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## **FULFILMENT OF RESUMPTION GUIDANCE**

**AND**

## **RESUMPTION OF TRADING**

### **FULFILMENT OF RESUMPTION GUIDANCE**

As at the date of this announcement, the Company has fulfilled the Resumption Guidance.

### **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended since 9:00 a.m. on April 3, 2023. As the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on December 21, 2023.

References are made to the announcements of Kangqiao Service Group Limited (the “**Company**”) dated March 31, 2023, April 18, 2023, April 25, 2023, May 31, 2023, June 30, 2023, July 28, 2023, August 11, 2023, October 5, 2023, and October 16, 2023 in relation to, inter alia, (i) suspension of trading; (ii) delay in publication of annual results for the year ended December 31, 2022 and delay in despatch of annual report; (iii) resumption guidance; (iv) quarterly update on status of resumption; (v) the annual results for the year ended December 31, 2022; (vi) the interim results for the six months ended June 30, 2023; and (vii) key findings and results of independent investigation and internal control review (together, the “**Announcements**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise specified.

### **BACKGROUND**

As disclosed in the announcement of the Company dated March 31, 2023, the Company was unable to publish the 2022 Annual Results on or before March 31, 2023 as additional time was required for the Company to address certain issues raised by the Auditor in a letter dated March 30, 2023. Trading in the Shares on the Stock Exchange was suspended since 9:00 a.m. on April 3, 2023.

## RESUMPTION GUIDANCE

On March 30, 2023, the Audit Committee received a letter from the Auditor, expressing concerns over the omission of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee from the list of the Group's guarantee obligations in favour of external parties provided by the Company to the Auditor. The Auditor recommends that the Audit Committee establish an Independent Committee, and engage an independent third-party investigator to assist in investigating the issues raised by the Auditor. On May 24, 2023, the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the Shares of the Company on the Stock Exchange (the "**Resumption Guidance**"). Since the Company was unable to publish the annual results, aside from the issues raised by the Auditor, the Stock Exchange also raised concerns over whether the Company complies with the continuing obligation to maintain sufficient operations and assets under Rule 13.24 of the Listing Rules. Pursuant to the Resumption Guidance, the Company shall:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications ("**Resumption Guidance 1**");
- (b) conduct an appropriate independent investigation into the omission of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee from the guarantee obligation list provided by the Company to the Auditor, assess their impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions ("**Resumption Guidance 2**");
- (c) conduct an independent Internal Control Review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules ("**Resumption Guidance 3**");
- (d) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules ("**Resumption Guidance 4**"); and
- (e) inform the market of all material information for the Company's shareholders (the "**Shareholders**") and other investors to appraise the Company's position ("**Resumption Guidance 5**").

## FULFILMENT OF RESUMPTION GUIDANCE

As at the date of this announcement, the Company has fulfilled the Resumption Guidance.

Details of the fulfilment of the Resumption Guidance are set out below:

### 1. **Resumption Guidance 1 - publish all outstanding financial results required under the Listing Rules and address any audit modifications**

The Company published the 2022 Annual Results on July 28, 2023, the 2022 Annual Report on August 11, 2023, the interim results for the six months ended June 30, 2023 on August 31, 2023, and the interim report for the six months ended June 30, 2023 on September 15, 2023 (the "**2023 Interim Report**"). The Company has no outstanding financial results required to be published under the Listing Rules. There is no audit modification in the 2022 Annual Results.

In respect of the issues raised in Auditor's letter dated March 30, 2023, the Auditor performed audit procedures during the audit of FY2022 (as defined below), including but not limited to the following:

- 1) Examined the Independent Investigation Report (as defined below), and assessed the investigation procedures and results with assistance of the Auditor’s internal forensic specialist;
- 2) Examined the Internal Control Report (as defined below), and assessed the impact of the identified internal control deficiencies;
- 3) Examined, on a sample basis, the transactions that were approved by the relevant management personnel identified in the Independent Investigation Report (as defined below);
- 4) Examined management’s assessment of expected credit losses of the financial guarantees, details of which are included in pages 99 to 100 of the 2022 Annual Report;
- 5) Examined the credit reports of the PRC subsidiaries of the Group at FY2022 year end, which were issued by the Credit Reference Center of People’s Bank of China;
- 6) Examined the list of litigations of the Group provided by management, and performed litigation search for the Group during the year and up to the date of auditor’s report.

**2. Resumption Guidance 2 - conduct an appropriate independent investigation into the omission of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee from the guarantee obligation list provided by the Company to the Auditor, assess their impact on the Company’s business operation and financial position, announce the findings and take appropriate remedial actions**

As disclosed in the announcement of the Company dated October 16, 2023 (the “**Key Findings Announcement**”), the Board had established the Independent Committee and appointed Grant Thornton Advisory Services Limited as the Independent Investigator to conduct the Independent Investigation. The scope and major investigation procedures conducted by the Independent Investigator as well as key findings of the Independent Investigation are set out in the Key Findings Announcement.

**Key findings of the Independent Investigation**

Key findings of the Independent Investigation are summarised as follows:

***The Property Development Guarantee***

**(a) Background**

The Auditor identified the Execution Ruling issued by the Zhengzhou Intermediate People’s Court (鄭州市中級人民法院) against Henan Kangqiao Yueshenghuo, a wholly-owned subsidiary of the Company. The Company explained to the Auditor that the Execution Ruling was related to the Property Development Guarantee, which was provided by Henan Kangqiao Yueshenghuo in December 2021 as part of the financing arrangement of the Kangqiao Property Development Group in favour of China Huarong Asset Management Co., Ltd. Henan Branch (中國華融資產管理股份有限公司河南省分公司) (“**Huarong**”). The financing arrangement of the Kangqiao Property Development Group was for an amount of approximately RMB355 million.

Based on the information available, the Independent Investigator independently ascertained the circumstances surrounding the execution of the Property Development Guarantee, and identified the key personnel involved, the reasons for the omission of the Property Development Guarantee from the list of guarantees provided to the Auditor, and whether the Property Development Guarantee was carried out in accordance with the internal control procedures of the Group.

## **(b) Findings**

### *(i) Execution of the Property Development Guarantee*

In December 2020, Huarong extended a loan to the Kangqiao Property Development Group, with the secured assets, mortgages and guarantee provided by the affiliates of Kangqiao Property Development Group serving as security. Additionally, our non-executive Director, Mr. Song Gewei (“**Mr. Song**”), who is also the ultimate beneficial owner of Kangqiao Property Development Group, personally guaranteed the loan. Subsequently, in or around late November to December 2021, Huarong requested for additional guarantee, specifically asking for a guarantee from Henan Kangqiao Yueshenghuo for the repayment liability of Kangqiao Property Development Group under the loan.

Thus, a finance personnel of the Kangqiao Property Development Group, approached Mr. Dai Wei (“**Mr. Dai**”), the legal representative (法定代表人) of Henan Kangqiao Yueshenghuo and an executive Director.

The finance personnel of the Kangqiao Property Development Group represented to Mr. Dai, among other things, that the value of the secured assets under the loan was approximately twice the amount of the loan itself. Besides, upon request by Mr. Dai, a company from the Kangqiao Property Development Group would provide a counter-guarantee to offset Henan Kangqiao Yueshenghuo’s liability under the Property Development Guarantee. Upon consideration of these factors and without proper guidance from clear internal policies on the provision of external guarantees, Mr. Dai concluded that the risk exposure to the Group would be relatively low, and thus did not report to the Board. Mr. Dai was not alert to the fact that the provision of the Property Development Guarantee falls under Chapter 14 and 14A of the Listing Rules.

In December 2021, in his capacity as the legal representative of Henan Kangqiao Yueshenghuo, Mr. Dai signed the sole shareholder’s resolution of Henan Kangqiao Yueshenghuo and the Property Development Guarantee agreement respectively, the drafts of which were both prepared by Huarong.

Seeing that Mr. Dai has signed on the Property Development Guarantee, the relevant administrative staff presumed that it had been duly approved, and therefore approved the use of Henan Kangqiao Yueshenghuo’s company seal on the Property Development Guarantee to complete its execution. No relevant record of the use of Henan Kangqiao Yueshenghuo’s company seal was made in the relevant seal use register.

On December 20, 2021, a company from the Kangqiao Property Development Group, i.e. Beijing Tongdao Shenghe Investment Co., Ltd. (北京同道聖合投資有限公司) (currently known as Beijing Kangqiao Tongdao Shenghe Consulting Group Co., Ltd. (北京康橋同道聖合諮詢集團有限責任公司)) (“**Beijing Tongdao**”), provided a counter-guarantee in favour of Henan Kangqiao Yueshenghuo under the Property Development Guarantee.

Separately, Mr. Song was informed by staff members of the Kangqiao Property Development Group via an instant messaging platform that Henan Kangqiao Yueshenghuo had been asked to provide a guarantee in favour of Huarong, and he duly acknowledged the receipt of these messages. As Mr. Song takes on a non-executive role of the Company and does not participate in the day-to-

day operations or decision-making processes of the Company, he did not take part in the approval process of the Property Development Guarantee.

At the relevant time, the Group did not have an internal policy specifically addressing the proper reporting process for the provision of guarantee and the execution of related documents. Thus, the execution of the Property Development Guarantee was not duly recorded or reported to the relevant departments. Save for Mr. Dai and Mr. Song, the rest of the Board was not notified of the provision of the Property Development Guarantee.

*(ii) Enforcement actions by Huarong*

From November 2022 to March 2023, Huarong carried out a series of enforcement actions against Kangqiao Property Development Group for the outstanding amount under the financing arrangement. As guarantors to the financing arrangement, Henan Kangqiao Yueshenghuo and Mr. Song were named as parties to the proceedings and/or settlement agreement. Details of the enforcement actions are as follows:

- On November 2, 2022, Huarong commenced proceedings in the Zhengzhou Intermediate People’s Court against, among other parties, Henan Kangqiao Yueshenghuo, for, inter alia, the outstanding amount of approximately RMB355 million under the financing arrangement with Kangqiao Property Development Group, as well as the liquidated damages for breach of the financing terms and compensation for the extension of the grace period for repayment.
- On December 2, 2022, Huarong entered into a settlement agreement (調解協議) (the “**Settlement Agreement**”) with, among other parties, Henan Kangqiao Yueshenghuo. Under the Settlement Agreement, the relevant parties reached a mediation consensus on the settlement of the financing arrangement, including the addition of Kaifeng Kangxiang Real Estate Development Co., Ltd. (開封康祥房地產開發有限公司), a company under the Kangqiao Property Development Group, as a joint debtor. Having received authorization from a staff member of the risk management department, a staff member of the legal department of the Group presumed that it was duly approved, and thus had signed on the Settlement Agreement on behalf of Henan Kangqiao Yueshenghuo and applied the company seal of Henan Kangqiao Yueshenghuo. No relevant record of the use of Henan Kangqiao Yueshenghuo’s company seal was made in the relevant seal use register.
- On January 16, 2023, the Zhengzhou Intermediate People’s Court issued a civil mediation agreement (民事調解書) (case number: (2022) 豫 01 民初 1155 號) (the “**Civil Mediation Agreement**”), confirming the salient terms of the Settlement Agreement.
- On March 7, 2023, Huarong submitted its request for enforcement actions to the Zhengzhou Intermediate People’s Court as provided for under the Civil Mediation Agreement.
- On March 22, 2023, the Zhengzhou Intermediate People’s Court issued the Execution Ruling, ordering the due performance of the Civil Mediation Agreement by the parties to the Civil Mediation Agreement.

The enforcement actions were not filed or recorded on the litigation list of the Group, as the staff member of the legal department of the Group who handled the case considered that the Group was not a primary responsible party under the enforcement actions and therefore the relevant risks were relatively remote.

*(iii) Discharge of the Property Development Guarantee*

On March 31, 2023, Huarong issued a statement of discharge of guarantee (the “**Discharge**”) to Henan Kangqiao Yueshenghuo, thereby voluntarily discharging all obligations of Henan Kangqiao Yueshenghuo under the Property Development Guarantee and the Civil Mediation Agreement, and relinquishing any right to the enforcement actions Huarong may have under the said agreements.

The Group has been advised by its PRC legal advisor that the Discharge is valid and enforceable under the PRC law, and that the Group has been released from the Property Development Guarantee.

***The Dingfeng-Yuanxuan Guarantee***

**(a) Background**

The Company acquired 51% of the equity interest in Dingfeng Property from Yuanxuan in October 2021 (the “**Dingfeng Acquisition**”). Henan Dingfeng’s revenue for FY2022 accounts for 3.95% of the Group’s total revenue for FY2022. As of June 30, 2023, Henan Dingfeng’s assets represents 3.38% of the Group’s total assets.

During the audit process for the 2022 Annual Results, the Auditor noted the bank account status of Dingfeng Property was frozen as of December 31, 2022. The Company explained that there was a freezing order related to a default of the repayment obligations of a related party of Yuanxuan over which Dingfeng Property had provided the Dingfeng-Yuanxuan Guarantee, and the upper limit of the freezing order (執行裁定書) was approximately RMB186 million. The Dingfeng-Yuanxuan Guarantee existed prior to the Dingfeng Acquisition. Based on the information available, the Independent Investigator independently ascertained the circumstances surrounding the execution of the Dingfeng-Yuanxuan Guarantee, and identified the key personnel involved, the reasons for the omission of the Dingfeng-Yuanxuan Guarantee from the list of guarantees provided to the Auditor, and whether the Dingfeng-Yuanxuan Guarantee was carried out in accordance with the internal control procedures of the Group.

**(b) Findings**

Based on the major investigation procedures as set out above, the key findings of the Independent Investigation are as follows:

*(i) Provision of the Dingfeng-Yuanxuan Guarantee in favour of Tibet Yuteng (as defined below)*

Prior to the Dingfeng Acquisition, in or around June 2017 and October 2020 respectively, Dingfeng Property, among others, provided the Dingfeng-Yuanxuan Guarantee in favour of Tibet Yuteng (as defined below). Mr. Duan Qiujun (段秋军) (“**Mr. Duan**”), being the legal representative of Dingfeng Property at the relevant time, executed the Dingfeng-Yuanxuan Guarantee on Dingfeng Property’s behalf in October 2020. Under the Dingfeng-Yuanxuan Guarantee, Dingfeng Property, being one of the guarantors, guarantees the cash payment obligation and the performance of the redemption obligation of Henan Ruipeng Biotechnology Co., Ltd. (河南瑞鵬生物科技有限公司) (“**Henan Ruipeng**”) and Guan Xiaoyan (關曉彥) (who is an acquaintance of Mr. Duan, the shareholder of Dingfeng Property), which arose from certain investment agreements between Henan Ruipeng, Guan Xiaoyan (關曉彥) and Tibet Yuteng Enterprise Management Co., Ltd. (西藏裕騰企業管理有限公司) (“**Tibet Yuteng**”), among other parties (the “**Investment Agreements**”).

The Company confirmed that, save as Mr. Duan being the 49% shareholder of Henan Dingfeng, Mr. Duan, Mr. Guan Xiaoyan, Henan Ruipeng, and Tibet Yuteng are independent third parties of the Group.

*(ii) Acquisition of 51% of the equity interest in Dingfeng Property without knowledge of the Dingfeng-Yuanxuan Guarantee*

During the process of the Dingfeng Acquisition, the Group conducted financial and legal due diligence exercises on Dingfeng Property, and the due diligence process consists of reviewing relevant financial information and making due enquiries with the management of Dingfeng Property regarding guarantees and loans, however, the management of Dingfeng Property did not disclose the Dingfeng-Yuanxuan Guarantee. Staff members of the Group also reviewed, inter alia, the corporate credit report of Dingfeng Property issued by the Credit Reference Center, the People's Bank of China (中國人民銀行徵信中心), which did not disclose the Dingfeng-Yuanxuan Guarantee.

With no knowledge of the existence of the Dingfeng-Yuanxuan Guarantee, on September 2, 2021, Kangqiao Yueshenghuo Service Group Co., Ltd. (康橋悅生活服務集團有限公司) (“**Kangqiao Yueshenghuo**”) entered into a cooperation agreement (the “**Cooperation Agreement**”) with Yuanxuan, Dingfeng Property, Henan Menhu Real Estate Co., Ltd. (河南門戶置業有限公司) and Henan Jiatian Industrial Group Co., Ltd. (河南佳田實業集團有限公司), regarding the sale and purchase of 51% of the equity interest in Dingfeng Property. The Cooperation Agreement warranted that there were no undisclosed guarantees provided in favour of external parties, when in fact the list of guarantees appended to the Cooperation Agreement failed to disclose the Dingfeng-Yuanxuan Guarantee.

*(iii) Circumstances leading to the discovery of the Dingfeng-Yuanxuan Guarantee*

In August 2022, the Group's finance department discovered that a bank account of Dingfeng Property was frozen. Upon making enquiries, it was discovered that Dingfeng Property had entered into the Dingfeng-Yuanxuan Guarantee, which consisted of two written agreements: (i) a guarantee agreement dated October 29, 2020 and (ii) an undated guarantee agreement in 2017. Under the Dingfeng-Yuanxuan Guarantee, Dingfeng Property, being one of the guarantors, guarantees the obligation and the performance of the redemption obligation of Henan Ruipeng Biotechnology Co., Ltd. (河南瑞鵬生物科技股份有限公司) (“**Henan Ruipeng**”) and Guan Xiaoyan (關曉彥), which arose from certain investment agreements between Henan Ruipeng, Guan Xiaoyan (關曉彥) and Tibet Yuteng Enterprise Management Co., Ltd. (西藏裕騰企業管理有限公司) (“**Tibet Yuteng**”), among other parties (the “**Investment Agreements**”). It was also revealed that upon the application by Tibet Yuteng, the Zhengzhou Intermediate People's Court issued a freezing order on August 8, 2022 against the relevant guarantors including Dingfeng Property, freezing each guarantor's bank deposit for up to RMB186,224,556. Certain Directors were notified by relevant staff of the freezing order in August 2022. It was advised by the Company that, as of December 31, 2022, the total amount frozen in Dingfeng Property's bank accounts under the said freezing order was approximately RMB4.8 million.

On January 9, 2023, Tibet Yuteng reached a settlement agreement with certain parties who were subject to guarantee obligations under the Investment Agreements. It should be noted that Dingfeng Property was not named as a party to the settlement agreement, nor did it participate in the

settlement negotiation process. The Group has been advised by its PRC legal advisor that the Dingfeng-Yuanxuan Guarantee was not discharged by the settlement agreement, as Dingfeng Property was not a party to the settlement agreement.

On January 16, 2023, Tibet Yuteng voluntarily withdrew its claim against, among other parties, Dingfeng Property. In January 2023, the freezing order was discharged. Subsequent to the issuance of the Independent Investigation Report in July 2023, the Group sought further legal advice from its PRC legal advisor. According to the advice issued by its PRC legal advisor on November 6, 2023, the liability owed to Tibet Yuteng has been fully discharged. Given that the primary debt obligation, upon which the Dingfeng-Yuanxuan Guarantee was based, has been fully discharged, the PRC legal advisor is of the view that the guarantee obligation of Henan Dingfeng is also accordingly extinguished, despite the fact that Tibet Yuteng has not formally released Henan Dingfeng from its guarantee obligation in writing as required under the Dingfeng-Yuanxuan Guarantee.

Similar to the Property Development Guarantee, since there was no internal policy specifically addressing the proper reporting process for the provision of guarantee and that the relevant staff considered that the Group was not a primary responsible party under the claim and therefore the relevant risks were relative remote, no written record or filing was made or reported within the Group. During the audit of the 2022 Annual Results, the Company did not disclose the Dingfeng-Yuanxuan Guarantee to the Auditor. This omission occurred because, at that time, Tibet Yuteng had already voluntarily withdrawn its claim against Dingfeng Property. Therefore, the Company concluded that the Dingfeng-Yuanxuan Guarantee was not material to Dingfeng Property or the Group, and inadvertently failed to disclose it to the Auditor.

### ***Other Possible Guarantees***

#### **(a) Background**

As requested by the Auditor, in addition to conducting independent investigations on the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, the Independent Investigator reviewed whether other potential similar undisclosed and/or unauthorized guarantee arrangements existed in the major subsidiaries of the Group.

#### **(b) Findings**

Other than the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee, the Independent Investigator identified certain existing guarantees during the period from the Company's listing date (i.e. July 16, 2021) to December 31, 2022. The Company confirmed that they were aware of the guarantee arrangements identified by the Independent Investigator, and have disclose these guarantee arrangements to the Auditor. The Independent Investigator conducted relevant investigation procedures and concluded that, there is no indication of any undisclosed and/or unauthorized guarantee arrangements given by the 17 subsidiaries selected under its scope of investigation.

In reviewing to see if the Group has other potential undisclosed or unauthorized guarantees from the period between January 1, 2023 to the date when the Internal Control Report (as defined below) was published, the IC Consultant has also performed the following procedures:

1. conducted interview with the management of the Group;



2. review the list of guarantees and contract list provided by the Group and conducted sample checks of the lists of the IC Review Period (as defined below) and the IC Follow-Up Period (as defined below);
3. engaged third-party service provider to conduct litigation and winding-up searches from January 1, 2023, to September 30, 2023 against the 17 subsidiaries selected under its scope of investigation; and
4. issued requests to banks to confirm whether there are any guarantees provided by the 17 subsidiaries selected under its scope of investigation as at 30 September 2023.

No other undisclosed external guarantee arrangements had been identified based on the work performed by the IC Consultant.

### **The Board's View**

The Board has reviewed the content and the findings of the Independent Investigation Report. The Board is of the view that the Independent Investigator has investigated into the matters raised by the Auditor, and adequately addressed the concerns raised by the Auditor to the extent that is practicable. The Board also noted that no compensation, whether monetary or otherwise, had ever been paid by the Group to Huarong or the Kangqiao Property Development Group in relation to the Property Development Guarantee. The Board noted certain internal control weaknesses of the Group identified in the Independent Investigation Report and had implemented various internal control and corporate governance improvement measures along with the adoption of the suggestions and recommendations provided by the IC Consultant as further set out in the section headed "Resumption Guidance 3 – conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules" below in this announcement.

### **Independent Committee's Assessment**

The Independent Committee has reviewed the Independent Investigation Report, and considered that the Independent Investigation has adequately addressed the issues raised by the Auditor. The Independent Committee noted the internal control weaknesses which the Group should address and remedial actions taken by the Company as stated above and as further elaborated in the section headed "Resumption Guidance 3 – conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules" below in this announcement.

Having considered the Independent Investigation Report and reviewed the facts in detail, the Independent Committee believes that there are no management integrity issues on the part of the Directors. Specifically:

- i. Mr. Dai had demonstrated conscientious consideration of the Company's risk management and his commitment to fulfilling his responsibilities as a Director. There is no indication of any fraud, bad faith, dishonesty, deliberate evasion of the law, or attempts to conceal the Property Development Guarantee from the rest of the management. In assessing the risks associated the Property Development Guarantee, Mr. Dai considered the fact that the value of the secured assets under the loan extended to Kangqiao Property Development Group was approximately twice the amount of the loan itself, and that Beijing Tongdao had provided a counter-guarantee in favour of to offset Henan Kangqiao Yuesehnguo's liability under the Property Development Guarantee. Based on his

evaluation, Mr. Dai had concluded that the risk exposure to the Group would be relatively low. Given that there was no internal policy in place at the relevant time regarding the reporting procedures for the provision of external guarantees, Mr. Dai did not report to the Board. Mr. Dai did not harbour any ulterior motives or derive any personal gain from the Property Development Guarantee. Therefore, the Independent Committee believes that Mr. Dai's actions did not raise any doubts over his integrity in acting as a Director;

- ii. As a non-executive Director, Mr. Song does not actively participate in the day-to-day operations or decision-making processes of the Company. The Independent Committee notes that Mr. Song's acknowledgement of the provision of the Property Development Guarantee was merely a formality and a means of record-keeping, without carrying any substantive decision-making power. Notably, Mr. Dai and Mr. Song did not communicate or consult each other regarding the provision of the Property Development Guarantee. Mr. Song did not attempt to undermine or steer Mr. Dai's decision. Lastly, the Independent Committee notes that Mr. Song had provided a personal guarantee in favour of Huarong, affiliates of Kangqiao Property Development Group had provided valuable assets as security, and Beijing Tongdao, which is beneficially owned by Mr. Song, had also provided a counter-guarantee to Henan Kangqiao Yueshenghuo. Thus, the risk exposure to the Group was relatively low.
- iii. Any potential integrity concerns regarding the Counterparties-nominee director can be effectively addressed through strong oversight of Henan Dingfeng's management. According to the terms of the Cooperation Agreement entered into at the time of the Dingfeng Acquisition, the board of directors will consist of three members. The Company holds the right to appoint two out of the three directors, while the counterparties (i.e. Luoyang Yuanxuan Trading Co., Ltd. (洛陽源軒商貿有限公司), Mr. Duan and Guan Xiaoyan) (the "**Counterparties**") appoint one director. Furthermore, the chairperson of the board must be the director appointed by the Company. All resolutions put forth by the board must be approved through ordinary resolutions, and for a quorum to be established, at least half of the board must be present. In order for a board meeting to commence and for any board resolutions to be passed, there must be at least one representative from the Company present. Therefore, the director appointed by the Counterparties does not possess the authority to make independent decisions on behalf of the board.

While the general manager is nominated by the Counterparties, the nomination must be approved by the board by ordinary resolution. The finance manager shall be nominated by the Company, while the deputy finance manager shall be nominated by the Counterparties.

Further, pursuant to the Cooperation Agreement, any breach of the guarantee disclosure obligation on the part of the vendor triggers an obligation to transfer the custody of chop of Henan Dingfeng, specialized seals for contracts, invoices, and bank account opening permits from joint custody with the Company, to the sole custody of the Company. As a result, the Company currently maintains exclusive management and custody over the company chop, specialized seals for contracts and invoices (合同專用章、發票專用章), and bank account opening permits (開戶許可證) of Henan Dingfeng.

Considering that the Group has substantial control over Henan Dingfeng and its management, both the Company and the Independent Committee believe that any

potential integrity concerns regarding the Counterparties-nominee director can be effectively addressed through robust oversight of Henan Dingfeng's management.

**3. Resumption Guidance 3 - conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules**

As disclosed in the Key Findings Announcement, the Independent Committee has appointed SHINEWING Risk Services Limited, the IC Consultant, to conduct the independent Internal Control Review on (i) the Group’s management of related party transactions; (ii) the provision of guarantee; and (iii) a follow-up review of the remedial measures implemented by the Group to address the internal control issues raised in the Independent Investigation Report.

The IC Consultant has completed the independent Internal Control Review, the follow-up review on the remedial measures adopted by the Company, and has issued a report of its findings (the “**Internal Control Report**”).

The IC Consultant found deficiencies on internal control for the period from January 1, 2023 to May 31, 2023 (the “**Review Period**”). The IC Consultant has conducted follow-up review on the deficiencies identified by the IC Consultant and the Independent Investigator. No further material deficiencies were identified during the period from June 1, 2023 to July 25, 2023 (the “**Follow-up Review Period**”).

According to the Internal Control Report and the Independent Investigation Report, the IC Consultant identified the following key internal control weaknesses:

<b>Key Findings</b>	<b>Remedial actions taken by the Company</b>
Absence of internal policies regarding provision of guarantees	<p>The Company has established internal policies and procedures for guarantee management and has also established internal policies and procedures for investment management. The new policies and procedures were approved by management and circulated to relevant staff.</p> <p>Under the new internal policies, prior to providing guarantees, the relevant finance staff shall first collect supporting documents on the guaranteed party, evaluate the financial status, assets quality and business prospects of the guaranteed party, and perform risk assessment on the guarantee arrangement. The Group’s compliance investment centre, compliance department, and the finance management centre shall review the documents. All relevant information shall then be submitted to the Board for final approval via the online system.</p> <p>During the guarantee’s validity period, relevant staff shall monitor the operations and financial status of the guaranteed party on a monthly basis, and report potential losses arising from the guarantee to the finance department and the Board. The compliance investment centre shall conduct annual inspections of the implementation of guarantee policy, including reviewing the analysis done prior to entering into the guarantee agreement, the procedures for approving the guarantee, the completeness of documentation and records, and the ongoing monitoring performed by relevant staff.</p>

<b>Key Findings</b>	<b>Remedial actions taken by the Company</b>
<p>Absence of internal policies regarding provision of security</p>	<p>During the Follow-up Review Period, the Group did not have any matters requiring the provision of guarantees.</p> <p>According to the newly established internal policies, when a Group company has to provide a mortgage, the relevant department shall first conduct analysis, including evaluating the financial status of the primary obligor and the quality of other secured assets, and performing risk assessment on the mortgage arrangement. The Group’s compliance investment centre, compliance department, and the finance management centre shall review the documents. All relevant information shall then be submitted to the Board for final approval via the online system.</p> <p>During the Review Period and the Follow-up Review Period, the Group did not have any mortgage arrangements.</p>
<p>Inadequate internal control to monitor transactions falling under Chapter 14A of the Listing Rules (including the established protocols did not specify procedures for reporting the changes to the list of related parties)</p>	<p>The Company has established internal policies that govern transactions falling under Chapter 14 and 14A of the Listing Rules respectively. The policy outlines the departmental roles, internal approval processes, disclosure requirements, and size test procedures. Specific steps and procedures have been stated regarding the reporting and approval of potential notifiable transactions, and connected transactions. Besides, management has updated the relevant protocols to include procedures for reporting the changes to the list of related parties; such protocols have been approved by the Company and circulated to responsible employees for implementation.</p> <p>Staff are reminded to report potential notifiable transactions and connected transactions, adhere to approval processes, and fulfill disclosure requirements. Training has been provided to ensure compliance with the Listing Rules. The Company also maintains an updated list of connected parties. The Company may seek external advice if needed. During the Follow-up Review Period, there had been no changes to the list of related parties and their contact persons.</p>
<p>Established protocols did not specify the procedures for the analysis behind each provision of external guarantee</p>	<p>Management has updated the relevant protocols to include procedures for the analysis behind each provision of external guarantee.</p> <p>During the Follow-up Review Period, there had been no new guarantee provided to any parties.</p>
<p>Insufficient management and internal controls over subsidiary companies within the Group</p>	<p>According to the newly established internal policies, subsidiaries are required to compile and submit guarantee application documents to the Group’s headquarters and upload the documents to the online system for the Board’s review and approval.</p>

<b>Key Findings</b>	<b>Remedial actions taken by the Company</b>
Lack of contract management	<p data-bbox="641 226 1383 325">During the Review Period and the Follow-up Review Period, the Group did not have any matters requiring the provision of any guarantees.</p> <p data-bbox="641 357 1383 703">The Group implemented the “Contract Management Guidelines” which cover departmental responsibilities, contract drafting and approval, review requirements, procedures to changes of terms and termination of contracts, dispute resolution, and archive management. Further and as stated above, the Group established a standardized management process for guaranteed contracts. Contract information shall be automatically updated and stored in the online system’s contract ledger list after the online approval of designated management.</p> <p data-bbox="641 714 1383 808">Contract approvals during the Review Period and Follow-up Review Period followed the aforementioned procedures, and contract terms and details were recorded in the online system.</p>
Lack of seal management	<p data-bbox="641 840 1383 1081">The Group established a new policy for seal and licence management, which was approved by management through the online system, and shared with the Group’s employees for reference. The guidelines cover seal types, engraving approval process, usage scope, application and approval procedures, stamping requirements, registration, custody, transfer procedures, and record-keeping.</p> <p data-bbox="641 1092 1383 1396">Each subsidiary company has designated seal custodians for various seal types. Contract approvals matrix has been established in the online system. Application and details of approval of the use of seal are submitted and recorded in the online system, including responsible persons, contract amounts, contracting units, and types. Non-contract seal requests are also processed through the online system, with details such as usage reasons, seal types, and requesting departments recorded.</p>
Contract approval process are not conducted through the online system	<p data-bbox="641 1428 1383 1627">During the Review Period, all subsidiaries in the Group used the online system for daily work requests. Business contracts sampled by the IC Consultant during the Review Period and the Follow-up Review Period have been approved in the online system in accordance with the provisions of the relevant internal policies.</p>
Failure to properly manage the completeness of the litigation list	<p data-bbox="641 1659 1383 1890">The Group has developed a litigation checklist that includes the court hearing dates, reviewing authorities, plaintiff and defendant names, case descriptions, latest case status, and verdicts. All litigation-related information is handled by the legal department, and the checklist is updated and maintained by legal department officers. The checklist is reviewed by the staff who is responsible for the litigation within the legal</p>

Key Findings	Remedial actions taken by the Company
	<p>department. From the IC Consultant’s sampled review of litigation documents, the IC Consultant confirmed that the details of the relevant litigation cases are included in the litigation checklist.</p> <p>The legal department also regularly reports the status of litigation cases at management meetings to the Group’s chief executive officer and the Board. The IC Consultant’s review of the samples of the meeting minutes during the Review Period and the Follow-up Review Period confirmed that the legal department regularly reported on the status of litigation cases to the Group’s chief executive officer and the Board.</p>
<p>Inadequate internal control over guarantees prior to the Dingfeng Acquisition</p>	<p>During the Follow-up Review Period, the Group updated the internal policy on acquisition of targets. The new provisions in the measures include requirements for due diligence teams to conduct investigations on guarantee matters related to acquisition targets of subsidiary companies. This also includes understanding the approval process and seal management, identifying risks associated with the acquired company’s operations (such as guarantees and mortgages) and proposing solutions, assessing financial conditions, and evaluating internal management systems of the acquisition targets. The findings are to be reported to the investment committee for review.</p> <p>During the Review Period and the Follow-up Review Period, the Group did not acquire any subsidiary companies.</p>

### **Follow-Up Procedures and Results of the Internal Control Review**

The Company has taken all of the advices and recommendations from the independent Internal Control Review completed by the IC Consultant and adopted, revised or enhanced, as the case maybe, the relevant policies and procedures of the Group, and the IC Consultant has performed a Follow-up Review after the Group has taken the relevant remedial actions. Having reviewed the results of the Internal Control Review, the IC Consultant has not identified any material internal control weakness after the Follow-up Review. The IC Consultant is of the view that the enhanced internal control system of the Group, which has been included in the IC Consultant’s scope of review, is adequate and effective, according to the samples and documents received from the Group.

### **The Board and the Independent Committee’s Assessment**

Having considered the Internal Control Report and the remedial actions taken by the Company, both the Independent Committee and the Board are of the view that the remedial measures implemented by the Company are adequate and sufficient to address the key findings of the Internal Control Review. The Company will continue to monitor the effectiveness of the Group’s internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate internal control policies and procedures are in place and commensurate with its business operations. As at the date of this announcement, the Board and the Independent Committee are of the view that we have adequate internal control system in place in compliance with the Listing Rules.

#### **4. Resumption Guidance 4 - demonstrate the Company's compliance with Rule 13.24 of the Listing Rules**

##### **Sufficient Operation**

The Company is principally engaged in the provision of property management services, related value-added services and city services in the People's Republic of China.

The Board considers it has sufficient operation taking into account:

- (a) there has been no change in the business models or business segments of the Group and there has been no cessation of existing business of the Group since its listing on July 16, 2021;
- (b) according to the audited financial information of the Group for the financial year ended December 31, 2022 ("FY2022"), the Company is experiencing steady growth in its business and operation scale. Revenue of the Group has recorded steady growth of approximately 1.2% to approximately RMB792.9 million in FY2022 from approximately RMB783.6 million for the year ended December 31, 2021 ("FY2021");
- (c) according to the unaudited financial information of the Group for the six months ended June 30, 2023, the Group recorded revenue of approximately RMB444.9 million representing an increase of 19.6% as compared to the corresponding period in 2022; and
- (d) the GFA under management as of June 30, 2023 was approximately 36.9 million sq.m., representing an increase of 25.1% as compared to approximately 29.5 million sq.m. for June 30, 2022.

For further details of the Group's financial performance, please refer to the 2022 Annual Report and the 2023 Interim Report.

As at the date of this announcement, the business operations of the Group remain as usual in all material respects.

##### **Sufficient Assets**

According to the 2022 Annual Report, as at December 31, 2022, the total assets amounted to approximately RMB1,169.5 million, representing an increase of approximately 3.05% as compared to that of approximately RMB1,134.9 million as at December 31, 2021. The Group's cash and cash equivalents were mostly denominated in RMB and amounted to approximately RMB345.9 million.

According to the 2023 Interim Results, as at June 30, 2023, the total assets and current assets of the Group were approximately RMB1,265 million and RMB1,099.8 million, respectively. The Group's cash and cash equivalents were mostly denominated in RMB and amounted to RMB372.7 million.

The Group carries out its business with assets of sufficient value as required under Rule 13.24 of the Listing Rules and warrants the continued listing of the Shares on the Stock Exchange.

#### **5. Resumption Guidance 5 - inform the market of all material information for the Shareholders and other investors to appraise the Company's position**

Since the suspension of trading in the Shares on April 3, 2023, the Company has continued to disclose material information in connection with, among others, the Auditor's Letter, the Independent Investigation, the Internal Control Review and the status on fulfilment of the Resumption Guidance to the Shareholders and investors of the Company by issuing announcements



in a timely manner. In light of the above, the Company considers it has announced all material information it considers necessary and appropriate for the Shareholders and investors to appraise the Company's position.

### **RESUMPTION OF TRADING**

Trading in Shares on the Stock Exchange was suspended from 9:00 a.m. on April 3, 2023. As the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on December 21, 2023 on the Stock Exchange.

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

Hong Kong, December 20, 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 the executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as the independent non-executive Directors.*