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INSIDE INFORMATION

This announcement is made by Kangqiao Service Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XVIA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcement of the Company dated March 31, 2023 (the “**Announcement**”) in relation to a letter from the Auditor to the Audit Committee dated March 30, 2023 (the “**Auditor’s Letter**”). Unless otherwise stated, terms used in this announcement shall have the same respective meanings as those defined in the Announcement.

In the Auditor’s Letter, the Auditor identified two guarantees were omitted from the list of the Group’s guarantee obligations in favour of external parties provided by the Company to the Auditor. A summary of the key content of the Auditor’s Letter is as follows:

1. Based on its news search, the Auditor noted that Zhengzhou Intermediate People’s Court had issued an execution ruling (the “**Execution Ruling**”) against Henan Kangqiao Yueshenghuo Business Service Co., Ltd. (河南康橋悅生活商務服務有限公司) (“**Henan Kangqiao Yueshenghuo**”), a wholly-owned subsidiary of the Company. On March 24, 2023, the Company explained to the Auditor that the Execution Ruling was related to a guarantee provided by Henan Kangqiao Yueshenghuo in December 2021, as part of the financing arrangement of certain group companies of a related party of the Company (“**Kangqiao Property Development Group**”), in favour of a financial institution (the “**Property Development Guarantee**”). The financing arrangement of the Kangqiao Property Development Group was for an amount of approximately RMB355 million.
2. The Company acquired 51% of the equity interest in Henan Dingfeng Property Service Co., Ltd. (河南鼎峰物業服務有限公司) (“**Dingfeng Property**”) from Luoyang Yuanxuan Trading Co., Ltd. (洛陽源軒商貿有限公司) (“**Yuanxuan**”) in October 2021. During the audit process for the 2022 Annual Results, the Company had informed the Auditor that approximately RMB2.3 million in a bank account of Dingfeng Property was frozen (the

- “**Frozen Bank Account**”), which was consistent with the information obtained by the Auditor from the relevant bank. However, the bank also noted that the upper limit of the freezing order on the Frozen Bank Account amounted to approximately RMB186 million, even though the actual amount frozen was only RMB2.3 million. On March 24, 2023, the Company explained to the Auditor that the freezing order related to a default of the repayment obligations of a related party of Yuanxuan, over which Dingfeng Property had provided guarantee (the “**Dingfeng-Yuanxuan Guarantee**”). The Dingfeng-Yuanxuan Guarantee existed prior to the Company’s acquisition of 51% of the equity interest in Dingfeng Property from Yuanxuan.
3. The Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee were not included in the list of the Group’s guarantee obligations in favour of external parties provided by the Company to the Auditor, nor were they included in the credit reports (企業信用報告) of Henan Kangqiao Yueshenghuo or Dingfeng Property (the “**Credit Reports**”). In light of the above, the Auditor expressed concern over the completeness of the list of the Group’s guarantee obligations in favour of external parties provided by the Company to the Auditor. Further, the Auditor noted that pursuant to the Hong Kong Financial Reporting Standards, the Property Development Guarantee and Dingfeng-Yuanxuan Guarantee should be assessed so as to ascertain their respective expected credit losses.
 4. Apart from seeking further particulars on the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, the Auditor requests the Company perform the following tasks, including but not limited to:
 - a. Provide reasons that the Company did not disclose to the Auditor or include in the Credit Reports and the list of litigations provided by the company to the Auditor the Execution Ruling, the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, and explain whether there were any deficiencies in the Group’s internal control in relevant processes;
 - b. Obtain opinions from the Company’s compliance consultant and legal advisers on the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, and provide the Company’s plan to rectify any non-compliance issues with the Property Development Guarantee;
 - c. Assess the expected credit losses of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, and their impact (if any) on the 2022 Annual Results;
 - d. Provide a complete list of the Group’s guarantee obligations in favour of external parties as of December 31, 2022, and a list of assets securing the repayment obligations under the main financing documents; and
 - e. Provide the relevant approval documents, guarantee contracts, main financing documents and an assessment on the expected credit losses of the Group’s guarantee obligations in favour of external parties as of December 31, 2022; if the guarantees were related party transactions, provide opinions from the Company’s compliance consultant and legal advisers on whether there were any non-compliance issues, and the Company’s plan to rectify such non-compliance issues.
 5. Further, the Auditor recommends the Audit Committee to establish an independent investigation committee, and engage an independent third-party investigator to assist in investigating the aforementioned matters.

In light of the issues raised in the Auditor’s Letter, the Board has engaged a valuation expert to assess of the expected credit losses of the Group’s guarantee obligations in favour of external parties as of December 31, 2022, including that of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, and their impact (if any) on the 2022 Annual Results.

Further, on April 4, 2023, the Audit Committee resolved to establish an independent committee (the “**Independent Committee**”) of the Board, comprising all the independent non-executive directors of the Company. The Independent Committee has engaged Grant Thornton Advisory Services Limited to assist them in conducting an independent investigation on the issues raised by the Auditor. Further, the Company plans to engage an internal control consultant to review the internal control procedures of the Group. The Company will make further announcement(s) in relation to the progress as and when appropriate.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on April 3, 2023 pending the release of the 2022 Annual Results. Shareholders and potential investors should consider the relevant risks and exercise caution when dealing in the shares of the Company and, if in doubt, seek professional advice from their professional or financial advisers.

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

By order of the Board
Kangqiao Service Group Limited
SONG Gewei
Chairman

Hong Kong, April 18, 2023

As at the date of this announcement, the Board comprises Mr. SONG Gewei as the chairman and non-executive director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as executive directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as independent non-executive directors.