

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.



GUDOU HOLDINGS LIMITED
古兜控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8308)

KEY FINDINGS OF THE INDEPENDENT REVIEW REPORT

This announcement is made by the board of directors (the “**Board**”) of Gudou Holdings Limited (the “**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM 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 30 March 2023, 27 April 2023, 5 June 2023, 27 June 2023, 29 September 2023, 6 December 2023, 29 December 2023 and 15 January 2024 (the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

As disclosed in the Company’s announcement dated 5 June 2023, one of the conditions of the Resumption Guidance is for the Company to conduct an appropriate independent investigation into the matters stated the announcement of the Company dated 30 March 2023 and 27 April 2023, announce the findings, and take appropriate remedial actions.

On 25 March 2024, the independent investigator appointed by the Company, BT Corporate Governance Limited (“**BT**”) finalized an independent review report (the “**Independent Review Report**”) and submitted the same to the Board for approval, details of which are set out as follows:-

OBJECTIVES

As agreed in the independent review service agreement entered into between the Company and BT, BT was engaged by the Company to (i) review the financial transactions and balances in relation to the Joint Operation (the “**1st Objective**”); and (ii) investigate and verify whether the internal control procedures of the Group in relation to the signing of agreements regarding the Joint Operation and the Commitment Letter were effectively implemented according to the relevant internal control systems and regulations (the “**2nd Objective**”).

SCOPE OF INVESTIGATION

In relation to the 1st Objective, BT intended to conduct the following procedures including but not limited to:

- (i) conduct interviews with relevant parties involved (including the Group, GD Aoyuan and suppliers for the Joint Operation) to understand the background and facts relating to the Joint Operation and financial transactions between the Group and GD Aoyuan;
- (ii) obtain and review the current internal control policies implemented by the Group, including but not limited to the signing process of the Joint Operation Agreements and the Commitment Letter;
- (iii) send inquiry letters to all bank accounts held by the Group in relation to the Joint Operation between 1 July 2019 and 30 June 2023;
- (iv) conduct a public information search on the involved parties including the Group and GD Aoyuan;
- (v) analyse the inflows and outflows of funds related to the Joint Operation from 1 July 2019 to 30 June 2023;
- (vi) investigate and conduct online searches and background investigation on GD Aoyuan focusing on the fund flows and recipient(s) of the funds under the bank statements in relation to the Joint Operation, in order to identify whether any such recipient(s) and/or persons such as their shareholder(s), director(s) and senior management are related to GD Aoyuan;
- (vii) obtain and review all agreements between the Group and GD Aoyuan from 1 July 2019 and 30 June 2023, including but not limited to any supplemental agreements and or any document that may impose obligations or guarantees on the Group in favour of GD Aoyuan;
- (viii) obtain and review bank accounts statements for the Joint Operation from 1 July 2019 to 30 June 2023, in order to (a) understand the financial transactions and balances under the Joint Operation; and (b) verify the related financial statements, and obtain confirmation letters in relation to financial year 2019, 2020 and 2021 respectively from the Group, GD Aoyuan, the Group’s auditor and/or GD Aoyuan’s auditor to identify any discrepancies and to determine reasons (if any) of such;

- (ix) focusing on the background and nature of income and expenditure of the Joint Operation, (a) conduct interview with personnels responsible for producing and checking the financial records; (b) and review and examine financial books and records in relation to the Joint Operation;
- (x) investigate whether the Commitment Letter, Loan Agreements and/or Supplemental Agreements were in fact made between the Group and GD Aoyuan and review communications between the Group, GD Aoyuan and related construction service providers to determine whether the reasons and background for the movement of funds correspond to the terms contained in the Commitment Letter, Loan Agreements and the Supplemental Agreements, and investigate the details and supporting documents of the financial transactions related to the Joint Operation;
- (xi) conduct interviews with the related construction service providers to understand the details of the financial transactions between the Group and those suppliers, in order to determine whether the reasons and background for the movement of funds correspond to the Commitment Letter and the Joint Operation Agreements;
- (xii) conduct interviews with representatives of GD Aoyuan in order to obtain additional supplementary information and supporting documents regarding their responses to the confirmation letters.

In relation to the 2nd Objective, the Independent Review Report involves the following procedures including but not limited to:

- (i) conduct interviews with the management of the Company and related members of the management of the Joint Operation, in order to understand the process of signing the Loan Agreements and the Commitment Letter, including the filing of the Loan Agreements and Commitment Letter, handling of chops, borrowing and returning of chops and stamping;
- (ii) review agreements and chops and seals registration form of the Group to ascertain whether the lending and using of the chops of the Group is related to any of the Commitment Letter, Loan Agreements, Supplemental Agreements and/or other agreements made between the Group and GD Aoyuan. If affirmative, obtain details of the personnels involved and conduct interview with them, and to obtain reasons and related supporting documents from the management of the Group, in particular, why the Group did not provide such Commitment Letter, Loan Agreements and Supplemental Agreements to the auditor of the Company;
- (iii) conduct interviews with the management of the Company and related management of the Joint Operation to understand whether the Group signed the Commitment Letter and if yes, obtained the Commitment Letter and details of personnels who approved the Commitment Letter and to obtain reasons and related supporting documents of the management of the Group to ascertain why the Group did not provide such Commitment Letter to the auditor of the Company;

- (iv) conduct interviews with the management of the Company and related management of the Joint Operation to understand whether the Group borrowed RMB15 million from GD Aoyuan and if yes, to obtain the loan agreement and to obtain reasons and related supporting documents of the management of the Group to ascertain why the Group did not provide such loan agreement to the auditor of the Company;
- (v) obtain the following documents from the Company and the management of the Joint Operation to determine whether there is, on record, any debts, guarantees and/or litigation events: (a) all agreements signed between the Group and GD Aoyuan, including but not limited to the Loan Agreements, Supplemental Agreements and or any document that may impose obligations or guarantees on the Group in favour of GD Aoyuan; and (b) details of any litigation mentioned in the confirmation letters and the legal opinions; and
- (vi) conduct interviews with representatives of GD Aoyuan to obtain additional supplementary information and/or supporting documents regarding the Commitment Letter, Loan Agreements and Supplemental Agreements.

KEY FINDINGS OF THE INDEPENDENT REVIEW REPORT AND RECOMMENDATIONS

Specific Findings: Questionable validation of the agreements and the existence of the RMB15 million loan under the Commitment Letter

According to the Independent Review Report, the approval and signing procedures for the Agreements and the Commitment Letter was different from those stipulated in the “Usage and management system for company seals and chops”*. There was no formal application on using of the company seals and chops in relation to the signing of both of the Agreements and the Commitment Letter and such usage was not recorded on the contract register.

On the other hand, the abnormality of the Agreements and the Commitment Letter also renders their authenticity and validity questionable. For the Agreements, the wordings in relation to the terms of the loan were ambiguous. In relation to the loan limit, the Agreements provided that the maximum loan amount would not exceed RMB20 million. BT is in the opinion that, in normal circumstances, if there is a difference between the agreed loan amount and the actual loan amount, parties should have entered into supplemental or new loan agreements instead. For the Commitment Letter, it was only stamped with the Company seal, which was not following the normal practice of stamping both the Company seal and the legal representative chop (or signed by the responsible Director) at the same time.

Furthermore, there are a number of circumstantial evidence rendering the validity of the agreements and/or the existence of the RMB15 million loan under the Commitment Letter doubtful:

- (i) assuming such Agreements and Commitment Letter do exist and are valid with full effect, there should have been repayment or demand for repayment by GD Aoyuan if GD Gudou defaulted in the payment in accordance with the Agreements and the Commitment Letter. Pursuant to the Agreements, the maturity date of the alleged loan is 12 months from the date of the Agreements,

- i.e. 15 July 2020 and pursuant to the Commitment Letter, GD Gudou should have repaid all the outstanding principal borrowed from GD Aoyuan with interest from 18 March 2023. However, up to the date of the Independent Review Report, no repayment of the outstanding principal nor the interests accrued was made by GD Gudou, and GD Aoyuan had not demanded any of the repayment until the end of 2022;
- (ii) according to the BT’s interview with Mr. Wang, while there was indeed deposit of RMB15 million by GD Aoyuan into the bank account of the Joint Operation on 18 March 2021 and withdrawal of such amount by GD Gudou on the same day, such withdrawal was for discharge of mortgage of the land, which is within the actual practices of the Joint Operation, even if it is outside of the envisaged co-operation mode by the parties;
 - (iii) Regarding a total sum of approximately RMB 42 million deposited by GD Gudou on 25 and 26 December 2019 respectively into the account of the Joint Operation, it was noted that such deposits carried the following purposes: (a) the sum of approximately RMB29 million for settlement of a withdrawal by GD Gudou; and (b) the remaining sum of approximately RMB13 million for the general working capital of the Joint Operation. It was also noted that GD Gudou had no knowledge on the reason of the withdrawal by GD Aoyuan on 26 December 2019;
 - (iv) the loan amount as stated in the Loan Agreements was “not exceeding RMB20,000,000” and “not exceeding RMB30,000,000” respectively. There were no definite amount and no supplemental agreements were entered into between the parties after the alleged corresponding fund remittance was made to conclude the actual loan amount;
 - (v) it was noted that only the company chop of the Group was used on the Commitment Letter, but there was no signature by representatives or legal representative chop of the Group on the commitment letter as evidence of approval;
 - (vi) according to the confirmation letters of GD Aoyuan for the financial years 2019, 2020 and 2021 respectively, there were no record of any principal lent to GD Gudou nor any interests accrued therein;
 - (vii) BT analysed the cash deposit and withdrawal record of both GD Aoyuan and GD Gudou with focus on the period from 1 July 2019 to 30 June 2023 and is in the opinion that there is no evidence suggesting that the fund flow between them during such period could be categorized as loan, borrowings or repayments as alleged by GD Aoyuan under the Agreements or the Commitment Letter;
 - (viii) based on BT’s discussion with management of the Company, the audit confirmations sent and received by the Company’s auditor for audit purpose did not include any balances/transactions that are loan in nature, which were also agreed by GD Aoyuan;

- (ix) GD Aoyuan had provided accounting records including ledger, balance sheets and profit and loss accounts for the Joint Operation in the previous periods, however neither loan nor interest payment in relation to purported loan agreements and the commitment letter were recognized in the accounting records prepared by GD Aoyuan themselves;
- (x) BT Corporate was given to understand that GD Aoyuan often demanded GD Gudou’s staff in the Joint Operation to handle the documents that required the use of the company chop within 10 to 15 minutes upon their request for the reason of the avoidance of delay in the progress of work in relation to the Joint Operation. As such, there was insufficient time for GD Gudou’s staff in the Joint Operation to review every single agreements provided by GD Aoyuan, and would lead to the unintentional use of the Company chop on the said Agreements and the Commitment Letter;
- (xi) according to the interview between BT and related GD Gudou’s staffs of the Joint Operation, (a) there has been no record of the Commitment Letters, Agreements or any other agreement made between GD Gudou and GD Aoyuan in the “Guideline for lending stamps and chops”* (“印章外借使用明細表”) between 1 July 2019 and 30 June 2023; (b) the stamping and/or chopping of the Commitment Letter and the Agreements are not recorded on the stamping register; (c) according to the reconciliation on the bank statements of the Joint Operation’s bank accounts, apart from one entry dated 25 September 2019 in relation to a sum of RMB7 million deposited by GD Aoyuan marked as a loan, no other entry during the period from 1 July 2019 to 30 June 2023 has been marked in the nature of the loan; and (d) according to the record of the Joint Operation’s bank accounts from 1 July 2019 to 30 June 2023, while both GD Aoyuan and GD Gudou from time to time deposited into and withdrew cash from the account, no wordings related to loans or interests were recorded in the notes to the financial statements; and
- (xii) none of the staffs confirmed that they have seen or have knowledge about these Agreements or the Commitment Letter before GD Aoyuan commenced the litigation on GD Gudou.

The Company also hereby discloses the general findings and the summarized recommendations (the “**Recommendations**”) from the Independent Review Report with the views of the Board as follows:

General Findings

General Finding 1: Insufficient supervision on the Joint Operation

Absence of internal control policies and procedures

During the investigation, BT discovered that GD Gudou does not have a designated internal control system in operating a joint operation/joint venture with independent third parties, so as to regulate the operation and supervision of such joint operation/joint venture.

Without an adequate written internal control system designated for joint operation/joint venture, it would be difficult for the management of the Company to regulate and coordinate the procedures for the operating and supervising such joint operation/joint venture. As such, GD Gudou's staff would be unclear to their roles and duties in the joint operation/joint venture, leading to the lack of management towards such joint operation/joint venture.

Insufficient regular written follow-ups on the construction progress

According to BT's interview with Mr. Leung Juquan, GD Gudou would only orally inquire GD Aoyuan's staffs on the construction progress of the Joint Operation on a non-regular basis. Without regular written communications to monitor the construction status, the management of the Company were difficult in ensuring there was effective supervision over the construction progress of the Joint Operation.

Absence of record for usage of seals and chops

According to BT's interview with the management of the Company, GD Gudou has made separate (i) legal representative chop of GD Gudou; (ii) chop designated for contract; and (iii) chop designated for financial use for GD Aoyuan to use. GD Aoyuan would circulate the relevant agreements and the updated register of contract for GD Gudou's review whenever GD Aoyuan used the chops as mentioned above.

However, BT discovered that GD Gudou heavily relied on GD Aoyuan's filing of the register of contracts and the record of the use of company chops in monitoring the usage of the Company chops. GD Gudou did not regularly ask GD Aoyuan's for the records (such as the register of contracts, the relevant agreements or the record of the use of the Company's chops) to supervise the usage of the Company chops.

In the absence of the reviewing of GD Aoyuan's record in using GD Gudou's chops, the management of the Company would be difficult to confirm or monitor the proper usage of the abovementioned chops.

Inadequate financial document filing system

According BT's interview with Mr. Wang and Ms. Fan, GD Aoyuan would send financial documents including but not limited to management accounts, general ledger and bank statements to GD Gudou to prepare the consolidated financial statements of the Group. When GD Aoyuan moved out from the office of the Joint Operation, they took away all the accounting vouchers and supporting documents which GD Gudou did not have any copies or records of such documents. Accordingly, the management of the Group was unable to verify or validate the financial information of the Joint Operation.

Insufficient supervision on the fund flow of the Joint Operation's bank accounts

According to BT's interview with the management of the Group, although the four bank accounts of the Joint Operation were under the name of GD Gudou, they were also managed by GD Aoyuan. At the same time, GD Aoyuan did not regularly monitor the background and nature of the fund flow in the bank accounts.

Lack of regular reconciliation of balances under the Joint Operation with GD Aoyuan

According to BT's interview with Mr. Wang, both GD Gudou and GD Gudou would have funding need in the course of the running the Joint Operation. In the event that either of the party have the funding need and there is sufficient funds in the Joint Operation account, both parties can, with the mutual consent of the parties, withdraw funding from the Joint Operation account and settle such withdrawal afterwards. Also, both GD Aoyuan and GD Gudou were able to withdraw or deposit funds into the bank accounts but there was no regular reconciliation of the records nor maintenance of any statement for record. Also, GD Gudou would only question GD Aoyuan when any issue arose. As such, it was difficult for GD Gudou to confirm the balance in the bank account of the Joint Operation of GD Gudou or GD Aoyuan respectively.

Recommendations

To address the findings as mentioned above, BT made the following recommendations:—

- (i) to design and implement a suitable internal control system for the Joint Operation;
- (ii) to design and implement a suitable bookkeeping system for the Group (including for the Joint Operation);
- (iii) to regularly follow-up with the construction progress and make written records of such follow-ups for review by the management;
- (iv) in case of business cooperation which the third parties require the uses of the Group's seals and chops, to appoint a responsible person to regularly obtain the agreements executed with the seals and chops and the updated contract register for supervision purpose. The related records should be reviewed by the management as well;
- (v) to avoid allowing any third parties to use bank accounts under the Group's name. If it happens, appoint a responsible person to regularly request from such third party all the bank statements and payment supporting documents and the responsible person shall sign off the bank statements for further reference; and
- (vi) to regularly reconciliation the financial statements with the cooperating third parties and request them to sign and chop to confirm any amounts receivable or payable for further reference.

General Finding 2: Lack of written record of the background check and site visit on GD Aoyuan

According to BT's interview with the management of the Company, prior to entering into the Joint Operation Agreement, the management of the Company had visited GD Aoyuan's projects to understand the sale of properties by GD Aoyuan. The management had also reviewed the financial report of GD Aoyuan to confirm whether GD Aoyuan was in good financial condition.

However, after such background check and site visit, GD Gudou did not produce corresponding written record. In the absence of the background check and site visit record, the management of the Company would find it difficult to ensure whether the selection of the any third parties as business partner(s) has undergone appropriate investigation and approval procedures.

Recommendations

To address the findings as mentioned above, BT made the following recommendations:—

- (i) to produce written record of any further background check and site visit for future cooperation with third parties; and
- (ii) to properly maintain such written record after related responsible persons have signed on it.

General Finding 3: Inadequate internal control

Inadequate system for using and managing seals

According to the “Usage and management system for company seals and chops”* (“公司印章使用及管理制度”) implemented by the Company since 9 September 2020, it included the template of the application form for using the company seals and chops and application form for lending out the seals and chops, seal management, scope of using the seals and chops and the process for lending out the seals and chops. However, it does not include the keeping and update of the forms nor the procedure of application and approval of using the seals and chops.

Lack of management system for signed agreements and commitment letters

According to BT's interview with Mr. Hon, generally the approval from Mr. Leung and Mr. Wang is needed for the Group to sign agreements except for substantial matters which would also involve Mr. Hon for decision making.

The Group did not implement a written management system in relation to agreements and commitment letters, including but not limited to the signing process of agreements and commitment letters, the bookkeeping of agreements and commitment letters, and the management and update of contract register.

Lack of management system for bank loans

According to BT's interview with Mr. Hon, the Group would only obtain loan facilities from banks and would not borrow from any other third parties. If the Group needed bank borrowings, all the related loan agreements would be signed or sealed by Mr. Hon himself on site.

However, there is no system and standardized procedure for obtaining loan facilities to regulate such process. Accordingly, it would be difficult for the management to regulate and unify the work procedures of the related staffs, leading to the failure to minimize the confusion arose among the daily operations.

Recommendations

To address the findings as mentioned above, BT made the following recommendations:—

- (i) to design and implement a proper and effective written strategy and system covering but not limited to:
 - (a) the keeping and update procedure for contract register and forms for using and borrowing of the company seals;
 - (b) application and approval procedure of using the seal;
 - (c) approval and signing procedure of agreements and commitment letters;
 - (d) handling procedure of agreements and commitment letters;
 - (e) approval limits of agreements and commitment letters; and
 - (f) management procedure of making bank loans.
- (ii) to ensure all the related staffs are informed of any designed and implemented strategy and system so that they can put them into practice.

General Finding 4: No proper execution of the relevant internal control system on using seals and chops

As mentioned above, the Group has implemented the “Usage and management system for company seals and chops”*. However, such system was not properly executed in certain circumstances. For instance, in relation to the execution of Joint Operation Agreement 1 and Supplemental Agreement 3, despite both agreements were duly executed by using the Company seal and the legal representative seal, the applicant only designed an “Agreement evaluation form” and filed the same for approval with signature by the relevant representatives and did not follow the rule in the “Usage and management system for company seals and chops”*, which is to file an application with the application form for using Company seal. According to representatives of the Company, such “Agreement evaluation forms” were already signed by Mr. Hon, Mr. Leung and Mr. Wang and hence there is no further need to file the application form.

On the other hand, according to BT’s understanding, if the Group needs to execute a bank loan agreement, the bank staffs generally would visit the Group’s office and request the legal representative of the Company to seal or sign the loan agreement on-site. However, before the bank loan agreement was chopped by the Company chop, the applicants would not file the application for the use of the chop and obtain written approval from relevant responsible persons.

Accordingly, the management of the Company was not able to effectively regulate and unify the approval process for using the seals and chops, causing confusion among the staffs.

Recommendations

To address the findings as mentioned above, BT made the following recommendations:–

- (i) to ensure all staffs strictly follow the existing “Usage and management system for company seals and chops”* and to ensure all staffs made their application for usage with the correct forms;
- (ii) to ensure an adequate approval procedure after the application has been filed and transferred to relevant authorized persons for approval.

General Finding 5: Absence of a litigation record

According to BT’s investigation, no records for litigation cases concerning GD Gudou have been made. Hence, the management could not effectively monitor the latest progress of each cases from time to time, leading to substantial risk of delaying follow-ups with the cases.

Recommendations

To address the findings as mentioned above, BT made the following recommendations:–

- (i) to implement a record system for litigation cases and appoint representative to update from time to time.

LIMITATIONS OF THE INDEPENDENT REVIEW REPORT

The findings of the Independent Review Report are subject to the following limitations:

1. Inability to conduct interviews with relevant parties

While BT intended to conduct interviews with as many relevant parties as possible, it was unable to conduct interviews with some of the parties, including GD Aoyuan and some of the major service providers.

2. Inability to obtain financial record and supporting document of the Joint Operation

As mentioned above, when GD Aoyuan moved out of the office of the Joint Operation, all the financial records and related supporting documents were taken away by them at the same time, which GD Gudou did not keep record of the same. Hence, BT could not conduct investigation on them.

3. Inability to obtain WeChat record of relevant staffs

According to BT's interview with Ms. Fan, there was a WeChat group for the Joint Operation's business communication inclusive of GD Aoyuan's staffs. However, most participants of such WeChat group did not use their real names or reflected their positions. In addition, when coordinating with participants in the WeChat group, Ms. Fan only needed to ensure that the counterparty is a staff from GD Aoyuan. As such, Ms. Fan would not verify and thus would not know the personnel who she was coordinating with. While such WeChat group was opened to deal with matters relating to personal salary tax, which is extremely important for the investigation, BT could not obtain the information of the WeChat group due to privacy reasons.

On the other hand, according to BT's interview with Mr. Li, he was mainly responsible for monitoring the arrival and departure of vehicles in the Gudou's business area and he would communicate with GD Aoyuan's staffs on the quality development of the Joint Operation. However, as Mr. Li changed his phone at the end of 2023 and no individuals had kept record on such correspondence, BT could not obtain these information for review.

4. Inability to verify the financial year confirmation letters with GD Aoyuan

The Group sent interview invitation emails to responsible individuals of GD Aoyuan relating to the Joint Operation on 22 December 2023 and 8 January 2024 respectively, but received no response as at the date of the Independent Review Report. Hence, BT could not confirm the content of confirmation letters in relation to the three financial years ended 31 December 2019, 2020 and 2021.

5. Absence of corporate computers provided to the Group's staffs

Most staffs of the Group were not equipped with corporate computers provided by the Group and the general communication means was by physical meetings and by WeChat. However, due to privacy reasons, BT could not obtain the relevant messages for review.

As mentioned above, as there were certain limitations to the conduct of the independent review, the Company has also engaged BT to conduct a data analysis report and inspect the electronic devices used by certain senior management who are involved in the operation of GD Gudou. Upon such inspection, BT concluded that there was no finding which suggests evidence to show that the relevant personnel have knowledge in or have discussed on the Agreements and the Commitment Letter.

Furthermore, there were also certain unsatisfactory electronic system using practice of GD Gudou which were identified:

Finding 1: Set up a corporate email server

According to BT, the Group's staffs used personal emails for business purposes, which created difficulties to distinguish between working emails and personal emails. Also, due to privacy reasons, individuals might be reluctant to allow inspection over their personal emails, leading to inconvenience for conducting investigation.

Accordingly, BT recommends the Company to issue an office email for each of the staffs for business communications, whereby such communication can be properly recorded. At the same time, in terms of protecting the Company's interests, a corporate email server should be used to keep the records emails on the server end.

Finding 2: Arrange Corporate WeChat

According to BT, the Group's staffs used personal account on WeChat for business purposes, which created difficulties to distinguish between private and work contacts and messages.

Accordingly, BT recommends the Company to create a corporate WeChat channel, which can be used for both internal and external communications, creating water mark on documents, setting document access limitations and centralizing login management.

If setting up a corporate WeChat does not meet the Group's business demands, the Group can consider setting up separate WeChat accounts for staffs and use such accounts for business communication. As a result, the Company can review the messages in relation to the Company's business whenever necessary.

Finding 3: Arrange mobile equipment

According to BT, the Group's staffs used personal cellphones for businesses. As such, due to privacy reasons, it would be difficult to obtain the personal cellphones for making static images for investigation.

Accordingly, BT recommends the Group to provide work cellphones for staffs for business communication. As such, the Group/investigators can obtain such work cellphones whenever necessary, which would increase control over the messages made for businesses.

Finding 4: Arrange corporate computer

According to BT, the Group did not provide individual computer for each of the staffs when conducting businesses. Thus, some of the staffs used their own personal computers at work. As such, staffs may not provide their personal computers to the investigator due to privacy reason to facilitate the investigation.

Accordingly, BT recommends the Group to arrange corporate computers for the staffs at work. The Group/investigators can then obtain such computers whenever necessary, which would increase control over the messages made for businesses.

Finding 5: Arrange document control measures

According to BT, the Group's staffs could use personal inventories for business communication, such as personal phones and personal computers, which makes the documentation of documents difficult, leading to the potential risk of loss and leakage of documents.

Accordingly, BT recommends the Group to arrange a document server to centralize the storage of documents in relation to the Group's businesses. Individuals can directly search for documents from such document server and record the processing work of the audit members when needed, resulting in the increased control over the documentation which in turn favours the protection of business.

THE BOARD'S VIEW AND RESPONSES AND CORRESPONDING REMEDIAL ACTIONS TAKEN

The Board has reviewed the Independent Review Report and the above recommendations made by BT. The Board agreed with the recommendations and has resolved that the recommendations shall be implemented as soon as practicable.

The Board, having reviewed the findings of the Independent Review Report, considered that despite the Loan Agreements have been determined by the Chinese Civil Judgement to be authentic, there is insufficient evidence to prove the validity of the Commitment Letter or the existence of the RMB15 million loan. It is possible that the Agreements and the Commitment Letter might have been chopped unintentionally and accidentally due to the internal control deficiency as mentioned above. In light of the fact that the integrity and validity of the Commitment Letter remains an issue to be concluded in the PRC civil action, the Board remains a conservative stance and shall further assess its position with regard to the Commitment Letter.

Regarding the fund flows, the Board agrees with BT's views that all fund flows, including the RMB 15 million, were only practices outside of the envisaged co-operation mode by the parties instead of loans, mainly due to (i) the information in the audit confirmations provided by the management of the Company; (ii) management of the Company confirmed that the audit confirmations were agreed by GD Aoyuan; (iii) BT's findings on the fund flow suggested that there were no interest payment to GD Aoyuan within period of investigation; and (iv) GD Aoyuan did not make any demand for repayment before 2023, by which the loans would have become due and payable if the loan agreement was valid. In particular, the RMB 15 million was crucial to the development of business of the Joint Operation, as GD Gudou, who was responsible for providing land under the Joint Operation Agreements, was in need for such fund to release of the mortgage of the land for the Joint Operation. Without such release of the mortgage in time, the Joint Operation would not be qualified to apply for a pre-sale permit from the Chinese Government and the business progress of the Joint Operation would be delayed. As such, while GD Gudou used the RMB 15 million deposited by GD Aoyuan, such usage was within the boundaries of the Joint Operation and not for private usage, suggesting that the nature of the RMB 15 million could not have been a loan.

On the other hand, the Board is well aware there has been a number of limitations which hindered BT's investigation as stated above. Nevertheless, the Board is in the opinion that BT has already exhausted all reasonable means to provide the full extent of findings and conclusion with practical recommendations to the Company and no additional steps could be taken to address the concerns. Therefore, the Board is of the view that the scope of the investigation is adequate and sufficient.

On the other hand, as at the date of this announcement, the Company has already adopted measures in response to the internal control deficiencies identified by BT, which include the acceptance of the recommendations made by BT and implementing corresponding measures in improving the monitoring, controlling, recording and filing of the matters concerning the members of the Group, so as to mitigate the relevant risks and to avoid similar issues from happening again. In particular, the Company has adopted the following major measures:

1. design and implement a suitable internal control system and bookkeeping system for the Group, in particular, the Group has implemented a set of project management guideline which includes internal control guidelines and bookkeeping guidelines for conducting projects with third parties;
2. strengthen the chops and seals using mechanism including (i) the implementation of guidelines for the process of approval and signing of agreements and undertaking letters and the corresponding filing system, (ii) regular training for staffs of the Group on such guidelines; and (iii) designating Mr. Hon Chi Ming and Mr. Huang Zhanxiong, the executive directors for the approval and using of chop and seals of the Group;
3. design and adopt a proper written strategy and system covering the procedure for updating the register of contract and forms for lending and using of company chops and seals, and approval, handling and recording procedures of agreements, etc.;
4. to follow up with the construction progress on a regular basis and maintain written records of such follow up;
5. to avoid allowing third parties to use bank accounts under the Group's name;
6. to regularly reconcile financial statements with cooperating parties;
7. devise a set of policies on background check and site visits on cooperating parties, and to maintain corresponding written record for approval from responsible person, chief financial controller and chairman of the Board;
8. implement a recording system of litigation cases and designated staff members to update the records from time to time;
9. to redesign the information technology usage protocol and system by various measures, such as arrange an office email for each of the staffs for main channel of business communications, adopt a corporate email server to allow records emails to be kept on the server, creation of a corporate Wechat Channel for internal and external communications, provision of work cellphones for staffs for business use, provision of official company computer for staff members' at work, and arranging a document server to centralise the storage of documents and records.

Furthermore, to strengthen the internal control of the Company, the Company has already engaged BT as an internal control consultant to further assess the overall internal control system of the Group and to assist on deploying any further remedial actions to be taken by the Company if necessary.

CONTINUED SUSPENSION OF TRADING OF SHARES

Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited has been suspended with effect from 1:00 p.m. on Tuesday, 28 March 2023 and will remain suspended until further notice.

Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, the following expressions have the following meanings in this announcement.

“BT”	BT Corporate Governance Limited
“China Aoyuan”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3883)
“Chinese Civil Judgement”	The Civil Judgement (2023) Guangdong 0705 Min chu No.2509* (民事判決書(2023)粵0705民初2509號)
“Commitment Letter”	The commitment letter made by GD Gudou in favour of GD in relation to RMB15 million
“GD Aoyuan”	Guangdong Aoyuan Co., Ltd.* (奧園集團(廣東)有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of China Aoyuan
“GD Gudou”	Guangdong Gudou Travel Group Company Limited* (廣東古兜旅遊集團有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of View Top
“Joint Operation”	The joint operation under the Joint Operation Agreements in relation to the Project
“Joint Operation Agreements”	Joint Operation Agreement 1 and Joint Operation Agreement 2

“Joint Operation Agreement 1”	The joint operation agreement made between GD Gudou and GD Aoyuan dated 16 July 2019 in relation to the Project
“Joint Operation Agreement 2”	The joint operation agreement made between GD Gudou and GD Aoyuan dated 30 June 2020 in relation to the Project
“Loan Agreements”	Loan Agreement 1 and Loan Agreement 2
“Loan Agreement 1”	The loan agreement made between GD Gudou and GD Aoyuan dated 13 November 2021 in relation to GD Aoyuan lending RMB20 million to GD Gudou with interest being 12% per annum
“Loan Agreement 2”	The loan agreement made between GD Gudou and GD Aoyuan dated 13 November 2021 in relation to GD Aoyuan lending RMB30 million to GD Gudou with interest being 12% per annum
“Mr. Hon”	Mr. Hon Chi Ming, Chairman of the Company
“Mr. Leung”	Mr. Leung Kui Chuen* (梁鉅泉先生), an executive director of the Company, a vice-president of GD Gudou and real estate general manager of GD Gudou
“Mr. Li”	Mr. Li Jun Chao* (李俊超先生)
“Mr. Wang”	Mr. Wang Jun* (王俊先生), an executive director of the Company, a vice-president of GD Gudou and chief financial officer of GD Gudou
“Ms. Fan”	Ms. Fan Qun Ya* (樊群雅女士), the financial manager of the Group
“Project”	The development of 8 pieces of land in Jiangmen of PRC by GD Gudou and GD Aoyuan
“PWC”	PricewaterhouseCoopers, auditor of the Company
“Supplemental Agreements”	Supplemental Agreement 1, Supplemental Agreement 2 and Supplemental Agreement 3
“Supplemental Agreement 1”	The supplemental agreement made between GD Gudou and GD Aoyuan dated 16 July 2019 in relation to the Project
“Supplemental Agreement 2”	The supplemental agreement made between GD Gudou and GD Aoyuan dated 31 October 2019 in relation to the Project

“Supplemental Agreement 3”	The supplemental agreement made between GD Gudou and GD Aoyuan dated 15 November 2021 in relation to the Project
“View Top”	View Top Holding Limited (景騰集團有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

* *For identification purpose only*

By order of the Board
GUDOU HOLDINGS LIMITED
Hon Chi Ming
Chairman and Executive Director

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. Hon Chi Ming, Mr. Huang Zhanxiong, Mr. Wang Jun and Mr. Liang Juquan, the non-executive Director is Mr. Tam Man Chiu, and the independent non-executive Directors are Mr. Wu Sai Him, Mr. Chan Cheuk Ho and Ms. Zhang Shaomin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.gudouholdings.com.