

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, 9, 23 and 31 March, 30 June, 6 September, 17 and 18 October, 11 and 22 November, 5, 14, 16 and 28 December 2022 and 6 January 2023 (collectively, the “**Announcements**” and each an “**Announcement**”). Unless otherwise specified, capitalized terms used in this announcement shall have the same meaning as defined in the Announcements.

REVIEW REQUEST OF THE DELISTING DECISION AND UPDATE ON PROGRESS OF RESUMPTION

As set out in the Announcement dated 11 November 2022, the Company received the Letter dated 4 November 2022 stating that the Listing Committee has decided to cancel the Company’s listing under Listing Rule 6.01A as the Company has not met the Resumption Guidance. On 10 November 2022, the Company submitted an application requesting the Decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules (the “**LRC Review**”).

As at the date of this announcement, the LRC Review is in progress, and the Company will make further announcement(s) regarding the outcome of the LRC Review as and when appropriate.

The Company also wishes to announce that it has made substantial progress for the fulfillment of the Resumption Guidance issued by the Stock Exchange, and the details of the latest progress are set out below.

Resumption Guidance

Latest Progress

- | | |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications | The Company has published (i) the annual results announcements for each of the financial years ended 31 December 2020 and 31 December 2021 on 5 December 2022 and (ii) the interim results announcements for each of the six months ended 30 June 2021 and 30 June 2022 on 6 January 2023 (the “ Financial Results Announcements ”), all of which are not subject to any audit modifications. |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Resumption Guidance

- (ii) conduct an independent forensic investigation into the unauthorised guarantees and loans, disclose the findings and take appropriate remedial actions
- (iii) conduct an independent forensic investigation with a view to identifying, if any, other material financial assistance made by the Group without proper authorisation, announce the findings, and take appropriate remedial actions

Latest Progress

In addition to the Investigation concluded in March 2021 and the Supplemental Investigation concluded in March 2022, the Company has arranged for the Independent Consultant to conduct the Further Investigation into the Incidents. The Further Investigation was concluded in November 2022, and the findings of the Further Investigation were set out in the Company's announcement dated 16 December 2022.

As stated in the Announcements dated 31 March and 16 December 2022, the Company has taken appropriate remedial actions in relation to the Unauthorized Guarantees and Unauthorized Loans and has established effective internal controls systems and procedures with a view to satisfy the requirement under the Resumption Guidance, which include but are not limited to the Voluntary Reform Proposal that comprises the following reform arrangements:

- (i) the restructuring of the board of directors of the Company;
- (ii) establishment of the new Business Risks Committee at Board level;

Resumption Guidance

Latest Progress

- (iii) establishment of additional supervisory unit within the Group to monitor fund outflow;
- (iv) training for all employees on the Voluntary Reform Proposal;
- (v) raising the threshold of the Board to approve guarantee and fundraising matters;
- (vi) the implementation of the whistleblowing policy; and
- (vii) the appointment of external internal control consultant.

Other than the appointment of new independent non-executive Directors and external internal control consultant which are intended to take place upon the resumption of trading, all of the reform arrangements as set out under the Voluntary Reform Proposal have taken effect.

Resumption Guidance

- (iv) demonstrate that the Company has in place adequate internal controls systems and procedures to comply with the Listing Rules

Latest Progress

In addition to the internal controls systems review which was concluded by the Independent Consultant in March 2022, the Company has arranged for the Independent Consultant to conduct the Further Internal Control Review. The Further Internal Control Review was concluded in November 2022, and the findings of the Further Internal Control Review were set out in the Company's announcement dated 16 December 2022.

As stated in the Announcements dated 31 March and 16 December 2022, the Company has followed the recommendations provided under the Internal Controls Review Report and the Further Internal Control Review Report and has also implemented a number of voluntary changes under the Voluntary Reform Proposal with the view of satisfying the internal controls requirement under the Resumption Guidance.

Resumption Guidance

- (v) demonstrate that there is no reasonable regulatory concern about management integrity, and/or integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence

- (vi) demonstrate that the directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules

Latest Progress

Based on the findings of the Investigation, the Supplemental Investigation and the Further Investigation, it is noted that Mr. Luo and Madam Guan were the masterminds of the Incidents and the other unauthorised transactions, and they, together with the involved personnel have resigned or been removed from all positions of the Group.

Furthermore, for the other executive and non-executive Directors at the time of the Incidents, the Independent Consultant could not identify any direct evidence showing their involvement in and/or knowledge about the Incidents and/or other unauthorized transactions and issues about their integrity. Nevertheless, all such Directors have resigned from their position as directors of the Group.

It is further noted that all of the existing executive and non-executive Directors were appointed after the Incidents and are not connected or related to the Incidents.

It is noted that all of the executive and non-executive Directors at the time of the Incidents have resigned from their position as Directors.

All of the existing executive and non-executive Directors were appointed after the Incidents and have procured the Group to remedy the internal control deficiencies and enhanced its corporate governance.

Resumption Guidance

(vii) demonstrate compliance with Rule 13.24 of the Listing Rules

(viii) announce all material information for the Company's shareholders and investors to appraise its position

Latest Progress

The Group is principally engaged in providing financing services in Hong Kong and mainland China.

Since the suspension of trading of the shares in the Company on 29 March 2021 and up to the date of this announcement, the Group has continued its normal business operations. In particular, the Company believes that the financial results of the Company as set out in the Financial Results Announcements would demonstrate that the Company has continued to maintain a business with sufficient level of operations and assets of sufficient value to support its operations and warrant the continued listing of the issuer's securities.

Since the suspension of trading of the shares in the Company, the Company has kept its shareholders and potential investors informed of all material information in relation to the Unauthorized Guarantees and Unauthorized Loans, the Resumption Guidance and any relevant updates and progress by way of announcements.

The Company will continue to keep its shareholders and potential investors abreast of any relevant material development by making further announcement(s) as and when appropriate in accordance with the requirements under the Listing Rules.

BUSINESS OPERATIONS

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

Shareholders and potential investors of the Company are advised to review and consider the Financial Results Announcements for further details of the business operations of the Group.

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.

Given the LRC Review remains in progress, the Board wishes to remind the Shareholders and potential investors of the Company that the outcome of the LRC 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, including the outcome of the LRC Review, 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, 10 January 2023

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

Executive Director

Mr. Zhang Min (*Chief Executive Officer*)

Non-executive Directors

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