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中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

**(1) DECISION OF THE LISTING REVIEW COMMITTEE
OF THE STOCK EXCHANGE
(2) FULFILLMENT OF ALL RESUMPTION GUIDANCE
AND
(3) RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

DECISION OF THE LISTING REVIEW COMMITTEE OF THE STOCK EXCHANGE

The Board is pleased to inform the Shareholders that the Company received a letter from the Listing Review Committee dated 6 February 2023 indicating that they had decided to overturn the Decision of the Listing Committee to cancel the Company's listing under Rule 6.01A on the basis that subsequent to the Decision, the Company had demonstrated its compliance with all the Resumption Guidance.

FULFILLMENT OF ALL RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

The Board is pleased to announce that the Company has fulfilled all the Resumption Guidance provided by the Stock Exchange.

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. As all the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 27 February 2023.

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

This announcement is made by China Financial Services Holdings Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules of Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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, 10 and 19 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.

DECISION OF THE LISTING REVIEW COMMITTEE OF THE STOCK EXCHANGE

As set out in the Announcement dated 10 January 2023, 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 (the “**Decision**”), and the Company submitted an application on 10 November 2022 requesting the Decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

The Listing Review Committee heard the application for the review of the Decision on 31 January 2023 (“**LRC Hearing**”).

The Board hereby announces that the Company received a letter from the Listing Review Committee dated 6 February 2023 indicating that they had decided to overturn the Decision of the Listing Committee to cancel the Company's listing under Rule 6.01A ("**LRC Decision**") on the basis that subsequent to the Decision, the Company had demonstrated its compliance with all the Resumption Guidance.

In arriving at the LRC Decision, the Listing Review Committee recognized that at the time of the LRC Hearing, the Company had made substantive progress in its compliance with the Resumption Guidance since the Decision, and further noted that the Company's submissions on the various steps it had undertaken and the Listing Decision's acknowledgement by the time of the LRC Hearing, the Company had complied with the Resumption Guidance to the satisfaction of the Listing Division. In light of the above, the Listing Review Committee therefore decided to overturn the Decision.

Further details on the Company's fulfillment of the Resumption Guidance are set out below.

RESUMPTION GUIDANCE

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:43 a.m. on 29 March 2021. On 25 June 2021, the Board received a letter from the Stock Exchange setting out the following Resumption Guidance for the resumption of trading in the shares of the Company:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (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;
- (iv) 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;

- (v) demonstrate that the Directors 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;
- (vi) demonstrate that the Company has in place adequate internal controls systems and procedures to comply with the Listing Rules;
- (vii) demonstrate compliance with Rule 13.24 of the Listing Rules; and
- (viii) announce all material information for the Company's shareholders and investors to appraise its position.

FULFILLMENT OF ALL THE RESUMPTION GUIDANCE

The Board is pleased to announce that, as at the date of this announcement, the Company has fulfilled all the Resumption Guidance, details of which are set out as follows:

Resumption Guidance (i) – publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company's previous auditor Crowe Horwath (HK) CPA Limited retired in April 2022 and Baker Tilly (Hong Kong) Limited was subsequently appointed as the auditors of the Company in April 2022 and performed the audits of the Company's financial statements for the years ended 31 December 2020 and 2021.

The Company's preparation of the interim results and annual results had been delayed previously due to (i) COVID-19 restrictions and lockdowns in the PRC, which affected the auditors' ability to access and review physical copies of corporate records and documents as well as ability of employees located in the PRC to assist in the audit work and (ii) the need for the Auditor to consider the findings of the Investigations, including the Further Investigation which concluded in November 2022, and review additional information, including but not limited to certain bank statements and certain loan and guarantee or fund-raising agreements in relation to the Incidents as well as the internal controls of the Group, as part of its audit procedures.

Nonetheless, as at the date of this announcement, all of the Company's outstanding financial results have been published as follows:

- (a) on 5 and 28 December 2022, the Company published its annual results announcements and annual reports for the years ended 31 December 2020 and 2021, respectively; and
- (b) on 6 and 19 January 2023, the Company published its interim results announcements and interim reports for the six months ended 30 June 2021 and 2022, respectively.

None of the financial statements referred to above were subject to any audit modifications.

Accordingly, the Company is of the view that Resumption Guidance (i) has been fulfilled.

Resumption Guidance (ii) and (iii) – conduct an independent forensic investigation into the unauthorised guarantees and loans, disclose the findings and take appropriate remedial actions and 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

The Company has engaged and arranged for the Independent Consultant to investigate the Incidents (the “**Investigation**”) between October 2020 and March 2021.

Based on the report on the Investigation published by the Independent Consultant in March 2021, it was found that, among others:

- (a) the issuance of the Financial Products and the entering into most of the Guarantee Contracts were conducted at the direction of Mr. Luo and Madam Guan without submitting to the Investment Committee of the Company or the Board for approval in accordance with the Company's established practice despite that both Mr. Luo and Madam Guan were each a member of the Investment Committee and the Board at the relevant time; and

- (b) in contravention of the Company's internal rules and procedures, (I) the Loans were granted to the borrowers at the direction of Mr. Luo and Madam Guan without obtaining the required approval from the Loan Approval Committee of the Company despite that both Mr. Luo and Madam Guan were each a member of the Loan Approval Committee at the relevant time, (II) no due diligence was conducted on the relevant borrowers or due diligence was only conducted after partial funds were released to the relevant borrowers, (III) funds were released to a borrower despite adverse findings against that borrower and its guarantor from the due diligence conducted, which indicated that the borrower would use the funds to repay its other borrowings and any lending to that borrower should be approached with caution and that there were unreliable sales figures and substantial funds missing and unaccounted for in the financial information of the guarantor for the relevant Loans, and (IV) the funds were released to the relevant borrowers without obtaining the required approval from the then financial controller of the Company and vice president and chairman of the Board.

Detailed summary of the major findings of the Investigation has been set out in the Announcement dated 26 March 2021.

Taking into account the findings of the Investigation and with a view to fulfill Resumption Guidance (iii), the Company has further instructed the Independent Consultant to (a) prepare a supplemental investigation report to identify any other material financial assistance other than the Incidents that was provided by the Group without proper authorization from January 2015 to October 2020 and (b) provide any additional findings related to the Incidents which were not covered in the Investigation (the "**Supplemental Investigation**").

Based on the report on the Supplemental Investigation published by the Independent Consultant in March 2022, it was found that, among others:

In relation to other material financial assistance

- (a) Based on the third party confirmation letters and reports the Independent Consultant obtained from the financial institutions which the Group has business dealings with, the result did not reveal any unrecorded and/or unauthorised financial assistance, such as pledged assets and financial guarantees, granted by the Group to any external parties;

- (b) The Group has set up three designated committees to assist the Board in monitoring the business activities. They are the Investment Management Committee, the Loan Approval Committee and the Asset Management Committee. The Independent Consultant found the minutes of the three committees kept by the Group personnel were incomplete. Nevertheless, based on available records provided and the Independent Consultant's additional electronic data search, the Independent Consultant did not note any matters discussed in the minutes hinting any corporate guarantee provided by the Group or its subsidiaries to other external parties;
- (c) The Independent Consultant has also noted that: (I) the Group had used personal bank accounts of five of the Group's employees and an intermediary in the loan drawdown process, with the supporting records showing that these payments, which were approved by Mr. Luo, Madam Guan and another former employee of the Group, were first transferred to the personal bank account of employees or an intermediary who would then further transfer to the loan borrowers; (II) based on the Independent Consultant's review of sampled bank transactions, one payment amounting to RMB70,000,000 made by the Group was not approved in accordance with the Group's internal policies and procedures, and the Independent Consultant was unable to verify the purpose and nature of payment for 11 payments amounting to a total of RMB238,000,000 that were purported to be repayments of funds received from a fund-raising activity via an online platform due to a lack of supporting documents; and (III) transactions through a bank account, which was operated between 4 January 2017 and 23 November 2018 and maintained by a member of the Group, were not recorded and reflected in the accounting records, meaning that there were no supporting documents in connection with the receipts by and payments out of such bank accounts for the Independent Consultant to determine if any such transactions were financial assistance granted by the Group and whether such transactions were properly approved and authorised in accordance with the Group's internal policies and procedures. In respect of such transactions, the existing personnel either have limited knowledge on the relevant transactions, and all or at least a majority of the personnel who were involved in the relevant transactions have since left the Group and were unavailable to be interviewed.

In relation to the Incident

- (d) Further to the Independent Consultant's review of the minutes of the Board covered in the Investigation, the Independent Consultant has reviewed a total of 75 sets of meeting minutes pertaining to three designated committees and did not identify any record of discussion or approval of guarantee arrangement entered into by the Group except that in the minutes of the Investment Management Committee dated 8 October 2018, there were discussions on avoiding overreliance on an online financial service platform identified in the Incidents. However, the minutes concerned did not mention or hint on anything related to guarantees by the Group or loans granted by the Group to third parties using the fund raised from the said platform or otherwise.

- (e) The Independent Consultant noted in their electronic review that there were periodic internal reports circulated to the management personnel of the Group which contained 4 to 21 pages of Excel files showing a total amount and breakdown of cash inflows and outflows generated through the loan drawdown and repayment from all borrowers without particular details on the individual transactions or individual borrowers. It was noted that some entries in these periodic reports were the borrowers of certain projects identified in the Incidents and showed a total sum of cash outflows relating to these projects. However, there was no additional information in these periodic reports about the background and details of these projects and other particular transactions, including but not limited to whether the Group had given guarantees in respect of the loans, whether security was given by the borrowers in respect of the loans, the source of funds that were used to provide the loans, and whether the transactions have been properly authorised in accordance with the Group's internal policies and procedures. It should be noted that the periodic internal reports were prepared for providing the management personnel of the Group an overview of the cash position and changes of a particular period only.

- (f) Save for the matters mentioned in the Supplemental Investigation and the Investigation, the Independent Consultant did not identify other matters that indicate involvement of any directors of the Company (other than Mr. Luo and Madam Guan) in the Incidents.

Detailed summary of the major findings of the Supplemental Investigation has been set out in the Announcement dated 9 March 2022.

Upon reviewing the findings of the Investigation and the Supplemental 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 on such specific matters in connection with the Incidents, with the scope being agreed with the Independent Consultant and endorsed by the Audit Committee of the Company and has taken into account comments raised by the Stock Exchange (the “**Further Investigation**”).

Based on the report on the Further Investigation published by the Independent Consultant in November 2022, it was found that, among others:

- (a) As part of the Further Investigation, the Independent Consultant reviewed the electronic data of Mr. Fang. Whilst the Company acknowledges that the Independent Consultant did not uncover any evidence which indicated that Mr. Fang was involved in the Incidents, 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. Nonetheless, Mr. Fang has resigned as a non-executive Director on 17 October 2022 and has also resigned from all sub-committees of the Company on 17 December 2022; and

- (b) 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. Upon reviewing the evidence available to them, the Independent Consultant concluded that 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.
- (c) 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. The Independent Consultant noted that the supporting documentation of the 524 Financial Products were incomplete, and 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 committee.

(d) Certain internal weekly reports, which provide an overview of the cash position of the Group and its periodic changes (“**Internal Weekly Reports**”), reviewed by the Independent Consultant contained the bank balance of the personal accounts (i.e. bank accounts of the Group’s employees)(the “**Personal Accounts**”) and intermediaries’ (i.e. companies which were not the Group’s subsidiaries)(the “**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. 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, and the existing Group’s personnel indicated 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. 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, and Mr. Cheung Siu Lam (“**Mr. Cheung SL**”), who has been provided with the Internal Weekly Reports alongside Mr. Luo, Madam Guan and other management executives, indicated that he had never read the Internal Weekly Reports considering that he trusted Mr. Luo and Madam Guan well then.

Detailed summary of the major findings of the Further Investigation has been set out in the Announcement dated 16 December 2022.

Taking into account the findings of the Investigations as set out above, the Company has taken appropriate remedial actions in relation to the Unauthorized Guarantees and Unauthorized Loans. In particular, the Company has engaged the Independent Consultant to conduct (a) the Internal Controls Review in March 2022 on the Group’s internal controls systems and procedures which focused on the review period from 1 July 2020 to 30 June 2021 and (b) the Further Internal Controls Review in September 2022 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 Company has satisfactorily adopted all recommendations of the Independent Consultant under the Internal Controls Review and the Further Internal Controls Review, and there are no further outstanding observations under the IC Review Report and the Further IC Review Report.

Detailed summary of the major findings of the Internal Controls Review and the Further Internal Controls Review and the corresponding recommendations taken by the Company have been set out in the Announcements dated 9 March 2022 and 16 December 2022.

Furthermore, the Company has implemented a series of Voluntary Reform Proposal 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, which include the following reform arrangements:

Voluntary Reform Proposal	Latest Status
(i) Restructuring the board of directors of the Company	<ul style="list-style-type: none">• The redesignation of Mr. Zhang Min as executive Director and appointment as chief executive officer has taken effect on 17 October 2022 and 22 November 2022, respectively.• The resignation of Mr. Fang, Dr. Cheung and Mr. Chan Yuk Ming from the Board has taken effect between October and December 2022.• Mr. Cliff Zhang and Mr. John Paul Ribeiro will be appointed as independent non-executive Directors (“INEDs”) of the Company shortly after resumption of trading of the shares in the Company. The Board will continue to comprise of a majority of INEDs after such appointment.• Other than the appointment of new INEDs which will take place shortly after resumption of trading of the shares in the Company, the restructuring of board of directors have been implemented as at the date of the announcement.

Voluntary Reform Proposal	Latest Status
(ii) Establishment of the new Business Risks Committee at Board level	<ul style="list-style-type: none"> • The Company has established a Business Risks Committee at Board level on 22 November 2022 which is primarily 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 terms of reference of the Business Risks Committee has been published on the Stock Exchange’s website on 22 November 2022.
(iii) Additional supervisory unit within the Group to monitor fund outflow	<ul style="list-style-type: none"> • The Company has established a new business endorsement unit on 1 December 2022 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).
(iv) Training for all employees on the Voluntary Reform Proposal	<ul style="list-style-type: none"> • 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.

**Voluntary Reform
Proposal**

Latest Status

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

 - The Company will continue to ensure that the operation of the Group will be in compliance with the requirements under the Voluntary Reform Proposal.
 - The Company has proposed, and its members has approved, the amendment of its articles of association which took effect on 25 April 2022 by clarifying that the giving of any guarantee, indemnity and/or surety by the Company, any fundraising 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.
- (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 Committee has been 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.

**Voluntary Reform
Proposal**

Latest Status

(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.
- The Company is currently in the process of identifying the internal control adviser, and it is intended that the appointment of the internal control adviser will be approved by the Board (including the new INEDs) as soon as possible after resumption of trading.

In light of the above, both the Investigation Committee (which comprises all the INEDs) and the Board are of the view that the Investigations on the Incidents as well as other material financial assistance made by the Group without proper authorization have been adequately conducted. Accordingly, the Company is of the view that Resumption Guidance (ii) and (iii) have been fulfilled.

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

As set out in the sub-section on Resumption Guidance (ii) and (iii) above, the Company has taken appropriate remedial actions in relation to the Unauthorized Guarantees and Unauthorized Loans. In particular, the Company has engaged the Independent Consultant to conduct (a) the Internal Controls Review which was concluded in March 2022 on the Group’s internal controls systems and procedures and (b) the Further Internal Controls Review which was concluded in November 2022 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 Company has satisfactorily adopted all recommendations of the Independent Consultant under the Internal Controls Review and the Further Internal Controls Review, and there are no further outstanding observations under the IC Review Report and the Further IC Review Report. As set out in the Further IC Review Report, other than the observations set out in the Further IC Review Report (which were already adopted by the Company), the Independent Consultant has not observed information that may indicate that there are any material deficiencies or exceptions in the internal control system of the Group within the scope of the Further IC Review.

Furthermore, the Company 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, with the Independent Consultant agreeing such changes to be beneficial to the strengthening of the internal control of the Group and reducing the risks of similar incidents in the future.

Having considered the IC Review Report and the Further IC Review Report and the remedial measures taken by the Group (including the Voluntary Reform Proposal), the Audit Committee and the Board are of the view that the measures implemented by the Group in relation to its internal controls systems and procedures are adequate and sufficient to address the key findings of the Internal Control Review and the Further Internal Control Review and the enhanced internal control system and procedures are adequate for the Company’s compliance with the Listing Rules.

In light of the above, the Company is of the view that Resumption Guidance (iv) has been fulfilled.

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

Based on the findings from the Investigation, the Supplemental Forensic Review Report and the Further Forensic Review Report, 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. 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.

Furthermore, Mr. Cheung SL, the controlling shareholder of the Company who ceased to be a Director in August 2020, has entered into a deed of undertaking in favour of the Company on 5 December 2022 to undertake to, among others, (i) abstain from voting (other than in limited circumstances in relation to scheme of arrangement of the Company, variation of shareholders’ rights under articles of association or resolutions with analogous effects) with respect to shares held by Mr. Cheung SL or his close associates for a period of two years from the date when the Company resumes trading and (ii) exert influence over or direct the decision of any current or future members of the board and management of the Company as long as he remains a shareholder of the Company.

In light of the above, the Company is of the view that Resumption Guidance (v) has been fulfilled.

Resumption Guidance (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

It is noted that all of the executive and non-executive Directors at the time of the Incidents have resigned from the Group, save that Dr. Cheung's resignation in certain PRC subsidiaries of the Company as set out below has yet to be effective pending completion of the relevant PRC administrative process.

Dr. Cheung has tendered his resignation as director of Chengdu Vision Credit Limited (成都市武侯惠信小額貸款有限責任公司) and Chongqing Liangjiang New Area Credit Gain Finance Company Limited (重慶兩江新區領達小額貸款有限公司) as well as the legal representative and a director of Shenzhen Credit Gain Finance Company Limited (深圳市領達小額貸款有限公司) on 17 December 2022, all of which being subsidiaries of the Group. Subsequent to the receipt of the resignation tendered by Dr. Cheung, the Group has made applications to the relevant regulatory authorities in the PRC for the approval of the resignation and the relevant administrative process is under way. Pending the completion of the administrative process, Dr. Cheung has ceased to exercise, and will not exercise, the executive functions of his roles as a director and/or legal representative of such subsidiaries.

The Group currently expects that the approval for the resignation from the PRC regulatory authorities will be obtained by May 2023, and further announcements will be made by the Company upon completion of the relevant PRC administrative process.

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.

Furthermore, the Company is of the view that the experience and expertise of the existing sole executive Director and chief executive officer, Mr. Zhang Min, and the two proposed INEDs, also demonstrates that the directors of the Company meet a standard of competence commensurate with their position as directors of a listed issuer as required under Rules 3.08 and 3.09 of the Listing Rules:

- (a) Taken into account Mr. Zhang Min's previous role in the China Construction Bank Corporation group (including his previous role as a director of China Construction Bank (Asia) Corporation Limited, which is a registered institution under the Securities and Futures Ordinance and a licensed bank under the Banking Ordinance) as well as his previous role as a director in various companies listed in Hong Kong, including but not limited to his role as an executive director of Value Convergence Holdings Limited (Stock Code: 821) from 25 June 2018 to 2 December 2019 and the chief executive officer and an executive director of Macrolink Capital Holdings Limited (Stock Code: 758) from 10 August 2016 to 22 August 2018, the Company believes that he has sufficient standard of competence commensurate with his position as the chief executive officer and sole executive director of the Company; and
- (b) Mr. Ribeiro, who served the Hong Kong Police Force for over 34 years with the Rank of Assistance Commissioner of Police, has expertise across a full spectrum of matters, including risk management, fraud prevention, Anti Money laundering, asset tracing etc., which he currently provides expert consultancy services on the above aspect through his own consultancy firm; and
- (c) Mr. Cliff Zhang, who has over 14 years' experience in corporate finance, investment and international capital markets and has worked in various global financial institutions including The Hongkong and Shanghai Banking Corp., and Deutsche Bank AG, is currently acting as the chairman of the board of directors of Citybus Limited and New World First Bus Services Limited and Templewater Holdings Limited, a private equity investment and alternative asset management firm of which he is a co-founder.

In light of the above, the Company is of the view that Resumption Guidance (vi) has been fulfilled.

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

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, it is highlighted that none of the annual results or interim results published since the suspension of trading of the shares contain any audit opinions about the uncertainty relating to going concern of the Company.

As set out in the annual report published on 28 December 2022 for the year ended 31 December 2021, the Group has recorded interest and services income of approximately HK\$304,593,000 for the year ended 31 December 2021. Similarly, as set out in the interim report published on 19 January 2023 for the six months ended 30 June 2022, the Group has recorded interest and services income of approximately HK\$113,918,000 for the six months ended 30 June 2022 and net asset of approximately HK\$922,280,000 as at 30 June 2022.

In light of the above, the Company is of the view that Resumption Guidance (vii) has been fulfilled.

Resumption Guidance (viii) – announce all material information for the Company’s shareholders and investors to appraise its position

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.

In light of the above, the Company is of the view that Resumption Guidance (viii) has been fulfilled.

RESUMPTION 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.

Based on the reasons as disclosed above, the Board is of the view that all the Resumption Guidance has been fulfilled. Accordingly, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 27 February 2023.

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, 24 February 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