,250	13,150	15,780	13,320
Actual transaction amount	2,755	11,107	12,975	6,884
Utilisation rate	84.8%	84.5%	82.2%	51.7%

Note: Based on the unaudited actual transaction amount for the six months ended 30 September 2024

As illustrated above, it is noted that the actual transaction amounts for the three months ended 31 March 2022, the two years ended 31 March 2024 and the six months ended 30 September 2024 amounted to approximately RMB2.8 million, RMB11.1 million, RMB13.0 million and RMB6.9 million respectively, and utilised up to approximately 84.8%, 84.5%, 82.2% and 51.7% of the annual caps for the respective periods. We noted that the utilisation rates of the historical annual caps for the export agency services contemplated under the 2022 Export Agency Agreement were relatively high for the three months ended 31 March 2022 and the two years ended 31 March 2024, that the average utilisation rates of such period was over 80%, which indicated the estimation of the transaction amounts in the Relevant Financial Period under the 2022 Export Agency Agreement was reasonable.

As set out above, the actual transaction amounts for the respective periods from 1 January 2022 to 31 March 2024 did not exceed the respective annual caps under the 2022 Export Agency Agreement and the actual transaction amount for the period from 1 April 2024 to 31 December 2024 is not expected to exceed the respective annual cap by the end of the current term.

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The Proposed Annual Caps

	For the three months ending 31 March 2025 (RMB'000)	For the year ending 31 March 2026 2027 (RMB'000) (RMB'000)		For the nine months ending 31 December 2027 (RMB'000)
2025 Export Agency Agreement				
Proposed annual caps	4,375	17,700	18,550	14,475

As stated in the Letter from the Board, the Proposed Annual Caps for the transactions contemplated under the 2025 Export Agency Agreement were determined with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2022 Export Agency Agreement; (ii) the estimated annual sales of Lisi Household of approximately USD210 million for the calendar year of 2025; (iii) the expected growth of the business of Lisi Household at the rate of 5% per annum and the corresponding increase in the service fees payable for the calendar years from 2025 to 2027; 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 10% per year).

In assessing the fairness and reasonableness of the proposed annual caps for the transactions contemplated under the 2025 Export Agency Agreement, we have confirmed with the Management that the proposed annual caps under the 2025 Export Agency Agreement considered the historical transaction under 2022 Export Agency Agreement for the six months ended 30 September 2024 with the assumption of approximately 10% depreciation of the RMB exchange rate and buffer for the annual growth.

We noted that the expected growth rate of 5% in the business of Lisi Household and the corresponding increase in service fees payable is based on the year-to-year growth rate of approximately 6.9% in the revenue in USD generated from the manufacturing and trading business segment as calculated from (i) the amount of revenue generated from the manufacturing and trading business segment disclosed in the 2024 Annual Report and (ii) their corresponding exchange rates of RMB to USD. We consider the respective year-to-year growth rate calculated in USD as the segment revenue generated was dominated in USD. Pursuant to the 2024 Annual Report, we noted that the revenue generated from the export business of Lisi Household is over 90% of the manufacturing and trading business segment and the remaining revenue contributed to such segment is related to local sales. Therefore, we are of the view that it is reasonable for the Company to adopt a relatively prudent approach on such expected growth rate. Also, we compared the estimated annual sales of Lisi Household of approximately USD210 million for 2025 with the historical revenue from the manufacturing and trading business for FY2024, and noted that there is an approximately 5% growth rate in revenue, which is in line with the expected growth rate of 5% in the business of Lisi Household. In addition, we have obtained and reviewed the confirmed

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purchase orders list as at 7 October 2024 and noted that the confirmed purchase orders of plastic and metallic household products of Lisi Household which was not yet delivered amounted to approximately USD48.0 million, representing approximately 23% of the expected total sales amount of USD210 million for the calendar year of 2025. We were advised by the Management that such confirmed purchase orders are scheduled to be delivered not later than 31 March 2025 and similar amount of transaction is expected to be purchased every three months that we found the annualised amount of approximately USD48.0 million of confirmed purchased orders for the three months ended 31 March 2025 is in line with the expected total sales amount of USD210 million for the calendar year of 2025. We have, for due diligence purpose, collected samples of purchase orders representing approximately 5% of the total confirmed purchase orders from the overseas customers to assess the accuracy and reasonableness of that confirmed purchase order list. Based on the foregoing, the confirmed purchase orders received by the Group so far supported the estimated annual sales of approximately USD210 million for the calendar year of 2025 and hence taking into account such expected demand of the Company when setting the proposed annual caps is considered reasonable. Based on the breakdown of total services fee paid by Lisi Household to Lisi Import & Export for the Relevant Financial Period we obtained from the Company, we noted that the total transaction amount was approximately RMB6.9 million for the six months ended 30 September 2024. By annualising the historical transaction amount for the six months ended 30 September 2024 with an expected growth rate of 5%, such amount is over 80% of the proposed annual cap for the year ending 31 March 2026. In addition, there is an increase of 16.8% in the actual historical transaction under the 2022 Export Agency Agreement from RMB11.1 million for FY2023 to RMB13.0 million for FY2024.

Furthermore, we performed our independent research on the fluctuation of exchange rate and found that the exchange rate of RMB to USD for the two years ended 31 March 2024 and the six months ended 30 September 2024 was depreciated by approximately 10% on average according to the China Foreign Exchange Trade System of PRC (source: <https://www.chinamoney.com.cn/>). Moreover, with reference to the 2024 Annual Report, the Company would continue to maintain and enlarge its customer base including the cost control measures and business strategy of focusing on higher margin products and customers and development of new products and customers. As such, a buffer of the proposed annual caps is considered a reasonable measurement. Based on the forecast plan we obtained from the Company, we found both the expected growth rates of the proposed annual caps for the calendar year of 2026 and 2027 are approximately 5%. We are of the view such expected growth rates are relatively moderate and fair as they align with the expected growth of the business of Lisi Household mentioned above.

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 basis of determining the proposed annual caps under the 2025 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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2025 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 2022 Import Agency Agreement for the Relevant Financial Period are set out below:

2022 Import Agency Agreement	For the three months ended	For the year ended		For the nine months ending
	31 March 2022	31 March 2023	2024	31 December 2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Historical annual caps	27,200	163,400	183,400	166,000
Actual transaction amount	26,094	147,172	40,014	32,235
				<i>(Note)</i>
Utilisation rate	95.9%	90.1%	21.8%	19.4%

Note: Based on the unaudited actual transaction amount for the six months ended 30 September 2024

As illustrated above, it is noted that the actual transaction amounts for the three months ended 31 March 2022, the two years ended 31 March 2024 and the six months ended 30 September 2024 amounted to approximately RMB26.1 million, RMB147.2 million, RMB40.0 million and RMB32.2 million respectively, and utilised up to approximately 95.9%, 90.1%, 21.8% and 19.4% of the annual caps for the respective periods. Furthermore, the actual transaction amount for the respective periods from 1 January 2022 to 31 March 2024 did not exceed the respective annual caps under the 2022 Import Agency Agreement and the actual transaction amount for the period from 1 April 2024 to 31 December 2024 is not expected to exceed the respective annual cap by the end of the current term. Moreover, we noted that (i) the historical annual caps were close to full utilisation for the three months ended 31 March 2022 and the year ended 31 March 2023 that their utilisation rates were over 90%. However, there was a significant reduction in the import agency services contemplated under the 2022 Import Agency Agreement for FY2024 and the six months ended 30 September 2024. Based on the discussion with the Management, such decreasing trend is due to the increase in the Group's procurement of raw materials and goods from local suppliers instead of overseas suppliers during the relevant periods for more effective cost control and hence was in the interest of the Company and the Shareholders.

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The Proposed Annual Caps

2025 Import Agency Agreement	For the three months ending 31 March 2025 (RMB'000)	For the year ending 31 March 2026 2027 (RMB'000) (RMB'000)		For the nine months ending 31 December 2027 (RMB'000)
Proposed Annual Caps	28,900	170,850	175,850	149,400

As stated in the Letter from the Board, the Proposed Annual Caps for the transactions contemplated under the 2025 Import Agency Agreement were determined with reference to (i) the amount of past transactions between Lisi Import & Export and Lisi Household under the 2022 Import Agency Agreement; (ii) the sales forecast of Lisi Household for the calendar year of 2025 based on the expected growth of the business of Lisi Household at the rate of 5% per annum; and (iii) buffer for the annual growth and the impact of exchange rate fluctuation on import activities (assuming further depreciation of the RMB exchange rate for 10% 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 2025 Import Agency Agreement, we have confirmed with the Management that the proposed annual caps under the 2025 Import Agency Agreement considered the historical transaction for the three years ended 30 September 2023 with the assumption of the expected growth rate of 5% and approximately 10% depreciation of the RMB exchange rate.

We obtained the breakdown of the past transaction between Lisi Import & Export and Lisi Household under the 2022 Import Agency Agreement from the Company and noted that the historical transaction amount for three years from 1 October 2021 to 30 September 2024 was approximately RMB96.2 million per annum on average. As mentioned earlier, we found the expected growth rate of 5% in the business of Lisi Household is based on the year-to-year growth rate of approximately 6.9% in the revenue in USD generated from the manufacturing and trading business segment. Since the increase in sales would require the procurement of raw materials and goods to manufacture the final products to end-customers, it is reasonable to consider the expected growth rate of 5% in the business of Lisi Household when calculating the basis of proposed annual caps.

Furthermore, we performed our independent research on the fluctuation of exchange rate and found the exchange rate of RMB to USD for the two years ended 31 March 2024 and the six months ended 30 September 2024 was depreciated by approximately 10% on average pursuant to the China Foreign Exchange Trade System of PRC (source: <https://www.chinamoney.com.cn/>). By considering the details in the sales forecast of Lisi Household, including (i) approximately RMB96.2 million of historical transaction amount per annum on average from 1 October 2021 to 30 September 2024; (ii) the assumption of the expected growth rate of 5%; and (iii) approximately 10% depreciation of the RMB exchange rate, which also supported by our independent research mentioned in above, we found the annual expected transaction amount is approximately RMB111.1

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million, which is approximately 65% of the proposed annual caps for the year ending 31 March 2026. However, in setting the proposed annual caps for the transactions contemplated under the 2025 Import Agency Agreement, the Directors have considered that the Group's demand for import agency services during the relevant periods will be subject to the Group's expected demand for raw materials and goods to be procured from overseas suppliers, which in turn will be affected by the type of products demanded by the Group's customers from time to time as well as the price quotations for the supply of the relevant raw materials and goods to be obtained by the Group from its overseas suppliers and domestic suppliers. Also, as mentioned in the section headed "Review of the historical annual caps and actual transaction amount" under "2025 Import Agency Agreement" above, the actual transaction amounts for the three months ended 31 March 2022 and the year ended 31 March 2023 were relatively high, which their average utilisation rate was over 90%. Hence, we are of the view that it is reasonable to consider buffer of the sales forecast of Lisi Household for the fluctuation in the Group's demand for import agency services due to the potential increase in the procurement of raw materials and goods by the Group from overseas suppliers with reference to the above mentioned high utilisation rate under 2022 Import Agency Agreement when setting the proposed annual caps under the 2025 Import Agency Agreement. Also, based on the forecast plan we obtained from the Company, we found both the expected growth rates of the proposed annual caps for the calendar year of 2026 and 2027 are approximately 3%. We are of the view such expected growth rates are relatively moderate and fair as they align with the expected growth of the business of Lisi Household mentioned above.

In view of the low utilisation rate of import agency services contemplated under the 2022 Import Agency Agreement for FY2024 and the six months ended 30 September 2024, we noted that the historical transaction amount of the import agency service was raised by approximately 61% during the same period from approximately RMB40.0 million for FY2024 to approximately RMB64.5 million of the annualised transaction amount for the six months ended 30 September 2024. We consider such improvement indicates the recovery of demand of imported raw materials and goods from overseas suppliers. As discussed with Management, such increase in transaction amount of the import agency service is due to the increase in procurement of raw materials from overseas suppliers for cost efficiency that the price offered by overseas suppliers were more favourable than those offered by local suppliers. Moreover, we have, for due diligence purpose, randomly selected and reviewed 10 samples of customs declaration form for the imported raw materials handled by Lisi Import & Export for the Relevant Financial Period and found that there was a decreasing trend of the unit price in the recent period from FY2024 to the six months ended 30 September 2024. Accordingly, there was a drop of approximately 13.5% on average in the unit price of imported raw materials from the period of 1 April 2023 to 31 March 2024 to the period of 1 April 2024 to 30 September 2024. Besides, we have conducted an independent research on the market price of the major raw material imported by the Company from China Plastics Online (source: www.21cp.com), an independent market research provider of plastic industry in PRC, to justify the unit price for goods sourced locally. Based on the foregoing, we found that the local market price of that raw material as at 17 October 2024 is higher than the price of the same raw material imported by the Company in September 2024. Therefore, despite the Group's low utilisation rate for import agency services under the 2022 Import Agency Agreement for FY2024 and the six months ended 30 September 2024, we concur with the view of the Management that such decreasing trend in the average unit price of imported raw materials in the recent period would likely increase its procurement of raw materials from overseas suppliers and hence the increase in the import agency service during the term of the 2025 Import Agency Agreement to enhance its cost efficiency.

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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 above factors considered as the basis of determining the proposed annual caps under the 2025 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, the following internal control measures in relation to the transactions contemplated under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement 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 2025 Export Agency Agreement and the 2025 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.

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In order to ensure transaction amounts under the 2025 Export Agency Agreement and the 2025 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);
2. the operation team of the Company 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 operation team 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 2025 Export Agency Agreement and the 2025 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 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 the 2025 Export Agency Agreement, the 2025 Import Agency Agreement 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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In assessing the adequacy and effectiveness of the internal control measures, we have confirmed with the Management that since the proposed annual caps under the 2022 Export Agency Agreement and the 2022 Import Agency Agreement being approved on 31 January 2022, there is no historical deficiency identified in the previous transactions. Besides, we have obtained and reviewed the correspondence among the personnel of the operation team who were responsible to perform the review mentioned above, monitor the utilisation of annual caps and ensure all related transactions are in accordance with the 2022 Export Agency Agreement, 2022 Import Agency Agreement and the Listing Rules and noted the Company implemented such internal control measures accordingly. Having considered the above, we are of the view such measures to be conducted by the Company under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement are sufficient.

We concur with the view of the Directors that the internal control measures above can ensure that the transactions contemplated under the 2025 Export Agency Agreement and the 2025 Import Agency Agreement 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 2025 Export Agency Agreement and the 2025 Import Agency Agreement are conducted in the ordinary and usual course of the business of the Group; their respective terms and the proposed annual caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

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 2025 Export Agency Agreement and the 2025 Import Agency Agreement and the proposed annual caps.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2022, 2023 and 2024 are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.lisigroup.com.hk/>):

- The annual report of the Company for the year ended 31 March 2022 (pages 63 to 158) published on 29 July 2022, available on:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0729/2022072902164.pdf>
- The annual report of the Company for the year ended 31 March 2023 (pages 37 to 126) published on 27 July 2023, available on:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700365.pdf>
- The annual report of the Company for the year ended 31 March 2024 (pages 38 to 120) published on 31 July 2024, available on:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0731/2024073100221.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 31 August 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of the circular, the Group had the following loans and lease liabilities:

	Balance at 31 August 2024 RMB ('000)
Bank Loans	
– Unsecured and guaranteed	30,000
– Secured and guaranteed	243,980
– Secured and unguaranteed	405,435
	679,415
Other borrowings	
– Unsecured and unguaranteed	36,835
Lease liabilities	
– Unsecured and unguaranteed	17,998
	734,248
Total outstanding debts	734,248

Save as disclosed above, and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not, at the close of business on 31 August 2024, have any outstanding loan issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debts securities or any other similar indebtedness loans (whether guaranteed, unguaranteed, secured and unsecured) or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry and after taking into account the financial resources available to the Group (including cash and cash equivalents on hand and cash flows from operating activities and other financial resources available to the Group) and assuming the successful renewal of bank loans and other borrowings upon maturity, are of the opinion that the Group will have sufficient working capital for its present requirements and for at least the next twelve months commencing from the date of issue of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Company is an investment holding company and the principal activities of the Group are: (i) manufacturing and trading of household products; (ii) operation of supermarkets and property rental services; (iii) wholesales of alcohol, wine, beverages and electrical appliances; and (iv) investment holding.

The manufacturing and trading business of the Group is the cornerstone of the Group's operation and the engine of the Group's business growth and profit contribution. The Group will continue to adopt effective sales and cost management measures. In order to cope with the fierce competition and uncertain market outlook, the Group will continue to drive vigorously on product development and align our client base with higher margin products and customers. Being one of the leading household products suppliers with multiproduct categories in Asia, the Group will capitalize on this competitive edge to develop and offer sophisticated range of household products with room for margin improvement.

During FY2024, the domestic mainland China economy was relatively weak, especially in property, consumption and investment markets. The Group's retail business segment recorded a decline in revenue which was due to intense market competition from e-commerce and large supermarket chains. Despite the weak business environment, the Group's wholesale business segment still managed to deliver growth in revenue. With the government of mainland China implementing economic policies to stabilize property market and recover consumption market, the Group expects its retail and wholesale business will benefit from the improving and strengthening economy for the year ending 31 March 2025. The Group will continue to monitor the macroeconomic environment closely and respond with timely and vigorous business actions.

Looking ahead, the Group will continue to keep track on the development and changes in the markets to respond and take appropriate actions towards the changing business environment. The Group will closely monitor the market to determine appropriate business strategies for its business and investment. The Group is confident and optimistic about the prospect of its business development.

Set out below are details of the financial and trading prospects of the Group by each business segment:

Manufacturing and Trading Business

During FY2024, the Group's manufacturing and trading business generated revenue of approximately RMB1,442.9 million, representing an increase of 12.3% compared to the revenue of approximately RMB1,284.4 million for FY2023. Despite severe competition in the overseas market and high inflationary rate, the Group successfully reduce its operating cost and enhance production and product quality by installing automation systems in its production process. The Group will continue its cost control measures and business strategy of focusing on higher margin products and the development of new products and customers.

Retail Business

The Group's revenue from its retail business for FY2024 decreased by 15.9% to approximately RMB332.8 million, compared to approximately RMB395.9 million for FY2023. The decline in revenue was primarily due to increasing move to retail online shopping, e-commerce and large supermarket chains.

Wholesale Business

The Group's revenue from its wholesale business for FY2024 increased by 23.9% to approximately RMB878 million, compared to approximately RMB708.5 million for FY2023. The wholesale business in wines and beverages has stabilized and recorded a modest increase in revenue, while the electrical appliances segment, particularly heating, ventilation, and air conditioning (HVAC), recorded a promising increase in revenue both contributed by the hard work of sale team of wholesale business.

Investments Holding Business

The Group's investment income increased by 0.3% to approximately RMB33.7 million during FY2024, compared to approximately RMB33.6 million in FY2023.

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 total issued share capital of the Company
Li Lixin	Note 2	2,755,137,680 (L)	34.25%

Note 1: (L) denotes long positions.

Note 2: Mr. Li's interest in 2,755,137,680 Shares is held as to 17,822,000 Shares personally and 2,737,315,680 Shares through Lisi Manufacturing. The issued share capital of Lisi Manufacturing is wholly-owned by Mr. Li.

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.

As at the Latest Practicable Date, save for Mr. Li being a director of Lisi Manufacturing, none of the Directors or any proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(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 <i>(Note)</i>	Approximate percentage of the total issued share capital of the Company
Lisi Manufacturing Co., Ltd.	Beneficial owner	2,737,315,680 (L)	34.03%
Cheng Weihong	Interest in controlled Corporation	1,849,407,702 (L) 398,000,000 (S)	22.99% 4.95%
Tong Shipping	Interest of spouse	1,849,407,702 (L) 398,000,000 (S)	22.99% 4.95%
Mighty Mark Investments Limited	Beneficial owner	956,407,702 (L)	11.89%

Name	Capacity	Number of Shares/ underlying Shares (Note)	Approximate percentage of the total issued share capital of the Company
Hopeful Glad Limited	Beneficial owner	893,000,000 (L) 398,000,000 (S)	11.10% 4.95%
Poly Platinum Enterprises Limited	Beneficial owner/ Person having a security interest in shares	927,790,000 (L)	11.53%
Greater Bay Area Homeland Development Fund (GP) Limited	Person having a security interest in shares/Interest in controlled corporation	927,790,000 (L)	11.53%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/Interest in controlled corporation	927,790,000 (L)	11.53%

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.

As at the Latest Practicable Date, Mr. Li, the Chairman, the executive Director and a controlling shareholder of the Company, together with his son, beneficially owns 98.15% of the equity interests of Lisi Group. Mr. Cheng Jianhe, an executive Director, and Ms. Jin Yaxue, an executive Director, are also directors of Lisi Group. As at the Latest Practicable Date, the principal businesses of Lisi Group and its subsidiaries include the manufacturing and sale of plastic and hardware products, the operation of department stores and supermarket chain, and investments in real estate development projects in the PRC.

Lisi Group and its subsidiaries operate four department stores (the “**Excluded Department Store(s)**”) 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 were still in their startup stage of operation and were 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 Store and as such, the Directors decided not to include the Excluded Supermarket into the target group acquired by the Group from Lisi Group and its subsidiaries 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 Group (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 and its subsidiaries 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 Group 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 Group 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 Group 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 25 October 2022, New JoySun, an indirect wholly-owned subsidiary of the Company, as lessee, entered into a lease agreement with New JoySun Investment, as lessor, for the leasing of the premises located at 浙江省寧波市鄞州區四明中路688號利時城市奧萊F1-17A室 (Unit No. F1-17A on level 1, Lisi City Outlet, No. 688 Siming Middle Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC*) for a term of three years commencing from 1 September 2022 to 31 August 2025 at the rental of RMB341,640.00 in total for the first year, RMB362,992.50 in total for the second year, and RMB385,412.63 for in total the third year. For details, please refer to the announcement of the Company dated 25 October 2022.

On 16 December 2022, New JoySun Supermarket, an indirect wholly-owned subsidiary of the Company, as lessee, entered into a lease agreement with Lifu Land, as lessor, for the leasing of the premises located at 浙江省寧波市鄞州區明山路金色江山購物廣場1F室 (Unit No. 1F, Jinse Jiangshan Outlet, Mingshan Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC*) for a term of two years commencing from 1 January 2023 to 31 December 2024 at the rental of RMB366,667 in total for the first year and RMB400,000 in total for the second year.

On 2 April 2024, Lisi Household, a wholly-owned subsidiary of the Company, as lessee, entered into a lease agreement with Lisi Electrical, as lessor, for the leasing of a factory space and workers quarters located at 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*) for a period of one year commencing from 1 June 2024 and expiring on 31 May 2025 at a monthly rental of RMB635,100. For details, please refer to the announcement of the Company dated 2 April 2024.

On 30 August 2024, Lisi Household, as lessee, entered into a lease agreement with Da Mei, as lessor, for the leasing of a factory space and office premises located at 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*) for a term commencing from 1 October 2024 to 30 September 2025 at a monthly rental of RMB701,528. For details, please refer to the announcement of the Company dated 30 August 2024.

Each of New JoySun Investment, Lifu Land, Lisi Electrical and Da Mei is a subsidiary of Lisi Group, which is beneficially owned as to 98.15% by Mr. Li, the Chairman, the executive Director and a controlling shareholder of the Company, 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 agreements mentioned above, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 March 2024 (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 2022 Mutual Supply Agreement dated 20 December 2021 entered into between New JoySun, an indirect wholly-owned subsidiary of the Company, and Lisi Group pursuant to which New JoySun agreed to procure its subsidiaries to supply to Lisi Group and its subsidiaries electronic appliances and food and beverage products and in return, Lisi Group agreed to procure its subsidiaries to supply to New JoySun and its subsidiaries certain household products for a term of three years commencing from 1 January 2022 and ending on 31 December 2024;
- (b) the 2022 Export Agency Agreement dated 20 December 2021 entered into between Lisi Import & Export and Lisi Household, an indirect wholly-owned subsidiary of the Company, pursuant to which Lisi Import and Export agreed to provide export agency services to Lisi Household for a term of three years commencing from 1 January 2022 and ending on 31 December 2024;
- (c) the 2022 Import Agency Agreement dated 20 December 2021 entered into between Lisi Import & Export and Lisi Household pursuant to which Lisi Import and Export agreed to provide import agency services to Lisi Household for a term of three years commencing from 1 January 2022 and ending on 31 December 2024;
- (d) the lease agreement dated 25 October 2022 entered into between New JoySun, as lessee, and New JoySun Investment, as lessor, for the leasing of the premises located at 浙江省寧波市鄞州區四明中路688號利時城市奧萊F1-17A室 (Unit No. F1-17A on level 1, Lisi City Outlet, No. 688 Siming Middle Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC*) for a term of three years commencing from 1 September 2022 to 31 August 2025 at the rental of RMB341,640.00 in total for the first year, RMB362,992.50 in total for the second year, and RMB385,412.63 for in total the third year;
- (e) the lease agreement dated 16 December 2022 entered into between New JoySun Supermarket, an indirect wholly-owned subsidiary of the Company, as lessee, and Lifu Land, as lessor, for the leasing of the premises located at 浙江省寧波市鄞州區明山路金色江山購物廣場1F室 (Unit No. 1F, Jinse Jiangshan Outlet, Mingshan Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC*) for a term of two years commencing from 1 January 2023 to 31 December 2024 at the rental of RMB366,667 in total for the first year and RMB400,000 in total for the second year;

- (f) the lease agreement dated 2 April 2024, Lisi Household, as lessee, and Lisi Electrical, as lessor, for the leasing of a factory space and workers quarters located at 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*) for a period of one year commencing from 1 June 2024 and expiring on 31 May 2025 at a monthly rental of RMB635,100;
- (g) the lease agreement dated 30 August 2024 entered into between Lisi Household, as lessee, and Da Mei, as lessor, for the leasing of a factory space and office premises located at 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*) for a term commencing from 1 October 2024 to 30 September 2025 at a monthly rental of RMB701,528;
- (h) the 2025 Mutual Supply Agreement dated 30 September 2024 entered into between New JoySun and Lisi Group pursuant to which New JoySun agreed to procure its subsidiaries to supply to Lisi Group and its subsidiaries electronic appliances, food and beverage products and other household products and in return, Lisi Group agreed to procure its subsidiaries to supply to New JoySun and its subsidiaries certain household products for a term of three years commencing from 1 January 2025 and ending on 31 December 2027;
- (i) the 2025 Export Agency Agreement dated 30 September 2024 entered into between Lisi Import & Export and Lisi Household pursuant to which Lisi Import and Export agreed to provide export agency services to Lisi Household for a term of three years commencing from 1 January 2025 and ending on 31 December 2027; and
- (j) the 2025 Import Agency Agreement dated 30 September 2024 entered into between Lisi Import & Export and Lisi Household pursuant to which Lisi Import and Export agreed to provide import agency services to Lisi Household for a term of three years commencing from 1 January 2025 and ending on 31 December 2027.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualifications
Vinco Financial Limited	A licensed corporation permitted to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Vinco Financial 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, Vinco Financial (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 2024, 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. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group), have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Supplemental Agreements entered into between (i) National Trust and New JoySun Supermarket; and (ii) National Trust and New JoySun, on 14 March 2023 to amend the term of the corresponding Previous Agreements;
- (b) the subscription agreement dated 15 September 2024 entered into between the Company and Manukura pursuant to which the Company has conditionally agreed to allot and issue to Manukura, and Manukura has conditionally agreed to subscribe for, an aggregate of 800,000,000 Shares at the total subscription price of HK\$60,800,000; and
- (c) the Agreement dated 30 September 2024 entered into between National Trust and Lisi Household in relation to the subscription of the National Trust Financial Products for the maximum subscription amount of RMB800 million by Lisi Household.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Pun Kam Wai Peter. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The principal place of business of the Company is at Office 6, 2/F., International Enterprise Centre 3, No. 18 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited of 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.lisigroup.com.hk>) for a period of 14 days from the date of this circular:

- (a) the Agreement;
- (b) the 2025 Export Agency Agreement;
- (c) the 2025 Import Agency Agreement;
- (d) Letter from Vinco Financial, the text of which is set out on pages 29 to 48 in this circular; and
- (e) the written consent referred to in the paragraph headed “7. Expert and consent” in this Appendix.

* *For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING



LISI GROUP (HOLDINGS) LIMITED

利時集團（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 Lisi Group (Holdings) Limited (the “Company”) will be held at 14/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Tuesday, 12 November 2024 at 10:00 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 agreement (the “**Agreement**”) for the subscription of the National Trust Financial Products (as defined in the circular of the Company dated 24 October 2024 (the “**Circular**”) dated 30 September 2024 entered into between 國民信托有限公司 (National Trust Company Limited*) and 寧波利時日用品有限公司 (Ningbo Lisi Household Products Company Limited*) (a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed 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 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.”

NOTICE OF SPECIAL GENERAL MEETING

2. **“THAT**

- (a) the 2025 Export 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 2027 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 2025 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.”

3. **“THAT**

- (a) the 2025 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 2027 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 2025 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
LISI GROUP (HOLDINGS) LIMITED
Cheng Jianhe
Executive Director

Hong Kong, 24 October 2024

NOTICE OF SPECIAL GENERAL MEETING

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 7 November 2024 to 12 November 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 6 November 2024.
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.

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

* *For identification purpose only*