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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)**

### **ENHANCED INTERNAL CONTROL MEASURES**

Reference is made to the announcement (the “**Announcement**”) of Lisi Group (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 20 June 2025 in relation to the key findings of the internal control review. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The Board announces that after reviewing the internal control system of the Group, the following enhanced internal control measures have been implemented by the Group:

#### **Payment from the Group to connected persons**

As set out in the Announcement, the IC Consultant had recommended to the Company that it should consider granting access to the OA System to relevant employees of the Group, being members from the Hong Kong Office of the Internal Control Monitoring Group (the “**Hong Kong Office**”), and to set specified threshold amount for different type of transactions which would require reporting to the Management in the OA System such that the Management would be kept informed of the relevant transactions of the Group and would be able to determine in advance the relevant disclosure and approval requirements. The Company was informed by its supplier that the proposed changes to the OA System may cause disruption to the OA System and its data, thereby affecting the operation of the OA System. In view of these practical difficulties, the relevant recommendation had not been implemented by the Company.

In relation to the IC Consultant's recommendation on the OA System, the following enhanced internal control measures have been implemented by the Group to detect and prevent any unauthorised payment from the Group to connected persons:

- (i) the Company and its subsidiaries are not permitted to conduct any fund transfer with Ningbo Lisi, other connected persons of the Company or any other companies owned by connected persons of the Company;
- (ii) the Company has set up the communication channels for relevant personnel to report and seek prior consultation from the Internal Control Monitoring Group (the "ICMG") with regards to any potential notifiable transactions and connected transactions. Any proposed connected transaction would need to be reported to the ICMG as soon as practicable to assess if there are any Listing Rules implications. After such transaction has been reviewed by the ICMG, it would then be subject to the approval by the Board;
- (iii) the ICMG and the Board are responsible for procuring the Company to comply with the relevant requirements under the Listing Rules in respect of the proposed connected transaction, including but not limited to any disclosure requirements and, where applicable, independent shareholders' approval. The compliance advisor of the Company would also be consulted with regards to the proposed connected transaction;
- (iv) after the proposed connected transaction has been reviewed by the ICMG and approved by the Board, the relevant personnel of the Group would then need to go through the relevant approval procedures in the OA System depending on the nature of such transaction. In a typical transaction, details of the transaction, such as the type of transaction, the name of the payee, the name of the recipient, the amount involved, the reason for and description of the transaction, would need to be entered into the OA system by the personnel from the relevant department of the Company's subsidiary who initiates the transaction. Such request would need to be reviewed by the department supervisor/department head, the finance manager and other relevant department head (if applicable), and then subject to further review and approval by the general manager of the relevant subsidiary and Mr. Li Lixin ("Mr. Li"), the chairman of the Board and an executive Director. In the event of any potential conflict of interest involving Mr. Li, the Board (including the independent non-executive Directors) would need to approve the relevant transaction and Mr. Li would be required to abstain from voting on the relevant resolution;

- (v) if and when any of the following proposed transactions are entered into the OA System: (a) connected transactions, (b) prepayments by the Group with an amount of more than RMB30 million to suppliers and service providers and (c) financial assistance by the Group to independent third parties (collectively, the “**Relevant Transactions**”), such information would automatically be stored as a summary report (the “**Summary Report**”) in the Group’s computer network. The Hong Kong Office would have access to and would review the Relevant Transactions in the Summary Report (if any) on a daily basis. The ICMG is responsible for reviewing the Relevant Transactions, including the threshold amount for different type of transactions. In order to ensure that all members of the ICMG would be timely notified of any proposed notifiable and/or connected transactions, the ICMG has set up a WeChat Group and group email to facilitate communications. The relevant documentations, such as the draft contract, the main terms of the transaction, information on the counterparty of the transaction, would be provided to the relevant members via the said communication channels for their review and/or approval; and
- (vi) an independent internal control consultant would perform internal control reviews on the Group’s internal control system and procedures on at least annually.

As of the date of this announcement, the ICMG comprises of the following members: (i) an executive Director; (ii) the company secretary of the Company; (iii) the deputy finance director of the Company; (iv) the finance manager of the Company; (v) the internal audit manager of the Company; (vi) the legal manager of the Company; (vii) the finance manager of Ningbo Lisi Household; (viii) the finance director of New JoySun; (ix) the finance manager of New JoySun; (x) the deputy finance manager of New JoySun; (xi) the deputy finance manager of Ningbo New JoySun HVAC Equipment Limited (寧波新江廈暖通設備有限公司) and (xii) Finance Manager of Ningbo New JoySun Supermarket Chain Limited (寧波新江廈連鎖超市有限公司).

### **Prepayments to suppliers and service providers**

In relation to prepayments made by the Group, any prepayment with an amount of more than RMB30 million to suppliers and service providers would need to be reported to the ICMG as soon as practicable to assess if there are any Listing Rules implications.

The relevant procurement contract can only be entered into by the Group and prepayments can only be made after the proposed transaction has been reviewed by the ICMG and written confirmations (the “**Written Confirmations**”) have been obtained from the following three members of the ICMG: (a) Mr. Cheng Jianhe (“**Mr. Cheng**”), an executive Director, (b) any one member from the Hong Kong office, and (c) any one member from the Ningbo office (other than Mr. Cheng). Any conflicted persons of the ICMG would not be involved in the approval process of the relevant transaction.

The Company considered the threshold of RMB30 million to be appropriate taking into account the historical amounts of the Group's prepayments for procurement contracts with suppliers and the materiality level from the Listing Rules' perspective. The Company would review its internal control policies and guidelines, including the threshold of RMB30 million above, on an annual basis.

Any provision of financial assistance by the Group to independent third parties are subject to similar approval procedures as stated above, including reviewing of the relevant contracts by the ICMG and obtaining of the Written Confirmations.

### **Conflict of interests**

In relation to conflict of interests, the Directors and senior management of the Company would be required to fill in a declaration form in respect of any conflict of interests that he/she may have with the Group in relation to a proposed transaction. The completed declaration form(s) together with the documents in relation to the relevant transaction(s) would be submitted to the Board for review. In the event of any potential conflict of interest, the Board (including the independent non-executive Directors) would need to approve the relevant transaction(s). Directors who have a material interest in the transaction(s) shall not be involved in the approval process of the relevant transaction(s).

The senior management and relevant personnel of the Group who are involved in reviewing and approving the relevant transaction under the OA system would act as the primary control points to ensure that any conflicted persons would not be involved in the approval process of the relevant transactions. Any incidents of potential conflict of interests should be reported to the ICMG and the Board for review, which would act as the secondary control points.

### **Written agreements for connected transactions**

The Group had not entered into any written agreement in respect of the Fund Transfers due to the misunderstanding of the relevant personnel of the Group that the Fund Transfers would not constitute "financial assistance" or "connected transactions" under Chapter 14A of the Listing Rules.

In order to enhance the internal controls for connected transactions, the ICMG and the Board would be the control points to ensure that a written agreement has been entered into by the Group before the underlying transactions are conducted.

## **Credit assessments**

The Group had not conducted any credit assessment in respect of the Fund Transfers as the Fund Transfers were solely for the purpose of facilitating banking relationship with the intention of securing more favourable commercial terms with the relevant banks. As such, the Fund Transfers were not intended to provide any financial assistance to Ningbo Lisi despite they are classified as “transactions” under the Listing Rules. During the relevant period, the amounts paid out by New JoySun under the Fund Transfers were repaid and settled in full by Ningbo Lisi by the end of each month. There was no credit assessment in respect of the Fund Transfers as the purpose of the Fund Transfers had never been for providing financial assistance to any other party and the Company considered that there was no risk of default.

In order to enhance the internal controls for credit assessments, the relevant staff from the procurement department or finance department would be the main control points to ensure that credit assessments on the counterparty would be performed, documented and reviewed before entering into the relevant transactions.

The finance manager, the general manager and the director of the relevant subsidiary who would be reviewing the relevant transactions would be the secondary control points.

## **Views of the Board**

In view of the above, the Board considers that the enhanced internal control measures, including (i) measures to enable the Hong Kong Office to review the Relevant Transactions in the Summary Report (if any) on a daily basis in response to the IC Consultant’s recommendation on the OA System mentioned above, (ii) the requirement for Written Confirmations to be obtained from the ICMG as part of the approval procedures for any prepayment with an amount of more than RMB30 million to suppliers and service providers and any provision of financial assistance by the Group to independent third parties, and (iii) the control points to ensure internal control measures in relation to conflict of interests, written agreements for connected transactions and credit assessments have been implemented are adequate and sufficient to address the Group’s internal control deficiencies, thereby ensuring the Group’s compliance with the Listing Rules.

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

Hong Kong, 17 December 2025

*As at the date of this announcement, the Board comprises Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being the executive Directors, Mr He Chengying, Mr Kwong Kwan Tong and Ms Chen Wei being the independent non-executive Directors.*