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INSIDE INFORMATION

MAJOR FINDINGS OF FURTHER INVESTIGATION REPORT AND FURTHER INTERNAL CONTROLS REVIEW REPORT

This announcement is made by China Financial Services Holdings Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules of Governing the Listing of Securities (the “**Listing Rules**”) and the Inside Information Provisions under Part XVIA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

BACKGROUND

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, 9, 23 and 31 March, 30 June, 6 September, 11 November and 5 December 2022 (collectively, the “**Announcements**” and each an “**Announcement**”), with particular emphasis placed on the Announcement dated 28 March 2021 and Announcement dated 9 March 2022, which concern the major findings of the Investigation, Supplemental Investigation and internal controls review previously conducted by the Independent Consultant. Unless otherwise specified, capitalized terms used in this announcement shall have the same meaning as defined in the Announcements.

As set out in the Announcement dated 28 March 2021, the Independent Consultant was engaged to conduct the Investigation for the purpose of investigating the Incidents. Based on the Investigation, it was found that, among others: (a) the entering into of the Unauthorised Guarantees were conducted at the direction of Mr. Luo and Madam Guan without submitting to the Investment Management Committee of the Company or the Board for approval in accordance with the Company's established practice and (b) in contravention of the Company's internal rules and procedures, the Unauthorised Loans were granted to the borrowers at the direction of Mr. Luo and Madam Guan without following the required procedures, including but not limited to obtaining the required approval.

Furthermore, as set out in the Announcement dated 9 March 2022, the Independent Consultant has been further engaged to (i) conduct the Supplemental Investigation to identify any other material financial assistance other than the Incidents that was provided by the Group without proper authorisation from January 2015 to October 2020 and (ii) provide any additional findings related to the Incidents which were not covered in the Investigation. Separately, the Independent Consultant has also been engaged to conduct a review of the Group's internal controls systems and procedures and to follow-up on the implementation status of the enhanced internal controls as disclosed in the Announcement dated 28 March 2021. Based on the Supplemental Investigation, it was found that, among others, the Independent Consultant did not identify any direct evidence indicating that unauthorized loans or financial assistance had been offered by the Group to external parties through the lending business.

Upon reviewing the findings of the Investigation and the Further Investigation, the Company was of the view that further investigations on several specific matters in connection with the Incidents would provide further clarifications on the Incidents. As such, the Company requested the Independent Consultant in September 2022 to conduct further investigations into the abovementioned matters in connection with the Incidents (the "**Further Investigation**", together with the Investigation and the Supplemental Investigation, the "**Investigations**") and produce a report thereafter (the "**Further Investigation Report**"). The scope of the Further Investigation, which was agreed with the Independent Consultant and endorsed by the Audit Committee of the Company, has taken into account comments raised by the Stock Exchange.

Separately, the Company also requested the Independent Consultant in September 2022 to assist the management of the Company to conduct a further internal controls review which covers the Company and all of its operations (namely the operations in Beijing, Shenzhen, Chengdu and Hong Kong) during the period from 1 January 2022 to 30 September 2022 to review the Company's internal control, and further identify, assess, recommend and report on certain aspects of its internal controls in light of the additional findings under the Investigations (the “**Further Internal Controls Review**”), if any, and prepare a report thereafter (the “**Further Internal Controls Review Report**”). The scope of the Further Internal Controls Review, which was agreed with the Independent Consultant and endorsed by the Audit Committee of the Company, has taken into account comments raised by the Stock Exchange. The purpose of this announcement is to provide a summary of the major findings of the Further Investigation Report and the Further Internal Controls Review Report as finalised on 30 November 2022.

SUMMARY OF MAJOR FINDINGS OF THE FURTHER INVESTIGATION AND THE COMPANY'S RESPONSE TO THE FINDINGS

Based on the finalised Further Investigation Report and the Further Internal Controls Review Report, the major findings are as follows:

Review of electronic data of Mr. Fang

1. Mr. Fang has been an external consultant of the Group since 2013 and is also a member of the Loan Approval Committee, Asset Management Committee and Investment Management Committee. Mr. Fang is aware of the cooperation between the Group and Fengxin Technology (Haikou) Group Co., Ltd (風新科技(海口)集團有限公司) (“**Fengxin Technology**”) since 2015 that the Group would issue financial products through the online financial service platform operated by Fengxin Technology namely “Fengjr”. According to the Independent Consultant's discussion with Mr. Fang, his role in the Group was mainly focused on assessing the underlying value of property in the loan application process and he did not know that the Company had provided corporate guarantee on the financial products issued by the Group's subsidiaries. Also, he did not know that the Company had granted unsecured loans to the parties involved in the Incidents before the discovery of Incidents since such business activities have never been submitted and approved by the designated committees.

2. The Independent Consultant's forensic analysis identified a notable deletion pattern on the email data and the only company laptop of Mr. Fang that led to the concern about the completeness of the data covered in the Independent Consultant's forensic review. The Independent Consultant's additional enquiry revealed that there were electronic records, which were purportedly obtained and prepared by Mr. Fang at the time when he was a member of the Investigation Committee, intentionally deleted by Mr. Fang in September and October of 2022 since he considered that he had completed his duties in the Investigation Committee and those electronic documents were no longer in need. Mr. Fang told the Independent Consultant that besides the information obtained during his tenure as a member of the Investigation Committee, his mailbox did not contain any emails related to Fengjr, the online financial service platform operated by Fengxin Technology. However, Mr. Fang could not explain the timing of his deletion activities, which happened two days before the Independent Consultant's collection of his company laptop.
3. Saved for the review of available electronic data of Mr. Fang, the Independent Consultant found there were emails that Mr. Fang was copied in the internal updates, including loan business updates and weekly operational management meetings, which contain a very brief update about the usage and repayment of funds sourced via Fengjr. Nonetheless based on Mr. Fang's representation, he never paid attention to these internal updates as he considered that it was not his job responsibilities to cover the matters related to fundraising (i.e. issuance of financial products). In addition, Mr. Fang as a Loan Approval Committee member was one of the loan approvers of the RMB30 million loan provided to a borrower involved in the Incidents, on which Mr. Fang commented that his approval was granted on the basis that a notable state-owned company had agreed to provide a guarantee. However, he did not know that the borrower was associated with personnel involved in the Incidents until after the discovery of the Incidents. The Independent Consultant's review of those correspondences did not find any guarantee arrangements by the Company mentioned.
4. In summary, Mr. Fang's deletion activities have raised the Independent Consultant's concerns about the completeness of data and his involvement in the Incidents.

Company's response to the findings in relation to Mr. Fang

5. The Company acknowledges that the Independent Consultant did not uncover any evidence which indicated that Mr. Fang was involved in the Incidents but acknowledged the Independent Consultant's view that the deletion of the emails lacked sufficient justifications. Nonetheless, Mr. Fang has resigned as a non-executive Director on 17 October 2022 and will also be resigning from all sub-committees of the Company on 17 December 2022.

Forensic Review of the 524 Financial Products that were issued between February 2015 and February 2017

6. Based on the available business records, three of the Group's subsidiaries had issued a total of 524 Financial Products with an aggregate principal amount of RMB838,380,000 between February 2015 and February 2017. The issuance and the respective guarantee arrangement of the 524 Financial Products were managed by Madam Guan and Mr. Luo, who instructed the Finance Department of the Group's mainland office to process and execute the business transactions. Not long after the discovery of the Incidents, the key personnel involved have left the Group and the existing personnel of the Group have very limited knowledge about the details of the issuance and guarantee arrangement of the 524 Financial Products.
7. The supporting documentation of the 524 Financial Products were incomplete. The Independent Consultant's review of the available records revealed the following:
 - 7.1. Amongst the available 184 financial product contracts entered into between the investors, the Group's subsidiary as the issuer and the Company, the contracts specified that the Company would provide an irrevocable joint liability guarantee on the repayment obligation of the issuer to the investors upon the maturity of the financial product. The principal amount of these financial product contracts only supported 34% of the total issued amount of the 524 Financial Products.

- 7.2. There were 16 guarantee letters issued by the Company, which specified the details of the guarantee agreed to be provided by the Company. All of these guarantee letters were affixed with the Company's chop. Additionally, Mr. Luo's handwritten signatures or his personal chops were found on 14 guarantee letters, while the remaining two guarantee letters have no signature. The guaranteed amount of these guarantee letters supported 93% of the total issued amount of the 524 Financial Products.
- 7.3. There were 67 Fengjr service contracts entered into between Fengxin Technology and the Group's subsidiary as the issuer of financial products. The corresponding principal amount stated in those Fengjr service contracts only corresponded to 30% of the total issued amount of the 524 Financial Products.
8. Unlike the financial product contracts and guarantee letters of the 524 Financial Products that specified the provision of guarantees provided by the Company, the Independent Consultant has not found any evidence indicating that the issuance and guarantee arrangement of the 524 Financial Products were discussed and approved in the meetings of the Board or the Group's designated committees.

Company's response to the findings in relation to the 524 Financial Products

9. The Company acknowledges the findings of the Independent Consultant in relation to the 524 Financial Products. Notwithstanding the above, the Company understands from the Investigation that there are no outstanding amounts under the 524 Financial Products as they have all been repaid by June 2017, and the proceeds of the Financial Products were all utilized for the Company's general fund for its mortgage business, and therefore are unrelated to the Unauthorised Loans. Furthermore, the Company understands that all cooperation (including any fundraising activities) with Fengjr has ceased in October 2020 upon the discovery of the Incidents by the Board.

Understanding on the Escrow Signature Pages signed by Dr. Cheung Chai Hong (“Dr. Cheung”) in April and May 2017

10. It was alleged during the Investigation that Dr. Cheung’s signatures were being misused by Mr. Luo and Madam Guan for the issuance of the Unauthorised Guarantees, and the Further Investigation aimed to identify the circumstances in connection with the misuse of the signature pages. Based on the information gathered from the interviews and email correspondence provided by the Company, Dr. Cheung, at the verbal request of Mr. Luo to sign documents in relation to the Group’s normal mortgage loan business followed by an email to Dr. Cheung’s assistant (without copying Dr. Cheung) requesting for the signature pages of Dr. Cheung, had provided 53 signature pages in the Board resolution in escrow to the Group’s Beijing office on 5 April 2017 and 29 May 2017 (“**Escrow Signature Pages**”). However, at the time of signing the signature pages, Dr. Cheung was only provided with blank signature pages instead of a complete set of documents, and Mr. Luo advised him that the records would be used for the issuance of financial products to fund the Group’s mortgage loan business in an ordinary and usual manner. Dr. Cheung commented that these were the only two instances which he provided his signatures in escrow on blank signature pages.
11. The blank signature pages appear to be part of the Board resolutions, which specified that the Company agreed to provide an irrevocable joint liability guarantee on the repayment obligation of the Company’s subsidiaries in the issuance of financial products. Dr. Cheung and his assistant has not made full copies of the 53 Escrow Signature Pages, but only two copies of Escrow Signature Pages can be located as the scanned copies were only made for preview purposes before the 53 Escrow Signature Pages were couriered to the Group’s Beijing office. Though the Independent Consultant found no apparent matches when they compared the two available Escrow Signature Pages with the available written Board resolutions that were signed for the issuance of 114 financial products from February 2017 to October 2020, the Independent Consultant also found the certain Escrow Signature Pages have the same layout of Board resolutions.
12. On that basis, the 53 Escrow Signature Pages may have been misused by Mr. Luo and Madam Guan to provide guarantees in connection with the issuance of financial products on Fengjr.

Company's response to the findings in relation to the Escrow Signature Pages

13. The Company understood that the above practice of utilizing escrow signature pages were not the normal practice of the Company and were instead exceptional scenarios due to the tight timing as indicated by Mr. Luo when Mr. Luo requested for the escrow signature pages, and the policies of the Group did not include any recommendation for the use of escrow signature pages. It was also noted that that nothing in the findings of the Further Investigations contradicts Dr. Cheung's assertions that he was not involved in the Incidents, and the Independent Consultant concluded that certain Escrow Signature Pages may have been misused by Mr. Luo and Madam Guan for the provision of guarantees in connection with the issuance of financial products on Fengjr. Going forward, there will not be any use of escrow signatures in the Group

Additional enquiry into the Personal Accounts and Intermediaries' bank accounts in the Internal Weekly Report

14. The Independent Consultant noted that the internal weekly reports, which provide an overview of the cash position of the Group and its periodic changes ("**Internal Weekly Reports**"), contain the bank balance of the personal accounts (i.e. bank accounts of the Group's employees) ("**Personal Accounts**") and intermediaries' (i.e. companies which were not the Group's subsidiaries) ("**Intermediaries**") bank accounts indicating that the bank balances of both Group's subsidiaries and these Intermediaries were reported together by the personnel of mainland finance department to the Group's management executives. The Independent Consultant's review of the 50 available Internal Weekly Reports revealed a total of 38 Intermediaries included in the Internal Weekly Reports.

15. Most of the personnel who worked in the Group’s Finance Department in the mainland office left the Group not long after the discovery of the Incidents. The Independent Consultant was advised by the existing Group’s personnel that they have limited knowledge about the purpose of fund transfers processed via Personal Accounts and Intermediaries and the reasons for including the Personal Accounts and Intermediaries’ bank accounts in the Internal Weekly Reports. The Independent Consultant was also advised that, in general, the personnel in the mainland office would perform their duties, including processing fund transfers via Personal Accounts and Intermediaries’ bank accounts, at the instruction of Mr. Luo and Madam Guan. Ms. Kan Jinchao (關金超) (“**Ms. Kan**”), accountant of Financial Department of the mainland office, who was at a particular time responsible for the preparation of the Internal Weekly Report and circulation of the report to the Group’s management executives, advised that she had gathered the bank balances of Intermediaries from personnel outside of the Group, however, she could not recall who instructed her and what the reports would be used for since the preparation of Internal Weekly Reports was only one of her routine tasks in the past. Having said that, the Independent Consultant were advised by the existing personnel that the Group has ceased the use of Personal Accounts subsequent to the discovery of the Incident.

16. Mr. Cheung, who had been provided with the Internal Weekly Reports together with Mr. Luo, Madam Guan and other management executives, shared that he had never read the Internal Weekly Reports considering that he trusted Mr. Luo and Madam Guan well then. He speculated that the key reason for including the bank balances of the Intermediaries (also his private companies) was mainly at the request of Mr. Luo and Madam Guan for managing the funds of his private companies. He commented that Mr. Luo and Madam Guan deliberately wanted to drag him into the Incidents, in which they conspired with Mr. He Xin (賀鑫), controller of Fengxin Technology in the Incidents.

Company’s response to the findings in relation to the Internal Weekly Report

17. The Company acknowledges the Internal Consultant’s findings that most of the personnel who worked under Mr. Luo and Madam Guan at the time in the Group’s Finance Department in the Beijing office has left the Group and none of the existing personnel have particular knowledge on the rationale behind the inclusion of Personal Accounts and Intermediaries’ bank accounts in the Internal Weekly Reports. However, the Company also noted that the Independent Consultant did not draw any adverse inferences on the Group and the existing personnel of the Group based on its findings.

18. Furthermore, as noted in the Further Investigation Report, the Group has ceased the usage of Personal Accounts subsequent to the discovery of the Incidents. As part of the Further Internal Controls Review Report, the Independent Consultant has also recommended, amongst other things, to include details of connected parties which may be relevant to any potential connected transactions with the Group in the Internal Weekly Reports for good practice as further described in the section titled “Summary of Major Findings of and the implementation progress of the recommendations in the Further Internal Controls Review Report” below, and such recommendation has already been adopted by the Company.

SUMMARY OF MAJOR FINDINGS OF AND THE IMPLEMENTATION PROGRESS OF THE RECOMMENDATIONS IN THE FURTHER INTERNAL CONTROLS REVIEW REPORT

The review covered the Company and all of its operations (namely the operations in Beijing, Shenzhen, Chengdu and Hong Kong) during the period from 1 January 2022 to 30 September 2022, and to report on certain aspect of its internal controls in light of the additional findings under the Investigations and based on the Company’s discussion with the Stock Exchange in respect of the scope and findings of the Internal Controls Review Report. The major findings of the Further Internal Controls Review Report are as follows:

A. Inadequate control over the use of Company chop over human resources (“HR”) and administrative documents

In Hong Kong, a Company chop borrowing form should be initiated and approved by the chief financial officer before any use of Company chops and seals. During the course of the review, however, 3 exceptions were noted out of the 25 samples selected in Hong Kong, all of which were in relation to the HR and administrative documents. No exception was noted for other types of business documents including the handling of loan agreements.

The Independent Consultant was informed by the HR manager that the use of Company chop in relation to certain HR and administrative issues only requires the approval of HR manager and the Company chop borrowing form is not required. No exception was noted in the selected 75 samples in Beijing, Shenzhen and Chengdu.

The written policy should specify the procedures for the usage of Company chop for HR and administrative issues to cover the following key areas: (i) required approvers; (ii) application and approval procedures; and (iii) log of application and use of Company chop. The policy should be communicated to all relevant personnel. Request for the use of Company chop should be appropriately approved before it is used. The Company's management should approve the application in accordance with the established approval hierarchy. Evidence of approval in Company chop borrowing form should be maintained as audit trail.

Company's progress on the recommended actions:

The recommended actions mentioned above have been completed as at the date of this announcement.

In particular, the Company has updated its Use of Company Chop Policy on 29 November 2022, specifying the procedures when using chop in relation to HR and administrative matters.

B. Lack of evidence of review on the monthly bank reconciliations

With reference to the Bank Reconciliation Policy (for Hong Kong region only) and the Bank Account Management Policy (關於集團銀行賬戶管理規定) (for the mainland regions) and enquiries with the responsible personnel, monthly bank reconciliations are performed by the accountant/accounting officer to reconcile differences between balances on the general ledger and that on bank statements during the month-end closing process. An accountant/accounting officer would print out the bank statements and submit them alongside the bank reconciliation report for the Finance Manager's review. It was noted in 9 out of the 45 samples selected for review for the bank reconciliations were not maintained in several identified bank accounts.

Monthly reconciliations for bank balances should be reviewed by the Finance Manager as stated in the Bank Reconciliation Policy and the Bank Account Management Policy, the review evidence should be documented and maintained.

Company's progress on the recommended actions:

The recommended actions mentioned above have been completed as at the date of this announcement.

For Hong Kong, since September 2022, the Finance Manager would print out the bank reconciliation reports and the bank statements for accounts with no variance between bank statements and the ledgers. Finance Manager will sign on them upon review as review evidence.

For Chengdu, the same measures have been implemented since November 2022. Evidence of review and hard copy documents will be documented and maintained.

C. Inadequate mechanism on identifying connected parties and connected transactions

Currently, the Company has formed a Group Credit Approval Committee to approve large amount loan applications. Transaction thresholds are as below:

- Hong Kong region: Amount higher than HKD 15 million;
- Beijing region: Amount higher than RMB15 million;
- Shenzhen region: Amount higher than RMB12 million; and
- Chengdu region: Amount higher than RMB10 million.

The Company has maintained a list of connected party and a list of related party transactions to record the names of connected parties, relationships, natures, and the amount of each transaction.

Directors and the senior management of the Company are required to declare their connected parties on annual basis. Weekly operation reports (業務週報) and weekly fund reports (資金週報) are sent to the chief financial officer for connected party transaction identification. However, it was noted that review evidence was not maintained.

In addition, the controls over early identification of these transactions before granting loans can be further strengthened.

Connected transaction mechanism should be enhanced in the course of loan processing. The Company should establish a form for clients to declare their relationships with the Company. Potential connected transaction should subject to the further size tests and escalate to senior management and the Board for review and approval. The Company should set out a threshold where any transaction exceeding it should be escalated to the senior management and the Board for consideration and further actions.

The chief financial officer should document the potential connected transaction from weekly operation reports and weekly fund reports in a regular basis (e.g. at least once a month) and report the results to senior management and the Board where necessary.

Furthermore, Connected Party and Connected Transaction Management Policy (關聯方及關聯交易管理制度) should be enhanced. It should include, but not limited to, the following key areas:

- Requirement for the maintenance of an up-to-date list of connected parties;
- Process of disclosure when engaging with connected customers;
- Relationship declaration to be completed and signed by customers;
- Thresholds that subject to size tests and guidelines of its formation;
- Escalation policy;
- Annual declarations procedures of connected parties by the senior management and directors; and
- Roles and responsibilities of relevant personnel when a notifiable transaction is identified.

Responsible parties should be provided with refresher training on a regular basis to understand the requirements set forth in the Listing Rules, including the calculation basis of the testing criteria/percentage ratios (e.g. assets, profit, revenue, consideration and equity capital ratios) used.

Company's progress on the recommended actions:

The recommended actions mentioned above have been completed as at the date of this announcement.

Connected transaction mechanism has been established and connected transaction are being detected monthly by the chief financial officer. Connected Party and Connected Transaction Management Policy have been enhanced and responsible parties have been trained.

Finance Departments of each region have prepared a Connected Party list (“**CP List**”) of directors and controlling shareholders for their confirmation on a monthly basis. Finance Departments are closely monitoring any transactions with the connected parties, and crosschecks with the CP List before each loan drawdown. In addition, Finance Departments conduct regular searches on public domains to identify connected parties, if any. Any potential connected transaction will be reported to senior management and the Board for consideration and further actions.

D. Other observations

The Independent Consultant has not observed information that may indicate there are material deficiencies or exceptions in the Company's current internal systems and controls, procedures and working practices in relation to the following based on the interviews with the management of the Company and the review of the documents/ written policies and procedures and selected samples where applicable:

- management of board approval documents and minutes;
- maintenance of loan approval records;
- other than the aforementioned exceptions in paragraph A above, use of Company chop and authorisation process;

- other than the aforementioned exceptions in paragraph B above, bank accounts and transaction management;
- weekly fund reporting;
- other than the aforementioned exceptions in paragraph C above, connected party identification and connected transactions management; and
- payment requisition and approval processes.

PROPOSED VOLUNTARY REFORM

In addition to the adoption of the recommendations as set out in the Internal Controls Review Report and the Further Internal Controls Review Report, with a view to further strengthen the internal control and management structure of the Group with a view to avoid similar incidents in the future from occurring and protect minority shareholders' interests, the Company, based on the suggestion of the Audit Committee after discussing with the Board and the management of the Company, is in the process of implementing a series of voluntary reform proposal (the "**Voluntary Reform Proposal**"). The Independent Consultant has also considered the Voluntary Reform Proposal and agreed that such further reform would be beneficial to the strengthening of the internal control of the Group and reduce the risks of similar incidents in the future.

Details of, and the latest implementation status of, the Voluntary Reform Proposal are as follows:

(i) Restructuring of the board of directors

With a view to strengthen the protection of minority shareholders' interest, the following changes to the Board will take effect:

- Mr. Zhang Min, who was previously appointed to the Board as a non-executive Director in December 2021, has been re-designated as an executive Director of the Company with effect from 17 October 2022 and subsequently appointed as the chief executive officer with effect from 22 November 2022.

Mr. Zhang has over 20 years' experience in the banking industry through his work with the China Construction Bank Corporation group, including as the chief executive of China Construction Bank Corporation, Hong Kong Branch and director of both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited between 2006 and 2011.

- (b) Mr. Fang has resigned as a member of the Board with effect from 17 October 2022 and will also cease to be a member of any committee of the Company with effect from 17 December 2022.
- (c) Dr. Cheung, currently an executive Director, has tendered his resignation as a director of the Company which will take effect from 17 December 2022, and will not hold any senior management position within the Company when the resignation takes effect.
- (d) Mr. Chan Yuk Ming, currently the Chairman and a non-executive Director, has tendered his resignation as a director of the Company which will take effect from 17 December 2022.

In addition to the above change in board members which has taken effect, the Company envisage that the new Board, which will take effect immediately before resumption, will comprise of a majority of independent non-executive Directors (“INEDs”) by increasing the number of INEDs from 4 to 5, and an INED will chair the Board.

Latest status of the reform

Other than (i) the resignation of Dr. Cheung and Mr. Chan Yuk Ming which will take effect on 17 December 2022 and (ii) the appointment of new INEDs which will take effect immediately before resumption, the Company understand that the intended restructuring of board of directors have been implemented as at the date of the announcement.

(ii) Establishment of the new Business Risks Committee at Board level

The Company has established a Business Risks Committee at Board level on 22 November 2022 which is preliminary responsible for, among others, (i) approving loan, investment or guarantee transactions exceeding the sum of RMB30 million and (ii) reviewing judgments of the loan approval committee and provide recommendations thereof. The purpose of the committee is to enhance management and control of the Group's business risks.

The terms of reference of the Business Risks Committee has been published on the Stock Exchange's website on 22 November 2022.

Latest status of the reform

In light of the establishment of the committee and the publication of the terms of reference, the Company understands that such reform proposal has been implemented.

(iii) Additional supervisory unit within the Group to monitor fund outflow

The Company has established a new business endorsement unit under the direct supervision of the chief executive officer, Mr. Zhang Min, with such unit comprises of the head of risk management team of all the regional offices.

The unit is responsible for ensuring the required fund release procedures have been complied with prior to any outflow of funds which exceeds RMB30 million (with such threshold to be reviewed from time to time). In particular, the unit is expected to review and ensure that the requirement to conduct sufficient due diligence, obtain necessary business approval procedures for the transaction and the release of funds have been fulfilled and proper documentations have been prepared and maintained in connection with such fund outflows.

Latest status of the reform

As the business endorsement unit has been established and the relevant policies in connection with the unit has been adopted, the Company understands that such reform proposal has been implemented.

(iv) Training for all employees on the Voluntary Reform Proposal

The Company has organized a mandatory training on 30 November 2022 for all employees of the Group to provide them with a thorough understanding of the Incidents, the suspension and the remedial actions taken by the Company, and the adoption and operation of the Voluntary Reform Regime, including but not limited to the introduction of the Business Risks Committee for the approval of business decisions, the setting up of the business endorsement unit to monitor fund outflows, the revised approval procedures concerning guarantee and fundraising matters and the implementation of the whistleblowing policy.

Latest status of the reform

Whilst the reform proposal has been implemented with the organization of the mandatory training, the Company will continue to ensure that the operation of the Group will be in compliance with requirements under the Voluntary Reform Regime.

(v) Raising the threshold of the Board to approve guarantee and fundraising matters

The Company has proposed, and its members has approved, the amendment of its articles of association by clarifying that the giving of any guarantee, indemnity and/or surety by the Company, any fund-raising by the Company, and the creation, renewal, amendment of the terms of or extension of any borrowing by the Company must be made by a majority of votes in the Board meeting, and any documents in connection with such matter must be signed by three directors.

Latest status of the reform

Taking into account the adoption of the amended articles of associations, the Company understand that the reform proposal has been implemented.

(vi) Implementation of the whistleblowing policy

The Company has implemented a whistleblowing policy since September 2021 for employees to report any concerns about suspected fraud, misconduct or irregularity to a Whistleblowing Screening Committee, or to the board and/or chairman directly, depending on the target of whistleblowing. To further strengthen the whistleblowing policy after the resumption of trading, the Company will also ensure that the Committee is empowered to engage third party investigator(s) to investigate the reported concern in the future at a cost, and that annual mandatory trainings for employees will include topics on whistleblowing.

Latest status of the reform

Taking into account the adoption of the whistleblowing policy and the establishment of the Whistleblowing Screening Committee, the Company understand that the reform proposal has been implemented.

(vii) Appointment of external internal control consultant

Upon the resumption of trading, the Company is minded to engage an external internal control adviser for 2 full financial years after the resumption of trading to ensure that the Company will continue to comply with and implement the internal control measures provided by the Independent Consultant in its internal control review reports and the Voluntary Reform Proposal. The review results of the adviser are also intended to be disclosed in the annual results announcements of the Company for the respective financial years to allow for better monitoring by the minority shareholders of the Company's reform progress.

Latest status of the reform

The Company understand that such reform proposal will be implemented upon the resumption of trading.

In light of the above various changes made, the Board (including the Audit Committee) believes that the internal control discrepancies previously identified within the Group have been remedied and the Company will have adequate and sufficient internal control system and procedures in place upon resumption in trading in light of the adoption of the recommendations of the Internal Controls Review Report, Further Internal Controls Review Report and the Voluntary Reform Proposal above.

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 fulfilment of the Stock Exchange's Resumption Guidance as disclosed in the Announcement dated 28 June 2021, the trading in the shares of the Company will remain suspended until further notice.

As set out in the Announcement dated 11 November 2022, the Listing Committee of the Stock Exchange has decided to cancel the Company's listing under Listing Rule 6.01A ("**Decision**"), and the Company has requested to refer the Decision to the Listing Review Committee of the Stock Exchange for review.

The Company hereby reminds the shareholders of the Company and potential investors of the Company that the outcome of the Review is uncertain. Shareholders who have any queries about the implications of the delisting of the Company's shares are advised to seek appropriate professional advice.

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, 16 December 2022

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

Executive Directors:

Mr. Zhang Min (*Chief Executive Officer*)

Dr. Cheung Chai Hong

Non-executive Directors:

Mr. Chan Yuk Ming (*Chairman*)

Mr. Wu Xinjiang

Mr. Tao Chun

Independent non-executive Directors:

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Dr. Zhang Xiao Jun

Madam Zhan Lili