

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Lisi Group (Holdings) Limited (Stock Code: 526)

SANCTIONS AND DIRECTIONS

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

CENSURES:

(1) **Lisi Group (Holdings) Limited** (Stock Code: 526) (**Company**);

AND FURTHER DIRECTS:

- (2) the appointment of a Compliance Adviser for two years;
- (3) an independent review of the Company's internal controls for procuring compliance with Chapters 13, 14 and 14A of the Listing Rules; and
- (4) the Company to procure each of the current directors to attend 24 hours of training on regulatory and legal topics and Listing Rule compliance within 90 days, including at least three hours on each of (a) directors' duties; (b) the Corporate Governance Code; and (c) the Listing Rule requirements for Chapters 13, 14 and 14A.

SUMMARY OF FACTS

Notifiable transactions

Between 2017 and 2021, the Company entered into various discloseable, major and continuing connected transactions without making timely disclosure or obtaining the necessary approvals from its shareholders as required under Chapters 14 and 14A.

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| Date | Nature | Listing Rules involved | Announcement Date |
|-----------------------------------|--|--|---|
| 22 November 2018 | Export Agency Agreement: provision of services to a subsidiary | 14A.54(1) | 9 June 2021 23 November 2021 30 November 2021 17 December 2021 |
| | Mutual Supply Agreement: mutual supply of products to/from an indirect wholly-owned subsidiary | | |
| | Import Agency Agreement: provision of services to a subsidiary | | |
| 25 August 2017 to 31 March 2021 | Subscriptions of financial products | 14.34 14.38A 14.40 | 9 June 2021 18 January 2022 |
| 11 February 2019 to 26 April 2020 | Provision of guarantee: by subsidiaries to customers | 14.34 14.38A 14.40 14A.35 14A.36 14A.46 | 30 September 2022 |

Delay in publication

The Company was due to publish and dispatch its annual results and report for the year ended 31 March 2021 by 30 June 2021, but failed to do so until 6 and 8 September 2021 respectively.

Internal controls

The above notifiable transaction breaches involve repeated non-compliance with Chapters 14 and 14A requirements. The repeated breaches are at least partly attributable to inadequacies in the Company's internal controls.

This raises particular concerns, as the Company had committed previous breaches of Chapter 14 and/or 14A, and had received three warning letters between 2014 and 2016. Despite this, by its own admission, the Company continued to fail to maintain adequate and effective controls in respect of Rule compliance and its financial reporting obligations under paragraph C.2 (as it then was, now "D.2" on internal control) of Appendix 14 to the Listing Rules.

LISTING RULE REQUIREMENTS

Rules 13.46(2) and 13.49(1) stipulate the timing for the publication of a listed issuer's preliminary announcement of annual results (agreed by its auditors) and report. In the absence of the auditors' agreement, Rule 13.49(3)(i)(c) requires issuers to announce its unaudited management accounts not later than three months after the end of the financial year.

Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36 and 14A.46 requires the Company to comply with the announcement, circular, and (independent) shareholders' approval requirements for a major, discloseable and/or connected transaction as soon as possible after the relevant transaction terms have been finalised or agreed.

Rule 14A.54(1) requires that issuers must re-comply with the announcement and shareholders' approval requirements before the cap is exceeded.

SETTLEMENT AND ACCEPTANCE OF SANCTION

The Company agreed to settle the disciplinary action and accepted its breaches, the sanction and directions to be imposed upon it by the Listing Committee as set out below.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) Rule 14A.54(1) for failing to announce and seek independent shareholders' approval before the original annual caps of the CCTs were exceeded;
- (2) Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36 and 14A.46 for failing to timely announce, send a circular and/or obtain (independent) shareholders' approval for the subscriptions of financial products and provision of guarantees; and
- (3) Rules 13.46(2), 13.49(1) and 13.49(3)(i)(c) for failing to timely publish the annual results announcement, the unaudited management accounts and the annual report respectively for the year ended 31 March 2021.

CONCLUSION

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

For the avoidance of doubt, the Exchange confirms that the above sanction and directions apply only to the Company, and not to any other past or present directors of the Company.

Hong Kong, 19 July 2023