

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



QUARTERLY UPDATE ON BUSINESS OPERATIONS AND PROGRESS OF RESUMPTION

This announcement is made by China Financial Services Holdings Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.24A of the Rules of Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements of the Company dated 18 October 2020, 28, 29 and 31 March, 28 April, 8 and 28 June, 2 July, 28 September 2021, 6 and 12 January and 9 and 23 March 2022 (collectively, the “**Announcements**”). Unless otherwise specified, capitalized terms used in this announcement shall have the same meaning as defined in the Announcements.

UPDATE ON PROGRESS OF RESUMPTION

On 3 March 2022, the Independent Consultant issued their supplemental forensic review report (“**Supplemental Forensic Review Report**”) and the Internal Controls Review Report in relation to their findings from the Supplemental Investigation and their review of the Group’s internal controls systems and procedures, respectively.

Upon completion of the said investigation and review, the Company has (i) taken appropriate remedial actions in relation to the Unauthorized Guarantees and Unauthorized Loans and (ii) established adequate and effective internal controls systems and procedures with the view of satisfying the requirements under the Resumption Guidance. Examples of remedial actions taken are as follows:

1. The Company has notified the police in Hong Kong SAR and relevant authorities in the PRC and filed claims against Mr. Luo and Madam Guan in relation to the Unauthorised Guarantees and Unauthorised Loans in order to recover the losses and potential losses which the Group may suffer as a result of the same.
2. The Company will propose to amend its articles of association to the effect that the signing of any guarantee, indemnity and/or surety by the Company to any person including its subsidiaries will need to be signed by no less than three directors of the Company.
3. The Company has also adopted the measures recommended by the Independent Consultant in the Internal Controls Review Report in order to strengthen the Group's internal control.
4. The Group has promulgated new policies and implemented additional measures for the approval of guarantees and loans with the view to strengthen the safeguards in relation to any guarantees, financial assistances and loans given to third parties.

In relation to the enhancement of the Company's internal controls systems and procedures, following the recommendations provided under the Internal Controls Review Report, the Company has implemented a number of changes with the view of satisfying the internal controls requirement under the Resumption Guidance. Examples of the policies implemented are as follows:

1. Established a code of conduct policy which provides the employees with the ethical standards and behaviour expected when discharging their duties and responsibilities as well as creating a mechanism for periodical declaration from employees and management regarding actual or potential conflict of interest within the Group to ensure suitable practices are in place and potential conflict of interests could be detected and reported in a timely manner.
2. Created a whistle blowing policy for anonymous report on unethical behaviours, irregularities, wrong-doings or potential frauds to ensure such suspicions and risks are reported timely and effectively.
3. Implemented the internal audit policy to conduct audit checks across different business segments and regions covering financial, operation and compliance controls periodically to ensure regular review of internal control system and address proper resources to address internal control risks.
4. Formulated an accounting policy and procedures detailing the key financial reporting and disclosure processes to ensure proper approvals and authorisations for expenditure management are obtained with consistent financial practices throughout the Group.

The Company has also been working closely with its auditors to finalize and publish the annual results and annual report for the year ended 31 December 2020 as soon as practicable and publish the annual results for the year ended 31 December 2021 as soon as it is in a position to do so.

BUSINESS OPERATIONS

As at the date of this announcement, the Group continues to carry on its normal business of provision of financing services.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares in the Company on the Stock Exchange has been halted with effect from 9:43 a.m. on 29 March 2021 pending the publication of the Company's results for the year ended 31 December 2020 and will remain suspended until the Company fulfills the Resumption Guidance as disclosed in the Company's announcement of 28 June 2021.

The Company will make further announcement(s) to keep its shareholders and potential investors informed of any progress as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Financial Services Holdings Limited
Chung Chin Keung
Company Secretary

Hong Kong, 31 March 2022

As at the date of this announcement, the directors of the Company are:

Executive Director

Dr Cheung Chai Hong

Non-executive Directors

Mr Chan Yuk Ming (*Chairman*)

Mr Fang Feiyue

Mr Wu Xinjiang

Mr Tao Chun

Mr Zhang Min

Independent non-executive Directors

Mr Chan Chun Keung

Mr Lee Ka Wai

Dr Zhang Xiao Jun

Madam Zhan Lili