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Jiayuan Services Holdings Limited
佳源服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1153)

INSIDE INFORMATION
KEY FINDINGS OF THE INDEPENDENT INVESTIGATION;
THE INTERNAL CONTROL REVIEW; AND
CONTINUED SUSPENSION OF TRADING

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

References are made to the announcements of the Company dated (1) 30 June 2023, 22 February 2024 and 17 May 2024 in relation to, among other things, the guidance for resumption of trading in the shares of the Company (the “**Shares**”) on the Stock Exchange (the “**Resumption Guidance**”); and (2) 12 January 2024, 28 March 2024, 28 June 2024 and 2 September 2024 in relation to, among other things, the Abnormal Transactions and the delay in publication of the 2022 Annual Results, 2022 Annual Report, 2023 Interim Results, 2023 Interim Report, 2023 Annual Results, 2023 Annual Report and 2024 Interim Results (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcements.

(1) INDEPENDENT INVESTIGATION

Background

As disclosed in the announcement of the Company dated 12 January 2024, during the preparation of the 2022 Annual Results, the Company discovered that there have been a number of abnormal payments and receipts recorded between the Group and certain entities (the “**Abnormal Transactions**”) that required further investigation, and accordingly, Grant Thornton Advisory Services Limited has been appointed by the Audit Committee as the Independent Investigation Agency to conduct independent investigation into the Abnormal Transactions (the “**Independent Investigation**”) and to compile an independent investigation report to be submitted to the Audit Committee.

As disclosed in the announcement of the Company dated 22 February 2024, the Company has been notified by the Stock Exchange of the Additional Resumption Guidance requesting the Company to, among others, conduct an appropriate independent investigation into the Abnormal Transactions, announce the findings and take remedial actions.

On 29 February 2024 and 9 April 2024, the Independent Investigation Agency issued draft independent investigation reports (the “**Draft Reports**”) to the Audit Committee.

After reviewing the Draft Reports, the Audit Committee believed there is a need to conduct a forensic review on the Abnormal Transactions. On 19 September 2024, the Independent Investigation Agency issued an independent forensic investigation report (the “**Report**”) to the Audit Committee.

This announcement outlines the key findings of the Independent Investigation and the observations made by the Audit Committee.

Scope and major procedures of the Independent Investigation

The primary scope of the Independent Investigation covers conducting independent investigation into the Abnormal Transactions, which include arrangements (“**Overriding Arrangements**”) involving China Jiayuan Group Limited (“**China Jiayuan**”), a company then indirectly holding approximately 74.09% of the issued Shares of the Company, bypassing the Board and senior management and instructing the finance resources centre of the Company (currently known as the Finance Audit Centre) (the “**Finance Resources Centre**”) directly to make unauthorised and undisclosed fund transfers to Mingyuan Group Investment Limited (“**Mingyuan Group**”), a then related party of the Company, or for the settlement of debts or payables of companies owned or controlled by Mr. Shum Tin Ching (“**Mr. Shum**”), the then controlling shareholder of the Company. A summary of the Overriding Arrangement is set out as follows:

		For the year ended			
		31 December 2021 (“FY2021”)		31 December 2022 (“FY2022”)	
		Fund outflows	Fund inflows	Fund outflows	Fund inflows
Transaction Amount	HKD (’000)	592,500	592,500	178,000	–
	RMB (’000)	885,975	885,975	949,975	465,163
Net fund outflows	HKD (’000)	–	–	178,000	–
	RMB (’000)	–	–	484,812	–

According to the Independent Investigation, the Overriding Arrangements did not occur in the year ended 31 December 2020 (i.e. from 9 December 2020, being the listing date to the year ended 31 December 2020), and the year ended 31 December 2023, and according to the management of the Company, since the fund transfers under the Overriding Arrangements in FY2021 did not constitute net fund outflows, the consolidated accounts of the Group for the six months ended 30 June 2021 and FY2021 did not show any signs of irregularities. Based on the findings of the Independent Investigation Agency, the Abnormal Transactions had not been authorised by the Board.

The major investigation procedures conducted by the Independent Investigation Agency included but not limited to:

- (i) obtaining and reviewing relevant documents and records of the Group (including but not limited to the relevant letter and email correspondence, account balance sheets, bank ledger, bank statements and confirmations) since the Company’s listing (i.e. 9 December 2020) to the year ended 31 December 2023 (the “**Review Period**”) so as to identify the fund transfer during the Review Period and the completeness of the Abnormal Transactions, as well as the commencement and conclusion of the Overriding Arrangements and the relevant internal control policies;

- (ii) interviewing key individuals in relation to the Abnormal Transactions, including (a) Directors; (b) managerial staff of the Finance Resources Centre; and (c) personnel of China Jiayuan;
- (iii) requesting for confirmations from relevant banks involved in the Abnormal Transactions of FY2022 and obtaining bank statements from third party agencies;
- (iv) conducting independent background search against the relevant entities (including the recipient of the Abnormal Transactions and the Overriding Arrangements, China Jiayuan, Galaxy Emperor Limited and Mingyuan Group) and obtaining the information of their respective directors and shareholders. A summary showing the relationship of the recipient of the Abnormal Transactions and the Overriding Arrangement and the Company is set out below:

Name of the recipient of Abnormal Transactions and Overriding Arrangements	Place of incorporation	Relationship with the Company at the material time
Jin Jiang Investment Limited (錦江投資管理有限公司) ("Jinjiang Investment")	Hong Kong	Independent third party
Hangzhou Qiyu Trading Co., Ltd.* (杭州琦玉商貿有限公司) ("Hangzhou Qiyu")	PRC	Independent third party
Shandong Qiju Technology Co., Ltd.* (山東奇居科技有限公司) ("Shandong Qiju")	PRC	Independent third party
Hangzhou Mindong Trading Co., Ltd.* ("Hangzhou Mindong")	PRC	Independent third party
Wenzhou Zhenxin Property Co., Ltd.* (溫州振欣置業有限公司) ("Wenzhou Zhenxin")	PRC	Independent third party
Yingtang Yiheng Investment Co., Ltd.* (鷹潭億恒投資有限公司) ("Yingtang Yiheng")	PRC	Independent third party
Hangzhou Xinwanxiang Information Technology Co., Ltd.* (杭州新萬翔信息技術有限公司) ("Hangzhou Xinwanxiang")	PRC	Independent third party
Ningbo Bankema Trading Co., Ltd.* (寧波斑客馬貿易有限公司) ("Ningbo Bankema")	PRC	Independent third party
Wenzhou Xingzhan Trading Co., Ltd.* (溫州星展貿易有限公司) ("Wenzhou Xingzhan")	PRC	Independent third party
Shanghai Binda Enterprise Management Center (Limited Partnership)* (上海濱達企業管理中心(有限合夥)) ("Shanghai Binda")	PRC	Independent third party
Yu Yehong	N/A	Independent third party
Lu Yan	N/A	Former employee
Rui Ping	N/A	Current employee
Chen Xiaoli	N/A	Former employee

Name of the recipient of Abnormal Transactions and Overriding Arrangements	Place of incorporation	Relationship with the Company at the material time
Yu Changhua	N/A	Former employee
Jiang Lijuan	N/A	Former employee
Hangzhou Wohu Trading Co., Ltd.* (杭州沃湖商貿有限公司) (“ Hangzhou Wohu ”)	PRC	Related party ^(Note 1)
Hangzhou Wahe E-commerce Co., Ltd.* (杭州瓦盒電子商務有限公司) (“ Hangzhou Wahe ”)	PRC	Related party ^(Note 1)
Hangzhou Heyuan Properties Ltd.* (杭州和源置業有限公司) (“ Hangzhou Heyuan ”)	PRC	Related party ^(Note 1)
Jiayuan International Holding (Zhuhai) Group Co., Ltd. (佳源國際控股(珠海)集團有限公司) (“ Jiayuan Zhuhai ”)	PRC	Related party ^(Note 1)
Zhejiang Jiayuan Medical and Health Management Group Co., Ltd. (浙江佳源醫養健康管理集團有限公司) (“ Jiayuan Medical ”)	PRC	Related party ^(Note 1)
Hangzhou Ziji Software Technology Co., Ltd.* (杭州紫稷軟件科技有限公司) (“ Hangzhou Ziji ”)	PRC	Related party ^(Note 1)
Jiaxing Jiagang Corporate Management Co., Ltd.* (嘉興市嘉港企業管理有限公司) (“ Jiaxing Jiagang ”)	PRC	Related party ^(Note 1)
Jiaxing City Nanhu District Nanhu Street Xinjiayuan Food Convenience Store* (嘉興市南湖區南湖街道新佳源食品便利店) (“ Jiaxing Convenience Store ”)	PRC	Related party ^(Note 2)
Hangzhou Pahe Trading Co., Ltd.* (杭州帕赫商貿有限公司) (“ Hangzhou Pahe ”)	PRC	Related party ^(Note 1)

Notes:

- (1) According to the Independent Investigation, the legal representative of Jiaxing Jiagang is Wu Jia (吳佳), who is also the legal representative of each of Hangzhou Heyuan, Jiayuan Zhuhai, Jiayuan Medical, Hangzhou Pahe, Hangzhou Wohu, Hangzhou Wahe and Hangzhou Ziji, respectively. Jiaxing Jiagang is a wholly-owned subsidiary of Hong Kong Jia Yuan Holdings Limited and a then related party of the Company. The Independent Investigation Agency noted that Hangzhou Heyuan, Jiayuan Zhuhai, Jiayuan Medical, Hangzhou Pahe, Hangzhou Wohu, Hangzhou Wahe and Hangzhou Ziji are platform companies of China Jiayuan and then related parties of the Company.
- (2) The Independent Investigation Agency noted that Jiaxing Convenience Store is a platform company of China Jiayuan and a then related party of the Company.

- (v) conducting a computer forensic investigation, including obtaining the electronic devices (including but not limited to computers and mobile phones) of the Directors and the then senior management of the Company for mirror imaging, identifying key words and review and investigating any potentially relevant documents; and
- (vi) performing review on internal control procedures of the Company in relation to the Abnormal Transactions, which include (a) corporate governance; (b) fund management; and (c) related party transactions management.

Summary of key findings

Based on the major investigation procedures as set out in the sub-section headed “Scope and major procedures of the Independent Investigation” above and subject to the key limitations of the Independent Investigation as set out in the sub-section headed “Key limitations of the Independent Investigation” below, the Independent Investigation Agency has the following key findings of the Independent Investigation:

The Offshore Transactions

Based on the Independent Investigation, the Independent Investigation Agency noted that on 1 January 2021, the Company has entered into an acquisition consultancy service agreement (the “**Consultancy Agreement**”) with Evergain Zhiyuan International Trading Limited (永得利智元國際貿易有限公司) (“**Evergain**”) for a term of two years (which have been extended to 31 December 2025 by an acquisition consultancy service agreement dated 31 December 2022), pursuant to which Evergain shall provide the Company (and/or its subsidiaries) with services such as advising on mergers and acquisitions and arranging for payment of acquisition deposits on their behalf for the potential mergers and acquisitions, while no consultation fee shall be payable by the Company to Evergain and no interest shall be payable by Evergain for the funds provided by the Company during the term of the Consultancy Agreement.

On even day, Evergain has entered into an entrustment letter of receipt and payment with Jin Jiang Investment Limited (錦江投資管理有限公司) (“**Jinjiang Investment**”), an independent third party, pursuant to which Jinjiang Investment shall receive and arrange for payments relating to the Consultancy Agreement for and on behalf of Evergain.

The Company paid a total amount of (i) HK\$592.5 million in FY2021 (which has been repaid in full in FY2021) and (ii) HK\$178 million on 3 January 2022, respectively, to Evergain (which was received by Jinjiang Investment on its behalf) as acquisition deposits for the potential mergers and acquisitions identified under the Consultancy Agreement. However, despite Evergain had introduced certain acquisition targets to the Company and had completed the relevant due diligence review, none of the potential acquisitions had been successful and the Company issued a demand letter to Evergain on 5 September 2023 requesting for immediate refund of an aggregate prepayments of HK\$186 million, which comprises the said HK\$178 million and the accounts receivable of HK\$8 million due from Evergain (collectively, the “**Prepayments**”).

The Company only became aware of the whereabouts of the Prepayments in or around November 2023 after making enquiries with China Jiayuan, and was informed that China Jiayuan has borrowed the Prepayments. Subsequently, Evergain notified the Company that the Prepayments has been refunded to Mingyuan Group, a company designated by China Jiayuan in September 2022.

Pursuant to the interviews conducted by the Independent Investigation Agency with the representative of China Jiayuan, China Jiayuan has made a borrowing request to the Finance Resources Centre and the Finance Resources Centre indicated to China Jiayuan that the Prepayments had been paid to Jinjiang Investment. Subsequently, in or around September 2022, China Jiayuan requested Evergain/Jinjiang Investment to refund and transfer the Prepayments to Mingyuan Group, and as the Company and China Jiayuan then shared the same de facto controller, Jinjiang Investment has, as instructed, transferred the Prepayments to Mingyuan Group in September 2022 (the “**Offshore Transactions**”). However, the representative of China Jiayuan has no knowledge of the reasons for entering into the Offshore Transactions and the nature and reasons for the fund transfers to Jinjiang Investment in FY2021 since the Overriding Arrangements were handled by the former general manager (the “**Former General Manager**”) of the Fund Management Centre (資金結算中心) of China Jiayuan, who has retired and could not be reached.

According to the interview with Mr. Zhu Hongge (“**Mr. Zhu**”), the former chairman of the Board, former chief executive officer of the Company and former executive Director, the Prepayments to Evergain as acquisition deposits for the potential mergers and acquisitions have been approved by the Company formally, and he as the then chief executive officer of the Company has approved such payment. However, he denied having knowledge of the Offshore Transactions as the borrowing request was made by China Jiayuan to the Finance Resources Centre directly.

In order to ascertain the completeness and accuracy of the Offshore Transactions, the Independent Investigation Agency has reviewed and verified the bank receipts and statements obtained by the former auditor of the Company, which confirmed the information set out in the confirmation letters, including the amount of the Offshore Transactions.

Based on the Independent Investigation, the Company had sought legal advice in respect of the nature of the Prepayments, and was of the view that the Prepayments do not constitute connected transactions on the part of the Company under Rule 14A of the Listing Rules. Nevertheless, having considered the fact that the Prepayments were ultimately utilised by China Jiayuan, the Offshore Transactions would be deemed as connected transactions of the Company under the Listing Rules.

As at the date of the Report, a net fund outflow of HK\$178 million remained outstanding under the Offshore Transactions.

The Onshore Transactions

During the preparation of the 2022 Annual Reports, it was discovered by the Company that during FY2021 and FY2022, there were several capital transactions involving the Group and certain onshore entities (the “Onshore Transactions”). Set out below is a summary of the Onshore Transactions in FY2021 and FY2022:

FY2021

Name of onshore entities	Amount of fund outflows (RMB'000)	Amount of fund inflows (RMB'000)	Accounts receivable/ (payable) (RMB'000)
Jiayuan Medical ^{(Note (a))}	–	15,000	(15,000)
Jiaxing Jiagang ^{(Note (a))}	295,800	131,800	164,000
Hangzhou Heyuan ^{(Note (a))}	52,050	290,050	(238,000)
Wenzhou Xingzhan ^{(Notes (b)(c))}	132,010	132,010	–
Jiayuan Zhuhai ^{(Notes (a)(c))}	348,000	95,000	253,000
Hangzhou Xinwanxiang ^{(Note (a))}	–	164,000	(164,000)
Shanghai Binda ^{(Note (b))}	58,115	58,115	–
Total	885,975	885,975	–

FY2022

Name of onshore entities	Amount of fund outflows Approximate (RMB'000)	Amount of fund inflows Approximate (RMB'000)	Accounts receivable/ (payable) Approximate (RMB'000)
Jiaxing Jiagang ^{(Notes (d)(e))}	309,926	5,000	304,926
Hangzhou Xinwanxiang ^{(Note (e))}	164,000	–	164,000
Hangzhou Wahe ^{(Notes (d)(i))}	50,809	–	50,809
Hangzhou Wohu ^{(Note (d))}	4,266	–	4,266
Jiaxing Convenience Store ^{(Notes (d)(h))}	1,851	523	1,328
Jiang Lijuan ^{(Note (d))}	1,024	–	1,024
Yu Yehong ^{(Notes (d)(f))}	473	–	473
Lu Yan ^{(Notes (d)(f))}	211	–	211
Rui Ping ^{(Note (d))}	100	–	100
Chen Xiaoli ^{(Note (d))}	100	–	100
Setting-off property management fee ^{(Notes (d)(f)(g))}	57.9	–	57.9
Hangzhou Qiyu ^{(Note (d))}	137,915	137,910	5
Ningbo Bankema ^{(Note (j))}	5,000	5,000	–
Shandong Qiju ^{(Note (j))}	2,000	2,000	–

Name of onshore entities	Amount of fund outflows <i>Approximate</i> (RMB'000)	Amount of fund inflows <i>Approximate</i> (RMB'000)	Accounts receivable/ (payable) <i>Approximate</i> (RMB'000)
Wenzhou Zhenxin ^{(Note (j))}	79,910	79,910	–
Yingtian Yiheng ^{(Note (j))}	71,110	71,110	–
Yu Changhua ^{(Note (j))}	1,550	1,550	–
Hangzhou Mindong ^{(Note (d))}	113,001	113,001.04	(0.04)
Hangzhou Ziji ^{(Note (d))}	–	100	(100)
Hangzhou Pahe ^{(Note (d))}	6,671	49,059	(42,388)
Total	949,975	465,163	484,812

Notes:

- (a) A total of approximately RMB696 million was transferred from Zhejiang Jiayuan Property Services Group Company Limited (浙江佳源物業服務集團有限公司) (“**Zhejiang Jiayuan Services**”), an indirect wholly-owned subsidiary of the Company, to each of Jiaxing Jiagang, Hangzhou Heyuan, and Jiayuan Zhuhai, respectively, as repayment of the debts owed to each of them by Zhejiang Jiayuan Shencheng Real Estate Group Co., Ltd.* (浙江佳源申城房地產集團有限公司) (“**Zhejiang Shencheng**”), a then related party of the Company. A total of approximately RMB696 million was transferred from each of Jiayuan Medical, Jiaxing Jiagang, Hangzhou Heyuan, Jiayuan Zhuhai and Hangzhou Xinwanxiang to Zhejiang Jiayuan Services as repayment of the debts owed by Zhejiang Shencheng.
- (b) The actual recipient of a total of approximately RMB190 million to each of Wenzhou Xingzhan and Shanghai Binda, respectively, was Shanghai Xiangyuan Real Estate Development Co., Ltd.* (上海祥源房地產開發有限公司) (“**Shanghai Xiangyuan**”), a then related party of the Company.
- (c) During the Independent Investigation, the Independent Investigation Agency noted six transactions in the total amount of approximately RMB76 million were made by Zhejiang Jiayuan Services (including approximately RMB74 million to Jiayuan Zhuhai and approximately RMB2 million to Wenzhou Xingzhan). According to the management, the same was not accounted for in the Company’s financial statements in FY2021 due to inadvertent oversight by the former accounting staff of the Company. Since the amount of fund inflows involved were equivalent to that of the fund outflows, the net fund outflows of the Company for FY2021 was unaffected.
- (d) A total of approximately RMB158 million was transferred from (i) Zhejiang Jiayuan Services to each of Jiaxing Jiagang, Lu Yan, setting-off the property management fee of Jiang Dongdong, Jiaxing Convenience Store, Hangzhou Wohu, Hangzhou Qiyu, Hangzhou Wahe, Rui Ping, Chen Xiaoli, Yu Yehong and Jiang Lijuan, respectively, as repayment of the debts owed to each of them by Zhejiang Shencheng; and (ii) each of Hangzhou Pahe, Hangzhou Mindong and Hangzhou Ziji to Zhejiang Jiayuan Services as repayment of the debts owed by Zhejiang Shencheng.
- (e) A total of approximately RMB192 million and RMB135 million were transferred from Zhejiang Jiayuan Services to Jiaxing Jiagang and Hangzhou Xinwanxiang, respectively, as repayment of the debts owed to Shanghai Xiangyuan and Nanjing Jiafeng Consultancy Management Co., Ltd.* (南京嘉豐諮詢管理有限公司) (“**Nanjing Jiafeng**”), a then related party of the Company.
- (f) Given that the wealth management products issued by Zhejiang Shencheng and subscribed by Yu Yehong, Lu Yan and Jiang Dongdong, respectively, became matured and shall be redeemed by Zhejiang Shencheng, for the purpose of settling the redemption money for and on behalf of Zhejiang Shencheng, Zhejiang Jiayuan Services transferred a total of approximately RMB473,000, RMB210,000 to each of Yu Yehong and Lu Yan, respectively; while setting-off approximately RMB58,000 against the property management fee owing by Jiang Dongdong to the Company, as full redemption of the relevant wealth management products.

- (g) The Independent Investigation Agency noted that according to the tripartite debts assignment agreement entered into between Jiang Dongdong, Jiaxing Jiagang and Tongxiang branch of Zhejiang Jiayuan Services dated 31 August 2022 (the “**Debt Assignment Agreement**”), pursuant to which, among others, Jiang Dongdong agreed to assign, and Tongxiang branch of Zhejiang Jiayuan Services agreed to acquire, the debts due from Jiaxing Jiagang to Jiang Dongdong in the carrying amount of approximately RMB58,000 (the “**Assigned Debts**”), and Tongxiang branch of Zhejiang Jiayuan Services shall set-off the Assigned Debts against the property management fee owed by Jiang Dongdong to the Company. In addition, according to the terms of the Debt Assignment Agreement and the interviews with the representatives of the Company, immediately prior to the entering into of the Debt Assignment Agreement, Jiaxing Jiagang was repaying the debts owed to Jiang Dongdong for and on behalf of Zhejiang Shencheng.
- (h) The Independent Investigation Agency obtained certain certificates of payment authorisations (《委託代付證明》) in the total amount of RMB150,653 relating to Jiaxing Convenience Store, which sets out that (a) Jiaxing Jiagang has authorised Zhejiang Jiayuan Services or (b) Zhejiang Jiayuan Services has authorised Jiaxing Convenience Store to make payments to the designated recipients, who are either existing employees or former employees of the Group.
- (i) The Independent Investigation Agency obtained certain certificates of payment authorisations in the total amount of approximately RMB50,809,000 relating to Hangzhou Wahe, all of which sets out that Jiaxing Jiagang either entrusted (i) Hangzhou Wahe to receive payments for and on behalf of Zhejiang Jiayuan Services or (ii) Zhejiang Jiayuan Services to make payments to Hangzhou Wahe.
- (j) The actual recipient of a total amount of approximately RMB160 million to Yu Changhua, Ningbo Bankema, Shandong Qiju, Wenzhou Zhenxin and Yingtan Yiheng was Zhejiang Shencheng.

According to the interviews with the representatives of the Group and China Jiayuan, respectively, such Onshore Transactions were in fact initiated under the instructions of the Former General Manager via phone calls to the former deputy general manager of the Finance Resources Centre (the “**Former Deputy General Manager**”), whereby the Former General Manager would first enquire with the Former Deputy General Manager the funding situation of the Group and inform the Former Deputy General Manager of the deployment instructions. The Former Deputy General Manager would then instruct the fund manager of the Finance Resources Centre or the finance department of the Company to arrange the relevant funds to be transferred to, or received from, a number of counterparties (including both independent third parties and related parties of the Company) as intragroup financing activities to settle the loans or payables of other subsidiaries of China Jiayuan. The Group did not enter into any formal agreement with China Jiayuan for the repayment of the funds involved in the Onshore Transactions and the entering into of the Onshore Transactions were not authorised by the Board.

In order to ascertain the completeness and accuracy of the Onshore Transactions, the Independent Investigation Agency has reviewed and verified the bank receipts and statements obtained by the former auditor of the Company, which confirmed the information set out in the confirmation letters, including the amount of the Onshore Transactions.

Having considered the fact that the Onshore Transactions were ultimately utilised by China Jiayuan, although such transactions were unauthorized by the Board, the Onshore Transactions would be deemed as connected transactions of the Company under the Listing Rules. As at the date of the Report, a net fund outflow of approximately RMB485 million remained outstanding under the Onshore Transactions. Based on the Independent Investigation, the Company, having received letters from each of Shanghai Xiangyuan, Nanjing Jiafeng and Zhejiang Shencheng confirming the particulars of the amount due to the Company, being approximately RMB192 million, approximately RMB135 million and approximately RMB158 million, respectively, has filed civil complaints (民事起訴狀) with the Jiaxing City People’s Intermediate Court in August 2024 to claim for the outstanding amount against each of Shanghai Xiangyuan, Nanjing Jiafeng and Zhejiang Shencheng, respectively.

In addition, according to the interviews with the representatives China Jiayuan, since around August or September 2022, China Jiayuan has no longer allocated significant funds of the Group in the same manner as stated above.

Personnel Involved and Management Integrity

Mr. Zhu Hongge

According to the Independent Investigation, Mr. Zhu was at the material time responsible for managing the operation and strategic planning of the Group, and he acted as the ultimate approver in respect of funds transfer. Although Mr. Zhu claimed that he has no knowledge of the Abnormal Transactions, during the computer forensic investigation, the Independent Investigation Agency noted that Mr. Zhu had access to and were in possession of documents which might allow him to note and approve the Abnormal Transactions. In particular, the Independent Investigation Agency has found two documents during the forensic investigation, namely, the approval form of the finance department of the headquarter* (總部財務審批單) and the approval form of the chief executive of the group* (集團總裁審批單) which have been signed by Mr. Zhu and remarked as seeking assistance from the headquarter. Mr. Zhu confirmed that the said approval documents were signed by him, however, he could not recall the contents of the documents nor the identity of the person who passed such documents for his signing. Apart from the Offshore Transactions, he denied having knowledge of the Onshore Transactions before November 2023. Having considered the inconsistency between the statements of Mr. Zhu and the computer forensic investigation, the Independent Investigation Agency could not ascertain whether Mr. Zhu had no knowledge of the Abnormal Transactions before November 2023 and was of the view that he was involved in the Abnormal Transactions and the Overriding Arrangements.

As set out in the announcement of the Company dated 26 July 2024, Mr. Zhu has resigned as executive Director, the chairman of the Board, the chairman of the nomination committee of the Company, the authorised representative of the Company and the chief executive officer of the Company and ceased to hold any position in the Group with effect from 26 July 2024.

Mr. Huang Fuqing (“Mr. Huang”)

During the interview with Mr. Huang, he claimed he has no knowledge of the whereabouts and the operation of the Abnormal Transactions, and is not aware of the relationships between China Jiayuan and the relevant platform companies and related companies of China Jiayuan. However, according to the background search conducted by the Independent Investigation Agency, Mr. Huang had been a director of China Jiayuan between FY2021 and the year ended 31 December 2023, and has been the general manager of Hong Kong Jiayuan Holdings Limited, a subsidiary of China Jiayuan. Having considered the inconsistency between the statements of Mr. Huang and the background search conducted by the Independent Investigation Agency, the Independent Investigation Agency could not ascertain whether Mr. Huang, as both director of China Jiayuan and the Company at the material time, had knowledge of the Abnormal Transactions before November 2023 and whether he assisted the operation of the Overriding Arrangements.

As set out in the announcement of the Company dated 12 August 2024, Mr. Huang has resigned as non-executive Director and ceased to hold any position in the Group with effect from 12 August 2024.

Other personnel of the Group

According to the Report, two former employees of the Finance Resources Centre, namely, the Former Deputy General Manager and the former fund management manager of the Finance Resources Centre were involved in the Abnormal Transactions and the Overriding Arrangements. However, the Independent Investigation Agency could not ascertain whether they were lack of awareness in maintaining financial independence of the Company, or were executing the instructions from China Jiayuan despite knowing the Overriding Arrangements would affect the financial independence of the Company.

Other Directors

Based on the procedures performed by the Independent Investigation Agency, which included fact-finding interviews with the Directors and other relevant personnel of the Group, reviewing records and performing extensive forensic procedures, apart from the personnel identified above, no other Directors were involved in, or potentially involved in, the Abnormal Transactions and the Overriding Arrangements at the material time.

Management Integrity

Based on the findings of the Report, the Independent Investigation Agency is of the view that there is no evidence showing concerns on the integrity of the current Directors.

Source of funds

As set out in the Report, according to the annual report of the Company for FY2021, the gross proceeds received by the Company from the initial public offering of the Company on 9 December 2020 (the “**IPO**”) amounted to HK\$579 million (equivalent to approximately RMB487 million), and the unutilised net proceeds as at 31 December 2021 amounted to approximately 438 million (equivalent to approximately RMB368 million) (“**IPO Proceeds**”). Based on the interim report of the Company for the six months ended 30 June 2022, the unaudited net profit for the six months ended 30 June 2022 amounted to approximately RMB68 million. Assuming the financial performance of the Group for the second half of 2022 is similar to that of the first half of 2022 and all profits generated were used as cash balance of the Group, the cash flows from operating activities of the Group would have merely increased by approximately RMB136 million. In addition, according to the management of the Company, there were no additional borrowings in FY2022, the Independent Investigation Agency noted that the payment of the Abnormal Transactions is likely funded by the IPO Proceeds.

According to the Company, part of the IPO Proceeds were intended to be transferred onshore for the Company’s subsequent investment implementation plan through Zhejiang Jiayuan Service, and the HK\$178 million of the Prepayments was intended to be used for the acquisition deposits for the potential mergers and acquisitions identified under the Consultancy Agreement, which are consistent with one of the intended use of the IPO Proceeds set out in the prospectus of the Company dated 27 November 2020, i.e. to pursue selective strategic investment and acquisition opportunities and to further develop strategic cooperation. However, the IPO Proceeds had been misappropriated by China Jiayuan and were not being used as intended.

Internal control deficiencies

- (a) **Lack of genuine independence in the governance structure of the Company's financial controls** – despite the Company has in place a set of written guidance on its systems and procedures, the Independent Investigation Agency noted that, prior to the remedial actions taken as detailed below, (1) certain decisions of the treasury functions of the Company, as stated under the written guidance, still had to be approved by China Jiayuan; (2) although the finance team of the Company (the “**Finance Team**”), which is independent of China Jiayuan, is responsible for the Group's financial controls and audit, the composition of the Finance Team was generally the same as those before listing; (3) the Abnormal Transactions were made under the instructions of China Jiayuan, which have not been initiated or approved by the Company internally; and (4) China Jiayuan could still exert influence and control the Finance Resources Centre, despite the Company has been separately listed on the Stock Exchange.
- (b) **Lack of appropriate mechanisms to handle payment instructions from China Jiayuan** – the Independent Investigation Agency noted that, prior to the remedial actions taken as detailed below, (1) the Related Party Transactions Management System of the Company* (《關聯交易管理制度》) (the “**System**”) does not provide any guidance as to how the payment instructions from China Jiayuan shall be handled; (2) the Finance Resources Centre would execute the payment instructions of China Jiayuan directly without keeping any written records to put on record the reason for making the Abnormal Transactions was to follow the instructions of China Jiayuan; (3) according to the System, if any transaction constitutes a related party transactions, it shall be approved by the chief executive, the Board and/or the shareholders of the Company (the “**Shareholders**”) depending on the transaction amount, while the Finance Resources Centre shall conduct size tests for, and the company secretary shall handle the disclosure of, the transaction, and according to the interviews, the Abnormal Transactions are borrowings made to the related parties of the Company or repayment of debt for and on behalf of the related parties of the Company, however, the Finance Resources Centre has failed to carry out the applicable procedures pursuant to the System, conduct size tests and submit the relevant transaction(s) to the appropriate party(ies) for approval. The Independent Investigation Agency also noted that the Finance Resources Centre was not familiar with the management procedures for related party transactions of the Company and matters which require disclosure of listed companies.

Recommendations from the Independent Investigation Agency to the Audit Committee

The recommendations from the Independent Investigation Agency to the Audit Committee are as follows:

1. Improve the corporate governance structure of the Company in order to ensure that the financial controls of the Company and the Group are in fact independent of China Jiayuan. The Company shall also strengthen its existing procedures for handling fund payments, such as enhancing the notification mechanisms between the Company and financial institutions, and promptly notify and handle unapproved payments which have not been initiated by the Company.
2. Strictly implement the System, in particular, size tests shall be conducted and relevant disclosure shall be made for all related party transactions pursuant to the System. In addition, the Company shall provide trainings for the personnel of the Finance Resources Centre to strengthen their understanding of the existing process for managing related party transactions.

Key limitations of the Independent Investigation

The Independent Investigation Agency confirmed that the management of the Company did not impose any unreasonable restrictions towards its investigation process. However, the Independent Investigation is subject to the following key limitations, such as (a) the Independent Investigation Agency has tried to approach, through the Company and China Jiayuan, certain former key employees of the Company and China Jiayuan (such as the Former General Manager and the Former Deputy General Manager), as well as certain third parties but they declined to be interviewed or could not be reached; (b) as of the date of the Report, the Independent Investigation Agency has yet to receive any reply to its confirmation letters from certain third parties and banks; (c) the Independent Investigation Agency could not perform forensic technology procedures on computers and electronic devices of certain relevant personnel, including certain former employees involved which were beyond the power of the Company to obtain; (d) the Independent Investigation Agency has yet to receive certain background search results of some parties; and (e) the Independent Investigation relied on the voluntary cooperation of the Group and the relevant personnels, and therefore, the Independent Investigation Agency was unable to fully ascertain the authenticity of the representations made by the individuals involved, and unless stated otherwise therein, the Independent Investigation Agency did not verify the accuracy of the materials obtained in the Report.

Having considered (a) the additional procedures performed by the Independent Investigation Agency to address the aforesaid limitations; (b) the extensive list of personnel interviewed by the Independent Investigation Agency; and (c) the Independent Investigation Agency being able to cross check information obtained from secondary sources against the accounts of other interviewees and/or contemporaneous records of the Group, the Independent Investigation Committee is of the view that the Independent Investigation Agency has taken all reasonably practicable measures to investigate the Abnormal Transactions and the Overriding Arrangements and that the Independent Investigation has adequately investigated the relevant Abnormal Transactions and the Overriding Arrangements in the given circumstances.

Views of the Audit Committee and the Board; remedial actions taken by the Board

The Audit Committee and the Board have reviewed and considered the Report. Subject to the various limitations which the Independent Investigation Agency has encountered or observed as reported in the Report, the Audit Committee is of the view, and the Board concurred, that the Independent Investigation Agency had conducted appropriate and comprehensive procedures in respect of the Independent Investigation, the scope of the Independent Investigation is adequate, and the contents and findings of the Report are reasonable and acceptable. Based on the findings of the Independent Investigation, the Audit Committee and the Board are of the view that the deficiencies found in the Group's corporate governance and internal control system were mainly caused by the unintentional bypassing of the then corporate governance and internal controls, in particular over former management of certain subsidiaries of the Group, there is no concern on the integrity of the existing Directors or senior management of the Group. Accordingly, the Audit Committee and the Board accepted the findings of the Independent Investigation.

In light of the issues identified, the Board has implemented and will implement all necessary remedial actions to safeguard the interest of the Company and the Shareholders in a timely manner and to address and resolve all issues identified and to prevent reoccurrence of any transactions similar to those of the Abnormal Transactions and the Overriding Arrangements. As at the date of this announcement, the Group has undertaken the following remedial actions, include but not limited to the followings:

1. The Board has sought and shall continue to seek legal and other professional advice on the recoverability of the amount involved in the Abnormal Transactions and the exercising of the Company's rights to recover the outstanding amounts;
2. The Board has enhanced and shall continue to enhance the corporate governance structure of the Company, especially that of the Finance Resources Centre, to ensure that the financial controls of the Company and the Group are independent from China Jiayuan;
3. The Board has strengthened and shall continue to strengthen its governance and supervision over the financial controls of the Company;
4. The Company has refined the existing fund payment procedures to ensure that fund payments will be made based on the needs of the Company and/or the Group and will be approved by the appropriate personnel;
5. The Board has reviewed, refined and strengthened the Company's internal controls to resolve the issues and weaknesses identified, including but not limited to (i) the reporting, authorisation and approval procedures for entering into transactions and making payments and transferral of funds; and (ii) maintenance of formal requirements of proper record-keeping and retention of supporting documents;
6. The Company has implemented appropriate systems and mechanisms to deal with payment instructions from China Jiayuan;
7. The Company will ensure compliance with the System, in particular, size tests shall be conducted and applicable disclosures shall be made for connected transactions of the Company in compliance with the Listing Rules, and where necessary, seek advices from its legal and other professional advisers on legal and regulatory compliance issues;
8. The Board will monitor and review regularly the effectiveness of corporate governance and internal control systems and procedures of the Company and the Group to ensure reasonable and adequate corporate governance and internal control policies and procedures are in place;
9. The relevant personnel, including Mr. Zhu, the Former General Manager and the Former Deputy General Manager involved in the Abnormal Transactions and the Overriding Arrangement had left the Group;
10. The Company has arranged and will continue to arrange trainings session(s) or workshop(s) on compliance of the Listing Rules to the financial personnels and the staff of the Finance Resources Centre in order to (1) enhance their understanding of the management procedures of connected transactions and (2) reinforce the importance of identifying such transactions prior to execution and reporting in a timely manner; and
11. The Board has also engaged an internal control consultant, Zhonghui Anda Risk Services Limited (the "**Internal Control Consultant**"), to conduct internal control review and make appropriate recommendations to improve and strengthen the Company's and the Group's internal control systems, procedures and policies (the "**Internal Control Review**").

(2) INTERNAL CONTROL REVIEW

The Internal Control Consultant has completed the Internal Control Review and has on 19 September 2024 issued a report on its findings. The Internal Control Review covers the period from 1 January 2023 to 31 December 2023 (the “**IC Review Period**”), while follow-up review on the remediated internal control measures implemented by the Group were conducted from 11 March 2024 to 13 September 2024.

Purpose and scope of the Internal Control Review

The purpose of the Internal Control Review was to identify the material weaknesses in the internal control system of the Group, provide rectification recommendations to the management, and enable the management and the Directors (particularly, the Audit Committee) to assess whether the Group’s internal control system was effectively implemented.

The scope of the Internal Control Review is summarised as follows:

- (a) discuss and read relevant policies and procedures (the “**IC Procedures**”) with the management to understand how the IC Procedures were implemented during the IC Review Period;
- (b) review policies and procedures, manuals, handbooks, meeting minutes, reports, organisational charts and other supporting documents, and perform walk-through tests and substantive tests of documents (the number of samples depends on the number of transactions to consider and assess the effectiveness of the IC Procedures as to its design and implementation at certain point in time during the IC Review Period);
- (c) notify and draw to the attention of the Company of any material weaknesses and deficiencies in the design and implementation of the IC Procedures;
- (d) explain the weaknesses and deficiencies found during the review process to relevant personnel of the Company and provide recommendations for rectification; and
- (e) conduct a follow-up review after the Company has responded to the weaknesses and deficiencies discovered by the Internal Control Consultant or has taken relevant remedial measures and issue the final review report.

Key findings of the Internal Control Review

The key findings of the Internal Control Review related to the Abnormal Transactions, corresponding recommendations for rectification, responses of the management of the Company and relevant actions taken are summarised as follows:

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
1.	During the IC Review Period, the Group did not provide any monthly financial statements or operation analysis reports of each of the subsidiaries of the Company as required under Code D.1.2 of the Corporate Governance Code.	The person in charge of the Finance Resources Centre (currently known as the Finance Audit Centre) is required to set up the standard and time limit for the finance departments of each of the subsidiaries of the Company to submit information regarding monthly sales or key financial information, financial position and prospects, so as to allow the Finance Resources Centre to have sufficient time for consolidating the information, submitting the monthly summaries to the Board for their review, and keeping record in this regard, in order to comply with Code D.1.2 of the Corporate Governance Code.	Zhejiang Jiayuan Services has submitted its financial reports and summary of data on matters including business performance, operational risks and major work plans for January 2024 and February 2024 to the Board.
2.	During the IC Review Period, the Company has not established any risk registration form on the Group level and has not made any written records for assessments on risks of different categories (including business risks, operation risks, financial risks, compliance risks and environmental and climate risks).	The Group shall compile a risk registration form for the assessments of major risks; set up risk mitigation plans for significant risks identified upon completion of preliminary risk assessments; timely follow up on the implementation of the risk mitigation plans; and record the relevant findings in the risk registration form or risk management report of the Group.	The Group has compiled a risk registration form which sets out assessments of various types of risks and has kept the relevant written records.

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
3.	<p>The Group has formulated a series of written manuals and processes, including but not limited to the Management System of the Group* (《集團管理制度》), the Organisation Management Manual* (《組織管理手冊》), the Organisation Authority and Responsibility Manual* (《組織權責手冊》), the Working Standards of the Group – Finance Resources Centre* (《集團工作標準 – 財務資金中心》), the Working Standards of the Group – Investment Development Centre* (《集團工作標準 – 投資發展中心》), and the Working Standards of the Group – Comprehensive Management Centre* (《集團工作標準 – 綜合管理中心》), among which, the Management System of the Group requires the staff to strictly abide by the regulatory system of China Jiayuan, the Group and the department enterprise, and each of the Working Standards of the Group listed out certain matters which requires the approval of China Jiayuan. According to the Organisation Management Manual, the Finance Resources Centre is positioned to be subject to the management and control of China Jiayuan, whereby certain matters are required to be subject to the final approval by China Jiayuan after obtaining the approval of the chief executive of the Group.</p>	<p>The chief executive of the Group, executive Directors or the Board of the Company shall be the final approver for matters relating to the organization structure of the Group as well as principal matters related to administration, human resources, financial management and quality operation.</p>	<p>The Group has revised the relevant systems and procedures as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
	<p>Although the financial accounting and fund management of the Group were managed by the finance team which is independent from China Jiayuan after the listing of the Company, the said arrangements demonstrated issues in the authority level for approvals. The fact that China Jiayuan has directly instructed the Finance Resources Centre to carry out payments under the Abnormal Transactions without initiating any internal approval procedures of the Group has demonstrated the lack of genuine independence and autonomy in the governance structure of the Group.</p>		
4.	<p>The Group does not have any written systems relating to financial assistance under the continuing obligations of Chapter 13 of the Listing Rules.</p>	<p>The Group shall establish written system(s) relating to Chapter 13 of the Listing Rules, including but not limited to the rules regarding advance to entities and financial assistance.</p> <p>The Group shall also regularly provide training sessions on the continuing obligations of Chapter 13 of the Listing Rules to members of the Board, management of the Company as well as legal representative, directors and general manager of the principal subsidiaries.</p>	<p>The Group has established the Management System of Continuing Disclosure Obligations as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p> <p>The Group has arranged a training session in relation to the review and approval and disclosure requirements under Chapter 13 of the Listing Rules for all members of the Board, management of the Company as well as legal representative, directors and general manager of the principal subsidiaries in April 2024.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
5.	<p>The Finance Resources Centre has failed to carry out the procedures contained in the System upon receiving the instructions from China Jiayuan to conduct size tests calculations for the Abnormal Transactions, nor had it provided the information to the relevant personnel or department for approval, such as the entering into of the share pledge agreement (the “Share Pledge Agreement”) in FY2022 by Zhejiang Heyuan Property Services Co., Ltd. (“Zhejiang Heyuan Services”) to pledge its equity interest in Zhejiang Jiayuan Services to secure the repayment obligation of Mr. Shum, which has not been approved by the relevant authorised persons or parties and also has failed to comply with the requirements under Chapters 14, 14A and 13 of the Listing Rules, and indicated that the relevant personnels and the Finance Resources Centre were not familiar with Chapters 14, 14A and 13 of the Listing Rules.</p>	<p>The Group shall comply with and circulate the Organisation Authority and Responsibility Manual and the Rules of Procedures of the Board to all management of the subsidiaries of the Company, such that the provision of share pledge is approved internally.</p> <p>The Group shall establish written procedures in conformity with Chapter 14 (notifiable transactions), Chapter 14A (connected transactions) and Chapter 13 (continuing obligations) requirements.</p> <p>The Company shall also provide training sessions to the management at least annually on matters which require prior authorisations of the Board, and shall provide regular training sessions on Chapter 14, 14A and 13 related topics to members of the Board, management of the Company, legal representative, directors and general manager of the principal subsidiaries, as well as the personnels of the Finance Resources Centre.</p>	<p>The Group has updated the Organisation Authority and Responsibility Manual, established the Management System of Notifiable Transactions* (《須予公佈的交易管理制度》), the Management System of Continuing Disclosure Obligations* (《持續披露責任管理制度》) and revised the System as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p> <p>The Group has arranged a training session in relation to the identification, review and approval, and disclosure requirements under Chapters 14, 14A and 13 of the Listing Rules for all members of the Board, management of the Company as well as legal representative, directors, general manager of the principal subsidiaries and the personnels of the Finance Resources Centre in April 2024.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
6.	<p>The Rules of Procedures of the Board has set out the work flow of the chairman of the Board and the Board in approving major events, as well as details of disclosure of information. However, the relevant payments relating to the Onshore Transactions and the Offshore Transactions were neither authorised nor approved via the office automation system (the “OA System”), and were made without any approvals, authorisations or supporting documents. Further, the Group has failed to conduct size tests, make appropriate disclosures or seek shareholders’ approval in accordance with the Listing Rules.</p>	<p>The Company shall re-distribute the Rules of Procedures of the Board to the management of each of the subsidiaries and require them to notify the Board or obtain its authorisation for major events. The Group shall also revise the Working Standards of the Group – Finance Resources Centre to (1) list out the review and approval requirements for external payments of different categories and amounts; and (2) conform with the requirements under Chapters 13, 14 and 14A of the Listing Rules.</p> <p>When the proposed arrangement involves financial assistance, the financial manager of the relevant company shall disclose the reasons for entering into such transaction and shall attach therewith the written agreement(s) and other supporting documents. The responsible person of the Finance Resources Centre, the chief executive of the Group and the Board shall grant the relevant authorisations and approvals level by level (where applicable) before the payments can be made from the bank accounts of the Group to the relevant connected person(s) or independent third party(ies).</p>	<p>The Group has revised the relevant systems and procedures as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p> <p>The Group has arranged a training session in relation to the Rules of Procedures of the Board and the Working Standards of the Group – Finance Resources Centre for all members of the Board, senior management as well as the personnels of the Finance Resources Centre in April 2024.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
7.	<p>The Company has failed to provide information relating to the Abnormal Transactions or the details of the relevant funds to its then auditors during the process of preparing for annual results announcement for the FY2022.</p>	<p>When making repayments or providing financial assistance to a connected person or an independent third party, the Company shall enter into written agreements with such party and the finance departments of Group shall file the relevant signed agreement to the Finance Resources Centre for record.</p> <p>The finance personnel shall verify the relevant payment arrangements prior to the publication of the results announcements of the Company and make relevant disclosures to the auditors.</p> <p>The Group shall also reinforce the trainings to the management of the Group and the personnels of the Finance Resources Centre on disclosure requirements under the notes to the financial reports of the Company, in particular, those related to repayments on behalf of a connected person or independent third party or provision of financial assistance.</p>	<p>The Group has stated the breakdown of proceeds and included therein information relating to the borrowings to connected persons and independent third parties.</p> <p>The Group has arranged a training session in relation to the disclosure requirements under the notes to the financial reports of the Company and repayments on behalf of a connected person or independent third party or provision of financial assistance for the personnels of the Finance Resources Centre in April 2024.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
8.	<p>The Offshore Transactions show that although the HK\$178 million was intended to be used for the acquisition deposits for the potential mergers and acquisitions identified under the Acquisition Consultancy Service Agreement, which was consistent with one of the intended use of the IPO Proceeds set out in the prospectus of the Company dated 27 November 2020, the Company was unaware of the change in use of IPO Proceeds until being informed by China Jiayuan that the use of IPO Proceeds has been misappropriated.</p> <p>The Company had inadequate supervision on the prepayments and deposits paid of its investment, the precise plan and actual process of the potential investments, as well as the timing for the collection and recovery of the prepayments and deposits paid.</p>	<p>The Group shall include review and approval procedures for making prepayments or deposits in the Organisation Authority and Responsibility Manual and the Working Standards of the Group – Investment Development Center, which should set out the price range of target investment projects and the review and approval threshold of the chief executive of the Group and the Board.</p> <p>The Group shall also adopt detailed rules in the post-project investment management items in the Working Standards of the Group – Investment Development Centre, including investment projects that involve prepayments or deposits, monitor the specific plan and actual progress of the counterparty and the target project as well as the timeframe for the recovery of prepayments and deposits. The person in charge of the investment project shall also actively follow up on its progress.</p> <p>If the potential acquisition was not successful, the Group shall demand full repayment of the relevant prepayments or deposits in writing immediately and remind of the repayment timely. The Group may also consider engaging legal adviser to issue legal demand letter(s) if the counterparty failed to provide positive response or detailed repayment plans within 3 months.</p>	<p>The Group has revised the relevant systems and procedures as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
9.	<p>According to the Organisation Management Manual, the Finance Resources Centre is positioned to be subject to the management and control of China Jiayuan, and according to the Organisation Authority and Responsibility Manual, certain matters including financing management are subject to the approval of the chief executive of the Company and China Jiayuan. In fact, according to the management, the funds management of the Group were subject to the instructions of China Jiayuan, the general manager of the Finance Settlement Center of the finance and funding department of China Jiayuan would first ask about the funding situation of the Group and instruct the deputy general manager of the Finance Resources Centre to redeploy or repay funds via telephone directly. China Jiayuan would arrange for the relevant funds to be returned when the Group is in liquidity needs, and would not arrange repayment if the Finance Resources Centre does not demand for repayment. As such, the funding situation of the Group lacks confidentiality, and the liquidity management of the funds also lacks genuine independence.</p>	<p>The Group shall revise the Organisation Management Manual and the Organisation Authority and Responsibility Manual such that the Finance Resources Centre shall be directly managed by the chief executive of the Group and the fund management of the Group shall comply with the funds redeployment instructions given by the chief executive of the Group, the executive Directors or the Board.</p>	<p>The Group has revised the Organisation Management Manual and the Organisation Authority and Responsibility Manual as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
10.	<p>The Finance Resources Centre failed to keep any written record for the reasons of China Jiayuan's decisions on funds redeployment, and there is no mechanism to deal with the payment instructions of China Jiayuan.</p>	<p>For fund flows to/from companies not within the Group, the Company shall comply with the relevant requirements under Chapter 13 of the Listing Rules on advance to entity and financial assistance, and the relevant finance managers of the Group shall provide information on counterparty, purpose(s) of fund flows, interest and repayment plan, and shall enter into loan agreements in this regard.</p> <p>The Company shall also revise the Organisation Authority and Responsibility Manual to require (1) prior approvals of the Finance Resources Centre, the chief executive of the Group and/or the Board before entering into of the loan agreements; and (2) prior approval via the OA System level by level before relevant managers of the Group can transfer funds to/from connected persons or independent third parties through bank account.</p> <p>Further, the Group shall formulate written systems on reporting policy so that the employees may timely report any improper instructions to the management.</p>	<p>The Group has revised the Organisation Authority and Responsibility Manual and the Working Standards of the Group – Finance Resources Centre as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
11.	According to the management, in respect of the Onshore Transactions and Offshore Transactions, the funds deployment instructions were given by China Jiayuan to the Former Deputy General Manager, and there were no (i) loan agreement or third party repayment agreement entering into; (ii) provision of relevant documents for review; (iii) preliminary review by the leaders-in-charge and the chief executive of the Company; and (iv) final approval from China Jiayuan.	The Group shall enter into written loan agreement(s) or third party repayment agreement(s) for provision of loans, guarantee and charges to related parties/independent third parties, which shall include, but not limited to, details of the loans, nature of the transaction, name and background of the borrower, interest rate, repayment terms and collaterals etc.	The Group has revised the Working Standards of the Group – the Finance Resources Centre as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.
12.	Based on the Independent Investigation, in FY2021 six transactions in the total amount of approximately RMB76 million were made by Zhejiang Jiayuan Services (including approximately RMB74 million to Jiayuan Zhuhai and approximately RMB2 million to Wenzhou Xingzhan). Although the amount of fund inflows were equivalent to the fund outflows and the net amount of the Company for FY2021 was unaffected, the Company has failed to keep proper records of fund transactions.	The relevant staff should maintain proper records of all fund inflows and outflows to ensure the consistency of the financial accounts and the bank statements, the Finance Resources Centre should conduct random checks and verification on relatively large amount of fund inflows and outflows monthly and maintain proper records of the random checks. In case of abnormalities, the person in charge of the Finance Resources Centre shall be informed promptly to follow up on the matters.	According to the management, the transactions were not accounted for in the Company's financial statements in FY2021 due to inadvertent oversight by the former accounting staff of the Company. The Company agreed with the rectification recommendations. The Internal Control Consultant has reviewed and no inconsistency between the sample bank receipts and accounting records of Zhejiang Jiayuan for January 2024 and February 2024 was found.

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
13.	<p>Each of Zhejiang Jiayuan Services, Tongxiang branch of Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited have implemented the following online payment procedures, being, the 2 bank encryption keys of each bank account of the relevant company were kept by the cashier and the finance personnel of the relevant company, respectively, and the payments made by the cashier via the online banking system has to be reviewed and approved by the finance personnel of the relevant company. However, the same procedures are applicable to all payments of any amount, and has thus failed to show extra surveillance and control over large-amount payments.</p> <p>The Financial Payments Management Rules of the Group provided that apart from the general manager of the corporation or the chief executive of the Group, the leader of China Jiayuan may also exercise final approval power for payments of the Group. Thus, the Group's management of financial payments lacked genuine independence.</p>	<p>Each of Zhejiang Jiayuan Services, Tongxiang branch of Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited shall ensure that the online banking system will send SMS messages to the cashier and the finance personnel of the relevant company as well as the authorised person of the Company when external payments were made, so as to achieve mutual supervision and timely discover unusual significant payments.</p> <p>The Financial Payments Management Rules of the Group shall also be revised to the effect that the final approval power for payments of the Group shall rest on the chief executive of the Group.</p>	<p>Each of Zhejiang Jiayuan Services, Tongxiang branch of Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited has enabled the SMS message notice setting in respect of large sums of payments in principal banks.</p> <p>The Group has revised the Working Standards of the Group – the Finance Resources Center as recommended, which has been approved by the management and circulated to the subsidiaries of the Company.</p>

	Summary of key findings	Rectification Recommendations	Management's responses & remedial actions taken
14.	<p>For payment of RMB116,306 to Hangzhou Wohu Trading Co., Ltd., the relevant record of Zhejiang Jiayuan Services showed that the payment was made to Hangzhou Pahe Commerce Co., Ltd.* (杭州帕赫商貿有限公司), which was inconsistent with the bank advice.</p> <p>In addition, for the repayment of RMB100,000 by Hangzhou Ziji Software Technology Co., Ltd. to Zhejiang Jiayuan Services, the relevant record of Zhejiang Jiayuan Services showed that the payment was made by Hangzhou Wohu Trading Co., Ltd., which was inconsistent with the bank advice.</p>	<p>The finance personnel of Zhejiang Jiayuan Services shall obtain supporting documents for repayments on behalf of, or collectibles from, a third party and submit the same to the Finance Resources Centre for authorisation and approval before the payment can be recorded. The written approval record shall also be kept.</p> <p>The Finance Resources Centre shall conduct sample check on a monthly basis on transactions of the subsidiaries of the Company involving receipts and payments of significant amount and shall maintain records for the sample check. In case of abnormalities, the person in charge of the Finance Resources Centre shall be informed to follow up on the matters.</p>	<p>Zhejiang Jiayuan Services agreed with the rectification recommendations.</p> <p>The Internal Control Consultant has reviewed and no inconsistency between the sample bank receipts and accounting records of Zhejiang Jiayuan Services for January 2024 and February 2024 was found.</p>
15.	<p>Samples of intragroup payments made by Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited indicated that payments were made to other subsidiaries without making any payment applications on the OA System.</p>	<p>The financial cashiers of Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited are required to fill in payment applications on the OA System for the approval of the deputy general manager of the Finance Resources Centre before payments can be made to other subsidiaries within the Group.</p>	<p>The Group has immediately implemented the changes as recommended.</p> <p>The Internal Control Consultant has reviewed one sample of each of the intragroup payments made by Zhejiang Jiayuan Services and Nanchang branch of Shanghai Baoji Property Services Company Limited, all of which have been approved by the OA System.</p>

Views of the Board and the Audit Committee on the Internal Control Review

Having considered the results of the Internal Control Review, the Audit Committee is of the view that the remedial measures implemented by the Company and the Group are sufficient and adequate to address all the major issues in the internal control systems and procedures of the Company and the Group as identified by the Internal Control Consultant, and the Company and the Group's enhanced internal control systems are sufficient to meet the obligations of the Company under the Listing Rules and to safeguard its and its Shareholders' interest.

The Board, after considering the results of the Internal Control Review, agrees with the views of the Audit Committee, and is of the view that the Company and the Group have put in place adequate internal control systems and procedures to meet its obligations under the Listing Rules and to safeguard its and its Shareholders' interest.

The Company also intends to engage an internal control consultant to conduct follow up review of the internal control systems and procedures of the Company and the Group on an annual basis in order to verify and ensure that the Company and the Group have continued to effectively implement the internal control systems and procedures, and to make improvements on an ongoing basis.

IMPACT ON THE BUSINESS OPERATION AND FINANCIAL POSITION OF THE GROUP

In any event, the Board is of the view that the issues identified in the Report and during the Internal Control Review do not affect the daily business operation of the Group. The Group's business operation continues as usual despite the suspension of trading in the Shares since 3 April 2023.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023, and will remain suspended until further notice.

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

By order of the Board
Jiayuan Services Holdings Limited
Pang Bo
Executive Director

Hong Kong, 25 September 2024

As at the date of this announcement, the Board comprises five directors, of which Mr. Pang Bo and Mr. Bao Guojun are the executive directors, and Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin are the independent non-executive directors.

* *For identification purposes only*