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Wuxi Life International Holdings Group Limited

悟喜生活國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

KEY FINDINGS AND RESULTS OF INTERNAL CONTROL REVIEW

This announcement is made by Wuxi Life International Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

References are made to the annual results announcement of the Company dated 27 June 2025 (the “**Announcement**”) in relation to, among others, the revised interim results, the internal control deficiencies and remedial measures of the Company. Unless the context otherwise requires, capitalised terms used herein have the same meanings as those defined in the Announcement.

THE INTERNAL CONTROL REVIEW

As disclosed in the Announcement, the Company has engaged SHINEWING Risk Services Limited (“**Shinewing**”) as the internal control auditor to conduct an internal control review with major scopes of the internal control review include, among others, approval and management of contracts, revenue recognition and reconciliation, accounts receivable management, accounting record, inventory management, financial results reporting and publication, and controls over invoice, chop and authorization signatory. The Group considered that the scopes of the internal control review would be able to address the deficiencies leading to the Revised Interim Results.

FINDINGS OF THE INTERNAL CONTROL REVIEW

Shinewing has identified eight key internal control deficiencies in total in the Group's internal control review, one of them was categorised as high risk and the remaining seven were categorised as medium risk, as set out in its report (the "**Internal Control Review Report**"). The management of the Group has reviewed such issues and deficiencies, and has taken appropriate actions and steps to address those internal control issues and deficiencies with reference to the rectification recommendations of Shinewing. The internal control issues identified by Shinewing and the Company's subsequent responses are set out below:

1. **Low staff awareness on internal control**

The Group has established internal control policies covering various business processes, including, among others, contract approval, seal usage approval, financial month-end closing procedures, preparation and review of accounting vouchers, invoice issuance, warehouse management and revenue recognition. However, the internal policies were not strictly followed or acknowledged by the staff, who were unable to clearly identify the specific control activities and requirements applicable to their job functions, reflecting a low level of awareness of the Group's internal control policies and, as a result, prescribed procedures were bypassed in practice.

Recommendations

Management should consider circulating all newly established or updated internal control policies and procedures to all staff during training sessions, and require each staff to attend the training sessions and ensure they have read, understood and will comply with the relevant policies.

Management should also consider formulating a formal internal control training plan, requiring all relevant staff to attend internal control training on at least annually, conducted by the CFO, the Head of Administration and Human Resources or other suitably qualified personnel, covering the content, importance and practical application of the Group's internal control policies and procedures, supplemented by real case studies. Internal control training should also be incorporated as a mandatory component of the induction programme for new staff, to ensure that new joiners understand the applicable policies and procedures before commencing their duties.

Management's Response

The Group has adopted the newly established and updated internal control policies and procedures and circulated to all staff during training sessions, and required each staff to attend the training sessions and ensure they have read, understood and will comply with the relevant policies. The Group has formulated a formal internal control training plan and provide training to all relevant staff on at least annually. Internal control training has been incorporated as a mandatory component of the induction programme for new staff.

Follow-up Review Results

All newly established and updated internal control policies and procedures have been circulated to relevant staff during physical training sessions, at which the relevant policies and procedures were explained to the staff to ensure they have read, understood and will comply with the relevant policies. Attending staff were required to sign in, and the attendance records have been properly retained by the Administration and Human Resources Department for future reference.

The Group has also formulated a formal internal control training plan. Internal control training will be provided to all relevant staff on at least annually. Training sessions in relation to financial and business workflows were conducted for relevant departments in December 2025 and on a monthly basis throughout 2026, of which the financial internal control training was conducted by the CFO/Finance Manager, covering financial work procedures, contract management, seal management, key points requiring attention and practical applications, including financial month-end closing, voucher management, invoice issuance, revenue recognition, cost recognition, account receivable and payable management and related party transactions management. All finance personnel attended the training, and the training records, including the date, trainer, topics covered and attendee list, have been properly retained by the Administration and Human Resources Department.

In addition, the induction programme for new staff includes an explanation of the Group's internal control policies and procedures, so as to ensure that new joiners understand the applicable policies and procedures before commencing their duties. The internal control policies and procedures are provided to new staff during the induction training session, at which the relevant policies and procedures are explained to the staff to ensure they have read, understood and will comply with the relevant policies. Attending staff are required to sign in to record their attendance. The attendance records would be retained by the Administration and Human Resources Department.

2. Contract Management – Contract Approval

The Group has established procedures, including due diligence requirements, review requirements and reporting requirements before signing any contract. According to the Company Contract Management Policy, prior to signing a contract, the contract handling officer, being the senior management of the department with positions that varies depending on the department initiating the contract, shall conduct due diligence on the counterparty (the other company/entity or individual) to understand their relevant background and situation. After confirming the business details with the counterparty, the contract handling officer shall draft the contract. The wording of the contract should be clear and accurate, and it should explicitly set out the specific rights and obligations of each party.

The contract draft shall first be reviewed by the department supervisor to confirm the authenticity and accuracy of the proposed terms. It shall then be reviewed by the legal advisor and the Finance Department to assess whether the proposed terms comply with applicable laws and regulations, and whether any financial risks exist. They shall also review the legality of the contract, as well as the completeness and feasibility of its terms and conditions, and report to the administrative director or the Chairman.

However, the company did not conduct the procedures as required. The staff were of low awareness of the procedures and requirements, and as such, no legal advisor reviewed the contract terms in relation to settlement and the evidence of CFO's approval was not required prior to contract signing and hence no such record were retained.

Recommendations

There was no application procedure in the system. An application procedure should be established and required to be initiated in the contract sealing application and approval process that was already set up in the DingTalk system in September 2024, for contract approval and seal usage approval. Management should require relevant personnel, namely the legal counsel, finance department, administrative supervisor and administrative director or the Chairman, to follow the established procedures for contract approval to ensure the accuracy of contracts and verify that they have undergone proper review. Relevant records should be properly retained for future reference.

Management should also consider regularly reviewing and refining the approval authority matrix to ensure its continued applicability and confirm the scope of approval responsibilities at each level.

All agreement terms should also be clearly defined and specific to ensure accuracy and prevent misunderstandings.

Management's Response

An application for contract approval and seal usage approval is required to be initiated in the DingTalk system, and the contract approval process has been updated to include approval from the legal counsel, finance department, administrative supervisor and administrative director or the Chairman, which the Company considered to have sufficient capacity. After the approval was completed, the contract could be entered by the legal representative of the relevant subsidiaries and the seal administrator could affix the seal. Contracts approval records are retained in the DingTalk System and Wechat record is no longer accepted.

Follow-up Review Results

The Group has updated the policies based on the actual process, which includes due diligence process, review process and approval process. The updated policies have been circulated to staffs, and each staff member has confirmed they understand the updated policies and will adopt in future operation. After the approval process was completed, the legal representative signed the contract for confirmation, and the seal administrator, which varies depends on the seal, affixed the official seal. The company seal and legal representative seal are managed by the Administrative director; the contract seal is managed by the Administration Department; and the financial seal and invoice seal are managed by the Accountant under the Finance Department.

In addition, the Finance Department will on a monthly basis and based on the actual application, review and confirm that the contract's execution aligns with the contract terms before payment approval.

3. Company Seal Management – Seal Usage Management

Prior to September 2024, there were no records of the relevant approval processes for using contract seal. The approval process mainly relied on verbal or WeChat communication. The Group has established procedures to standardize processes such as seal engraving, custody, usage, lending, and cancellation, but such procedures and processes were not acknowledged by the staffs. There were no retained approval records for seal usage requests prior to September 2024.

In addition, the subsidiaries of the Company, namely 浙江倉集供應鏈管理有限公司 (Zhejiang Cangji Supply Chain Management Co., Ltd.*) (“**Cangji Supply Chain**”), 杭州紫紅盒子數字傳媒有限公司 (Hangzhou Zihonghezi Digital Media Co., Ltd.*) (“**Zihonghezi**”), and 杭州悟喜數字信息發展有限公司 (Hangzhou Wuxi Digital Information Development Co., Ltd.*) (“**Wuxi Digital**”), have not established a seal lending register to record details of seal lending.

Recommendations

Management should require the Administrative director and the CFO to strictly implement the seal usage approval procedures for all of Cangji Supply Chain, Zihonghezi, and Wuxi Digital. Relevant records should be properly retained for future reference.

Additionally, management should consider promptly updating the content of the seal management procedures to ensure that the procedure accurately reflects the actual seal management responsibilities of each department and remains consistent with current practices. The procedure is refer to the ‘Seal Management Procedures’ which outline the responsibilities, access, and usage rules for each type of company seal (e.g., company seal, subsidiaries’ legal representative seal, contract seal, financial seal, invoice seal).

Every use of seals must be approved prior to application. The verification process includes the seal custodians checking whether the request aligns with the approved scope of use and whether all necessary documents have been reviewed and approved. Seals are strictly controlled and managed by designated personnel in each department (Administrative director for the company seal, Administrative Department for the contract seal, and Accountant under Finance Department for financial seal and invoice seal).

The Finance Department reviews and confirms that the contract's execution aligns with the contract terms before payment approval.

Management should require seal custodians to establish a register to record detailed information about lent-out seals, including the time, date, user, return time, and purpose of usage. The company seal and subsidiaries' legal representative seal are managed by the Administrative director; the contract seal is managed by the Administration Department; and the financial seal and invoice seal are managed by the Accountant under the Finance Department.

Management's Response

It has been stipulated that applicants must initiate seal usage requests in the system. After approval by the Administrative director and the CFO, the seal custodian will proceed with stamping.

Management has also updated the seal management procedures to align with actual practices.

A seal lending register has been established and is managed by the Director of Administration and Human Resources. It records detailed information about lent-out seals, including the time, date, user, return time, and purpose of usage.

Follow-up Review Results

The updated seal management procedure has been circulated to all the staffs, and each staff member has confirmed they understand the updated policies and will adopt in future operation.

The applicant initiated the seal usage application in the DingTalk system and attached the contract for approval. There is no threshold and all contract shall follow this process. The contract approval process has been updated to include approvals from the legal counsel, finance department, administrative supervisor, administrative director, and the Chairman (as applicable). Once the approval process has been completed, the legal representative of the relevant subsidiary signs the contract to confirm its validity, and the seal administrator, depending on the type of seal (e.g., Administrative director for the company seal, Administrative Department for the contract seal, or Accountant under the Finance Department for the financial and invoice seal), subsequently affixes the company seal according to established procedures.

Furthermore, the Group has updated the seal management procedures in accordance with the actual situation and as recommended above. The company seal and subsidiaries' legal representative seal are managed by the Administrative director; the contract seal is managed by the Administration Department; and the financial seal and invoice seal are managed by the Accountant under the Finance Department.

The Group has established the forms that specify details such as the borrower, purpose of usage, time of seal borrowing, return time, and are confirmed with the custodian's signature. Follow up verification process, including checking whether the request aligns with the approved scope of use and whether all necessary documents have been reviewed and approved by the seal custodians, will be conducted by the seal custodian.

4. Financial Month-End Closing Process

Accounting staff under Finance Department prepared the financial statement on a monthly basis and submit to the CFO via WeChat for review. The management system lacked the standardized procedures, resulting in the absence of proper approval records. There was no clear designated individuals responsible for maintaining, executing, and overseeing the approval processes. Additionally, the lack of detailed work guidelines led to unclear workflows and ineffective tracking mechanisms. Further, while the Group has established internal control policies, the policies were not strictly followed by staffs.

The following deficiencies were identified in the monthly closing process:

- (i) The finance department has not established a financial closing timetable and monthly closing checklist, failing to specify the monthly closing procedure, the responsible personnel, and the completion timelines for these procedures.
- (ii) The finance department did not prepare quarterly aging analysis reports for accounts receivable and accounts payable, hindering a comprehensive analysis of receivables and payables.
- (iii) Although the finance department has set up an intercompany transactions ledger to record internal transaction information, it only recorded monthly totals and does not input detailed information for each transaction into the internal transactions summary report.
- (iv) The finance department lacked an effective mechanism to identify related parties and related party transactions and failed to regularly update the related party list. Additionally, a related party list has not been established.

Nevertheless, no historical non-compliance incidents of GEM Listing Rules due to the above deficiencies were identified.

Recommendations

Management should consider the following measures:

- (i) Establish a monthly closing checklist to clarify the specific content of monthly closing procedure, standardize the target completion time for related processes, record the actual completion date and the responsible personnel for each procedure, and have relevant financial personnel sign off on the closing checklist after verification.
- (ii) Require the Finance Department to prepare the aging analysis of accounts receivable and accounts payable on a quarterly basis, submit it to management for monitoring of relevant procedures and review of the analysis, and subsequently implement follow-up actions based on the analysis.
- (iii) Require the Finance Department to record detailed information for each transaction in the internal transactions summary, specifying key details of each internal transaction.
- (iv) Establish a management mechanism for identifying related parties and related-party transactions, and designate relevant departments to compile and maintain a related-party list (including procedures for identifying related parties and maintaining the list, pricing of related-party transactions, reporting, recording transaction amounts, and monthly reconciliation and record-keeping for related-party transactions).
- (v) Incorporate the above procedures into relevant management policies, clearly designate individuals responsible for the formulation, execution, approval, and follow-up of these processes, and develop detailed work guidelines that explicitly define the specific responsibilities, workflows, and progress tracking mechanisms for relevant personnel under the finance department.

Also, it was recommended that regular training should be provided to employees at least annually, with the detailed explanations of the content and importance of internal control policies. The Company shall also strengthen communication and inform the employees if there are updates in policies via company emails and instant messaging platforms, and use real case studies to help employees fully understand the significance and practical application of the policies.

Management's Response

The Finance Department has formulated and reviewed certain policies and procedures, including related party transactions management policy, intra-company transaction management policy, account payable management policy, account receivable management policy, financial accounting policy, from time to time. Training has been provided to employees in accordance with the recommendation.

Follow-up Review Results

The updated financial closing policies has been circulated to all the staffs in the finance department, and each staff member has confirmed they understand the updated policies and will adopt in future operation. The finance department has established the monthly closing checklist, specifying closing tasks, dates, and other relevant details, which has been signed and confirmed by the accountant and the Chief Financial Officer.

The Sales Department is responsible for preparing the aging analysis report on a monthly basis, which categorizes and reviews overdue accounts based on their length of overdue. The aging analysis report is reconciled by the Finance Department, and confirmed by the accountant and approved by the CFO. Action plan is then formulated by the Finance Department for repayment collection. Subsequently, proactive measures are implemented by the Sales Department to remind customers and facilitate repayment. In particular, firstly is the reminder email or message to the client, then legal actions if necessary.

The requesting department/personnel submits internal transaction application based on business needs, detailing objectives, amounts, conditions, and supporting documents. The application is reviewed by relevant operation departments, with significant matters, such as connected transactions that met the disclosure threshold and the major contracts, requiring board approval. Upon approval, the requesting department/personnel initiates the seal usage application/contract approval in the DingTalk system and attached the contract for approval. After the approval is completed, the seal administrator affixed the seal/the contract is signed by the legal representative of the relevant subsidiaries. The details of internal transactions is updated to the summary by Finance Department. After execution, accounting record is timely recorded by Accountant within the month and reviewed by CFO. The Finance Department monitors the transaction and the internal transaction prices must not exceed market prices or fall below cost by reviewing the transaction and verifying the prices upon contract approval.

The Group has implemented the related party transactions management policy, outlining procedures for identifying related parties, pricing related party transactions, approving authorities, and information disclosure. Related parties are identified by the Group through both internal and external sources. Information is obtained from corporate registry records by the Administration Department and Finance Department, and is further verified and supplemented through enterprise information platforms, credit reports, bank records, and third-party disclosures. Shareholders holding 5% or more of the Company's shares, Directors and senior management are required to proactively submit related party information.

Additionally, the Chairman's Office has updated the list of related parties, specifying the names of related parties and their relationships with the Group. The list of related parties is updated on an ad-hoc basis when triggering events arise, such as changes in shareholding, appointment or removal of directors/supervisors/senior management, external investments, or the concurrent appointment or investment of related natural persons in outside entities, and a full review is performed annually.

The Company has provided training to employees in December 2025 and will provide update training annually or as when required. The training provided detailed explanations of the content and importance of internal control policies, and use real case studies to help employees fully understand the significance and practical application of the policies. If there are updates in policies, the Company will inform the employees via company emails and instant messaging platforms.

5. Voucher Management

After receiving supporting documents such as invoices, payment request forms, and bank receipts, accounting staff reviewed them and prepared accounting vouchers accordingly. These vouchers were then approved by the Chief Financial Officer (CFO) in the accounting system. However, some vouchers lacked review traces from the CFO, or the same individual was involved in both preparation and review.

Additionally, due to insufficient in-house accounting staff during their initial stages, Cangji Supply Chain, Zihonghezi, and Wuxi Digital outsourced their bookkeeping to a third-party agency. The company planned to terminate the third-party agency by the end of 2025. Starting from 2026, the Company's bookkeeping was fully handled by its in-house accounting staff, which has qualification and experience in accounting matters. For the third-party agency, it has completed the accounting and tax filing for December 2025, and its services has been fully terminated upon the completion of the document transfer. Nevertheless, the selected review entities have not established management policies to regulate the daily operations of the third-party bookkeeping agency, and there were no agency bookkeeping management standards or procedures for contract termination and handover.

Recommendations

Management should require that after accounting staff prepare vouchers, the CFO must review and approve them. Clear records of preparation and review should be maintained on the vouchers, and self-review by the same individual should be prohibited.

Management should develop written policies and procedures for the daily management of third-party bookkeeping agencies. These policies should be submitted to relevant management for approval. The Finance Department is responsible for the formulation of written policies and procedures for the daily management of third-party bookkeeping agencies. The written policy and procedure should be reviewed by CFO.

Management's Response

The finance department has configured the accounting system to require the accountant to prepare accounting vouchers, after which the Chief Financial Officer is responsible for reviewing and approving them. Self-review by the same individual is strictly prohibited and is controlled by access rights settings of the DingTalk system.

The third-party agency has already been fully terminated.

Regarding the daily management of third-party bookkeeping agencies, management has developed relevant management policies and procedures.

Follow-up Review Results

The Finance Department has configured the user access rights within the accounting system, segregating them based on employees' job duties. To maintain proper internal controls, accounting staffs are strictly prohibited from both preparing and approving the same accounting voucher. After the accounting staff prepared the accounting vouchers, they were reviewed and approved by the CFO. In March 2026, the position of Finance Manager was formally established, and the responsibilities for reviewing and approving the accounting vouchers that were previously undertaken by the CFO, were transferred to Finance Manager to further streamline the processes.

The Group has established the agency bookkeeping management standards, which clearly define the criteria for partner selection, scope of services, information security management, performance evaluation and assessment of the agency, as well as procedures for contract termination and handover.

6. Invoice Management

The selected review entities, being Cangji Supply Chain, Zihonghezi and Wuxi Digital, have established an invoice management policy for invoices issuance and approval. Upon review and approval by relevant personnel including CFO, the accounting staff issued the invoice via the Electronic Tax Bureau system and forward it to customer. However, the approval process mainly relied on verbal or WeChat communication prior to 2024. Thus, invoice issuance requests in 2024 did not retain approval records.

Recommendations

Management should require the Accountant under Finance Department to strictly follow the invoice approval process and retain records of management review during invoice issuance to protect the interests of the selected review entities. The applicant shall initiate the invoice application in the system with the signed contract and monthly settlement details, and approved by Head of Admin and HR, accountant and CFO (as the case may be).

Management's Response

The invoice issuance request and approval process have now been implemented in the system. Management also required applicants to initiate invoice issuance requests through the system with the signed contract and monthly settlement details, with invoices issued by the cashier only after completion of relevant approval process by Head of Admin and HR, accountant and CFO (as the case may be).

Follow-up Review Results

The applicant has submitted the invoice request through the system. The Accountant under Finance Department is responsible for performing the pre-issuance verification by confirming that the request has been properly approved in the system, and that the signed contract and monthly settlement details are consistent with the request.

After approval by the Director of Administration and Human Resources and the Chief Financial Officer, the cashier issued the invoice. As the invoices are required to be processed through the system, the approval process has been properly recorded.

7. Warehouse Management

Cangji Supply Chain utilizes cloud warehouses for inventory management; however, the relevant contract period was not monitored or renewed in a timely manner.

Cangji Supply Chain began leasing these cloud warehouses for inventory storage in 2024. However, it only signed a factory building lease contract with the lessor of Huizhou Cloud Warehouse, with a lease term from 1 November 2024 to 31 December 2024. It is understood that Cangji Supply Chain has not renewed lease contracts or warehouse management agreements with the cloud warehouses, nor has it paid the corresponding rental and service fees. Also, both finance staff and warehouse staff had the access to the inventory management system and communication primarily occurred through WeChat without proper record.

Recommendations

Management should consider signing formal lease contracts and warehouse management agreements with the cloud warehouses to specify the responsibilities and rights of all parties involved. Furthermore, management should promptly pay warehouse rental and service fees to prevent financial and credit issues arising from non-payment.

Additionally, management should strengthen the contract review process to ensure all agreements comply with regulatory requirements and legal provisions. Only warehouse staff should have physically access to warehouse. The inventory system should established individual warehouse system accounts for each user in the Finance and Warehousing department, and the processing of orders and the entire workflow of the warehouse, from goods receiving to outbound shipment, should be managed through the system instead of WeChat.

Management should also implement stringent settlement controls, enforcing multi-level approval processes and ensuring all fees are supported by verified documentation, including contract, payment approval record and bank slip. Timely payment of warehouse rental and service fees should be closely monitored by CFO.

Management's Response

Cangji Supply Chain has signed the 2025 inventory management agreement, with the term expiring on 31 December 2026 with optional renewal upon mutual agreement, with the cloud warehouse companies, clearly defining the responsibilities and rights of all parties involved. The relevant agreements have undergone an appropriate contract review process.

Follow-up Review Results

Cangji Supply Chain signed integrated warehousing and distribution service cooperation agreements with other new lessors in 2025, and submitted contract sealing applications via the system for approval by the relevant management. The Finance Department monitored warehouse contract renewal timelines to ensure timely renewals on a monthly basis before expiration dates, avoiding any potential operational disruptions. Additionally, Cangji Supply Chain initiated advance payment requests in accordance with the contract terms, which were approved by the relevant management, and the cashier processed the payments accordingly.

Only warehouse staff can physically access to warehouse. Personnels from the Finance and Warehousing teams are granted system access to oversee and manage inventory records. The inventory system has already established individual warehouse system accounts for each user. The processing of orders and the entire workflow of the warehouse, from goods receiving to outbound shipment, are managed entirely through the system. WeChat used solely for daily communication.

When goods arrive at the warehouse, receiving staff verifies the source of the goods against the purchase order and inspects the packaging, and signs on the delivery note as confirmation. The receiving staff then scans the barcode of each product to ensure it matches the purchase order information and record product details, quantities, models, and storage locations in the WMS system, and creating a system-generated stock-in record. Another warehouse staff is responsible for reviewing the stock-in record.

After a sales order is approved in the Wangdiantong WMS system, which is an existing system, the system automatically generates a packing task. The warehouse manager prepares a shipping order based on the sales order and arranges for shipment. The outbound staff verifies the quality and quantities against the order and the packing list for the items about to be dispatched to ensure consistency with the system's arrangement, and then record the dispatched items in the system, and confirm the outbound shipment.

8. Revenue Recognition

The Group did not establish clear revenue recognition policies specifying the revenue reconciliation process in accordance with the characteristics of each business segment (namely, product sales, advertising and e-commerce points management and redemption services, and merchant platform services) and applicable accounting standards, the personnel responsible for recognizing revenue, the recognition criteria, or the review procedures. As such, the financial personnel did not recognize revenue in accordance with the business practice of the Cangji Supply Chain, Zihonghezi, and Wuxi Digital, as well as the revenue recognition standards.

Cangji Supply Chain is principally engaged in sales of products, Zihonghezi is principally engaged in advertising and e-commerce points management and redemption services, and Wuxi Digital is principally engaged merchant platform services. There are no direct inter-group business between Cangji Supply Chain and Zihonghezi. Details are as follows:

Product Sales (Self-operated Goods)

Following the verbal agreement on pricing with the customer, the transaction executed after the contract was approved. However, bookkeeping errors were made due to unclear contract terms, which resulted from a lack of review by the legal advisor and relevant management on the contracts.

Cangji Supply Chain sold products to customers at the supply price listed in the product price list that was internally prepared and approved by the management of Cangji Supply Chain, which was prepared based on the selling price agreed with the customers in discussion, and recognized revenue in the month when the order was completed and the customer confirmed receipt. However, Cangji Supply Chain had not established product supply prices to confirm the selling price to customers. The framework agreement entered into between the Group and its customer was written in ambiguous wordings, the Group and the customer had deviations on the interpretation of the terms therein and encountered difficulties with the revenue recognition basis. Therefore, the finance department recognized revenue based on 70% of the customer's final retail price, and such arrangements were only verbally agreed upon between Cangji Supply Chain and the customer.

Advertising and E-commerce Points Management and Redemption Services

Zihonghezi's primary business involves providing customers with cash redemption services related to platform advertising and e-commerce points management programs through e-commerce platforms. Zihonghezi has not established service pricing guidelines and detailed specifications. Commission fees were primarily negotiated between the management and customers (e-commerce platform companies) based on business requirements. After discussions among the management, the service fee was reduced from 30%, being the maximum chargeable rate and the rate originally booked on the account, to 9% effective, which was the rate agreed with the customer.

Merchant Platform Services

Wuxi Digital's primary business involves introducing regional merchants to e-commerce platform customers, enabling them to directly sell goods or services to consumers on the e-commerce platform. The customer settled promotional commissions to Wuxi Digital based on the actual paid order amounts generated by regional merchants on the e-commerce platform, in accordance with the terms of the signed agreement.

However, bookkeeping errors were made due to unclear contract terms, which resulted from a lack of review by the legal advisor and relevant management. It is understood that since the method for calculating commissions was not clearly specified in detail in the agreement at the time, the finance department was unable to accurately understand the revenue recognition of Wuxi Digital, whether the commission should be calculated based on the order payable amount on the e-commerce platform, or according to the actual payment amount of the order, that is, the amount after deducting all discounts and offers.

Recommendations

Management should assess the business models of new revenue streams and develop standardized revenue recognition policies that align with applicable accounting standards. This process should include implementing structured review mechanisms and regularly updating policies to adapt to evolving business practices. Additionally, management should provide professional training for financial staff to ensure a comprehensive understanding of the characteristics of new revenue streams and related compliance requirements, and define clear roles and responsibilities for the staff involved.

Management should consider hiring financial personnel with relevant expertise to develop standardized revenue recognition policies in accordance with the characteristics of each business segment and accounting standards. This includes regularly reviewing the accuracy of accounting records, covering key areas such as revenue cutoff testing, revenue classification, and recognition timing. Additionally, enhancing professional training for existing financial staff is essential to ensure they fully understand the characteristics of each business segment and the application of relevant accounting standards. Financial personnel should follow the revenue recognition policy of each business segment and accounting standards.

At the same time, management should establish a revenue classification and recognition mechanism, formulating corresponding recognition policies based on the nature of each type of revenue. Furthermore, internal control processes should be improved to require business departments to provide the finance department with timely data and supporting documents related to marketing activities and revenue, ensuring accurate revenue categorization. Additionally, management should implement a regular review mechanism, where chief financial officer (CFO) periodically verify the accuracy of revenue classification and recognition, and retain relevant review records.

Product Sales (Self-operated Goods)

Management should require the accountant under the finance department to recognize and record revenue in the accounting system in the month when customers confirm receipt of goods, based on the sales prices specified and relevant supporting documents, including monthly settlement statement, detailing reconciliation dates, revenue amounts and store sources, should be attached for approval by the chief financial officer (CFO). Furthermore, management should consider revising the agreement to clearly stipulate the relevant cooperation arrangements in writing, in particular the price. The Company has established the policy “Enterprise revenue and cost recognition and audit management system” (企業收入與成本確認及審核管理制度), which include the details on the revenue classification and recognition criteria and revenue recognition process for each business segment.

Advertising and E-commerce Points Management and Redemption Services

Management should require the accountant under the finance department to recognize and record revenue in the accounting system at the 9% service fee rate in the respective month. Relevant supporting documents, including summary table based on Third-Party Flexible Employment Platform’s data and Withdrawal Reconciliation Settlement Sheet signed by Zihonghezi and its client, which included information including monthly settlement statement detailing order dates, order amounts, and total commissions for review by the e-commerce platform client, should also be attached for approval by the chief financial officer (CFO).

Merchant Platform Services

Management should require the accountant under the finance department to calculate commissions based on the agreed amount and recognize and record the revenue in the accounting system within the respective month. The calculation methodology of calculating according to the actual payment amount of the order, that is, the amount after deducting all discounts and offers, is adopted. Relevant supporting documents, such as monthly settlement statement, should also be attached for approval by the CFO.

In addition, management should consider revising the agreement to clearly define the relevant cooperation arrangements in writing.

Management response

Management has developed corresponding management policies in accordance with the nature of each business segment and the requirements of accounting standards. The finance team should analyze the business model and formulate the recognition policy, which should be approved by the CFO. In addition, the policy execution should undergo annual independent review by the internal audit function. These policies have been released to employees after approval by relevant management, and training has been provided by the CFO to financial personnel to explain the characteristics of each business segment and the application of relevant accounting standards.

Product Sales (Self-operated Goods)

Cangji Supply Chain has established supply prices and explicitly stipulated in the agreement that business will be conducted based on these supply prices. The finance department has recognized and recorded revenue in the accounting system in the month when customers confirm receipt of goods. The relevant supporting documents, including the monthly settlement statement detailing reconciliation dates, revenue amounts, and store sources, will be attached for CFO's review and approval. Management will also specify the terms in agreement as needed to clearly define price-related terms in writing.

Advertising and E-commerce Points Management and Redemption Services

Financial personnel has recognized and recorded revenue in the accounting system at the 9% service fee rate in the respective month. Relevant supporting documents, including monthly settlement statements detailing order dates, order amounts, and total commissions, will be attached for approval by the CFO.

Merchant Platform Services

The finance department has hired personnel with accounting qualification and experience in handling the accounting matters. In addition, other departments has hired personnel with relevant qualification and experience in accordance with the job functions. The accountant under the finance department calculated commissions based on the actual paid order amounts – i.e., the amounts after deducting all discounts and promotions – and recognize and record the revenue in the accounting system within the respective month. Relevant supporting documents, such as the monthly settlement statement based on the order's actual payment amount after deducting all discounts and offers, will also be attached for approval by the CFO.

Simultaneously, the aforementioned cooperation arrangements, being that the agreement stipulates that the client shall pay Wuxi Digital an agreed agency commission based on a fixed percentage of the actual paid order amounts for all valid orders of each merchant – i.e., the amounts after deducting all discounts and promotions, will be added to the agreement to clearly define the terms with customers in writing.

Follow-up Review Results

The updated management policies in accordance with the nature of each business segment and the requirements of accounting standards has been completed and circulated to all the staffs in the Finance Department, and each staff member has confirmed they understand the updated policies and will adopt in future operation. In particular, all contracts were required to be reviewed by legal advisor before execution. Currently, the business segments consist of product sales, advertising and e-commerce points management and redemption services, and merchant platform services, remain the core focus, and no new revenue streams were introduced during the follow up review period.

The revenue recognition policies will be reviewed at least annually by the Finance Manager and CFO to ensure alignment with business practices and updated accounting standards. Training on revenue recognition was provided in April 2026 by the Finance Manager to the finance personnel, with refresher training to be conducted at least annually. The CFO periodically reviews the accuracy of revenue classification, cutoff and recognition timing, and the review records are retained by the Finance Department.

Product Sales (Self-operated Goods)

Cangji Supply Chain has established a detailed product and price list, specifying product names and supply prices, which is included as an attachment to the cooperation agreement signed with customers, and Cangji Supply Chain shall supply goods to customers based on the product catalog and unit supply prices specified. Additionally, Cangji Supply Chain has implemented a monthly settlement statement, detailing reconciliation dates, revenue amounts, store sources, and other information, which is confirmed with official seals by Cangji Supply Chain and the client, is attached for CFO review and approval on a monthly basis.

The accountant under the finance department, has followed the policy “Enterprise revenue and cost recognition and audit management system” (企業收入與成本確認及審核管理制度), which included the details on the revenue classification and recognition criteria and revenue recognition process for each business segment. The CFO, who has over 16 years of experience in accounting and finance and a Certified Management Accountant (CMA), is responsible for review. The above policy is reviewed on an annual basis by the CFO and signed on the Management Policy Approval Form as evidence of approval.

Advertising and E-commerce Points Management and Redemption Services

The accountant under the finance department has recognized and recorded revenue in the accounting system at the 9% service fee rate in the respective month and relevant supporting documents, including monthly settlement statements detailing order dates, order amounts, and total commissions, are attached for review by the CFO on a monthly basis. The CFO, who has over 16 years of experience in accounting and finance and a CMA, is responsible for review.

Merchant Platform Services

Wuxi Digital and the client have signed the agreement which stipulates that the client will pay Wuxi Digital an agreed agency commission of the cumulative payment amount of all valid orders for each merchant. The agreement also clearly states that Wuxi Digital must submit a monthly commission settlement reconciliation statement for review by the e-commerce platform client. Financial personnel have prepared a monthly settlement statement detailing order dates, order amounts, and total commissions. The CFO, who has over 16 years of experience in accounting and finance and a CMA, is responsible for review.

VIEWS OF THE BOARD

Based on the independent work performed by the Internal Control Consultant, the Internal Control Consultant considered that the Group has demonstrated that it has implemented all the major internal control measures recommended, and the Internal Control Consultant did not identify any deficiencies in internal control measures in relation to the above-mentioned issues during the follow up review.

Having considered the Internal Control Review Report and the remedial actions taken by the Group, in particular, Shinewing had performed follow-up reviews on the enhanced internal control measures adopted by the Group, the Audit Committee and the Board are of the view that (i) the above key internal control deficiencies have been remediated and the related risks have been managed to a reasonably acceptable level; and (ii) the remedial actions and improvement measures implemented by the Group are adequate and sufficient to address the key findings of the Internal Control Review Report.

By Order of the Board
Wuxi Life International Holdings Group Limited
Liu Guanzhou
Chairman

Hong Kong, 6 October 2026

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Liu Guanzhou (*Chairman*)

Ms. Liu Xingmei

Mr. Choi Pun Lap

Non-executive Directors:

Ms. Li Hui Ling

Ms. Yan Dandan

Independent non-executive Directors:

Ms. Lai Pik Chi, Peggy

Mr. Fu Yan Ming

Mr. Xia Qiankun

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.wuxilife.com.hk.