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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)

KEY FINDINGS OF INTERNAL CONTROL REVIEW

References are made to (i) the announcement of Lisi Group (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 July 2024 (the “**July Announcement**”) in relation to, among other things, the Funds Transfers and the Advances to Suppliers; and (ii) the announcement of the Company dated 22 October 2024 (the “**October Announcement**”, together with the July Announcement, the “**Announcements**”) in relation to, among other things, the appointment of the IC Consultant. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcements.

INTERNAL CONTROL REVIEW

As set out in the October Announcement, the Company has engaged BDO Risk Advisory Services Ltd. as the IC Consultant to conduct an internal control review of the Group’s internal procedures over the non-compliance incidents with a view to enhancing the Company’s internal control and corporate governance generally (the “**Review**”).

The IC Consultant has conducted the Review, which covers the review period from 1 July 2023 to 30 June 2024, with the key findings of the Review, recommendations for rectifications of the Group’s internal control deficiencies (the “**Recommendations**”) and the responses from the management of the Group (the “**Management**”) set out in the internal control report (the “**IC Report**”). Following completion of the Review, the IC Consultant conducted a follow-up review (the “**Follow-up Review**”) in December 2024 on the Group’s implementation of the Recommendations with its findings set out in the follow-up review report (the “**Follow-up IC Report**”, together with the IC Report, the “**IC Reports**”). The key findings of the Review and the Follow-up Review with risk level reaching “Medium” or “High”, the corresponding Recommendations, Management’s responses and remediation status are summarized as follows:

1. Insufficient awareness regarding compliance with the Listing Rules

Key Findings

The Company breached relevant provisions of Chapters 13, 14 and 14A of the Listing Rules as it failed to announce the Fund Transfers and the Prepayments in a timely manner and to comply with the relevant requirements thereunder.

The relevant personnel of the Group did not have sufficient awareness and knowledge on the Listing Rules to distinguish whether the relevant transactions were required to be reported to the finance department of the Company and the Management and to ensure compliance with Chapters 13, 14 and 14A of the Listing Rules.

Recommendation

It is recommended that personnel from the finance department and other senior management of the Group undergo regular training related to the relevant Listing Rules in order to strengthen their awareness and knowledge on compliance with Chapters 13, 14 and 14A of the Listing Rules.

Remediation status

The Directors and other relevant employees of the Group have attended training in relation to Chapters 13, 14 and 14A of the Listing Rules.

2. Lack of detailed written policies and procedures regarding capital management, fund transfers and treasury management

Key Findings

The Company has in place an office automation system (the “OA System”) to manage its internal control procedures. Although certain procedures regarding capital management and treasury management are included in the OA System, there are no detailed written policies and procedures regarding capital management, fund transfers and treasury management of the Group.

Recommendations

It is recommended that the Company should establish detailed written policies and procedures governing capital management, fund transfers and treasury management, including but not limited to:

- bank account management;
- cash management;
- investment management;

- loan management;
- cash flow management;
- payment management (including prepayments);
- fund transfer management;
- treasury Management; and
- reporting of transactions relating to fund transfers and prepayments to the Management.

Remediation status

The Company has established internal control policies and guidelines to govern, among others, transactions relating to fund transfers and prepayments. In the meantime, relevant personnel can use the communication channel set up by the Company to report to and seek prior consultation from the Internal Control Monitoring Group regarding any fund transfers, prepayment and/or connected transactions.

3. Lack of detailed examination and approval authority for fund transfers and prepayments

Key Findings

Although the Company currently has in place internal approval procedures for its subsidiaries governing fund transfers and prepayments, it has not established detailed operating instructions, and examination and approval authority in this regard. For example, if the amount of fund transfer or prepayment involved is greater than the specified threshold amount, the relevant personnel are currently not required to or are not aware that they should report the matter to the Board and obtain relevant approval from the Board and/or shareholders of the Company prior to conducting the fund transfer or prepayment.

The relevant personnel currently use hard copy of the application form for initiating fund transfers and obtaining relevant internal approval, and do not use the OA System to manage fund transfers. As the management and finance department in Hong Kong currently do not have access to the OA System and are not involved in the daily operations of the subsidiaries of the Company, they are only aware of significant transactions conducted by the Company's subsidiaries after receiving the monthly management accounts from the relevant subsidiaries at the end of each month, or when such transactions are reported by the relevant subsidiaries.

Recommendations

It is recommended that the Company should strengthen its internal control system and procedures for fund transfers and prepayments as follows:

- detailed examination and approval authority for fund transfers and prepayments should be established to provide guidelines on the nature of the relevant transaction, the specified threshold amount, and the circumstances where fund transfers and prepayments are required to be reported to the Board and to obtain relevant approval from the Board and/or shareholders of the Company;
- the OA System should be in place for initiating and obtaining approval for fund transfers;
- it should consider granting access to the OA System to relevant employees of the Group, such as the deputy finance director and company secretary of the Company, and to set specified threshold amount for different type of transactions which would require reporting to the Management in the OA System (the “**Proposed Changes to the OA System**”) in order to enable the Management to determine in advance the disclosure and approval requirements in respect of the relevant transactions under the Listing Rules; and
- personnel from the finance department and other senior management of the Group should undergo regular training related to notifiable transactions and connected transactions.

Remediation status

The Company has established internal control policies and guidelines to govern, among others, transactions relating to fund transfers and prepayments. In the meantime, relevant personnel can use the communication channel set up by the Company to report to and seek prior consultation from the Internal Control Monitoring Group with regards to any fund transfer, prepayment and/or connected transactions.

The Company has established procedures and approval process in the OA System for initiating and obtaining approval for fund transfers between subsidiaries within the Group and fund transfers to companies outside the Group. The relevant personnel would need to fill in the details of the payee, recipient, amount involved and description of the fund transfer, and obtain relevant internal approval in the OA System before the fund transfer will be conducted. For fund transfers to companies outside the Group, approval from the Chairman would also be required.

The Directors and other relevant employees of the Group have attended training in relation to Chapters 13, 14 and 14A of the Listing Rules. However, 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 was not implemented by the Company.

4. Notice from dealing in the Company's securities during the black-out periods are not sent to relevant employees of the Group

Key Findings

Although the Company currently sends a notice from dealing in the Company's securities during the black-out period (the "Notice") to the Directors and require the Directors to confirm their compliance with the Model Code to the Listing Rules, the Notice are not sent to relevant employees of the Group or directors of subsidiaries of the Company.

Recommendation

It is recommended that the Company should send the Notice to senior management of the Group and relevant employees who may have access to inside information in relation to the Group, such as relevant personnel from the finance department, and require them to confirm their compliance with the relevant Listing Rules.

Remediation status after the Follow-up Review

The Company confirms that it has implemented the relevant recommendation as at the date hereof.

5. Findings related to Corporate Governance Code under Appendix C1 to the Listing Rules

Key Findings

The Company has not fully complied with relevant code provisions (the "Code Provision(s)") to the Corporate Governance Code (the "Corporate Governance Code") under Appendix C1 to the Listing Rules.

Recommendations

It is recommended that the Company should strengthen its internal controls with regards to compliance with the Corporate Governance Code. In particular, the Company should:

- enhance its disclosure on the specific nature, type and length of training participated in by each Director in its annual report;
- update the terms of reference of each of the nomination committee and the remuneration committee to comply with Code Provisions B.3.3 and E.1.1;

- establish written guidelines (the “**Written Guidelines**”) in respect of dealings in the Company’s securities by relevant employees who may have access to inside information in relation to the Group;
- keep written records of meetings between the Chairman and the independent non-executive Directors without the presence of other Directors; and
- update the terms of reference of the audit committee to ensure compliance with the requirements of Code Provision D.3.7.

Remediation status

The updated terms of reference of each of the nomination committee and the remuneration committee have been published on the websites of the Stock Exchange and the Company. Written records of meetings between the Chairman and the independent non-executive Directors have been kept by the Company and the enhanced disclosure in the annual report on details of the training participated by each Director during the year is expected to be implemented for the year ending 31 March 2025.

Remediation status after the Follow-up Review

The updated terms of reference of the audit committee have been published on the websites of the Stock Exchange and the Company. The Company confirms that the Written Guidelines have been established and adopted as at the date hereof.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

Having considered the IC Reports, both the audit committee of the Company (the “**Audit Committee**”) and the Board (a) agree with the key findings of the Review and the Follow-up Review as well as the Recommendations; and (b) are of the view that the enhanced internal control measures implemented and to be implemented by the Group are adequate and sufficient to address the issues set out in the IC Reports. Notwithstanding that the Proposed Changes to the OA System as recommended by the IC Consultant was not implemented by the Company due to practical difficulties mentioned above, the Audit Committee and the Board considered that the Group’s current internal control system with regards to fund transfers to be adequate taking into account the other internal control measures implemented by the Group and the enhanced awareness and knowledge of the management and employees of the Group regarding compliance with the Listing Rules. The Group will continue to implement the

Recommendations and enhance the Group's internal controls in respect of the overall management and operations of the Group in order to ensure compliance with the Listing Rules.

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

Hong Kong, 20 June 2025

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