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Redco Healthy Living Company Limited

力高健康生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2370)

**FURTHER KEY FINDINGS OF THE INDEPENDENT INQUIRY
AND
RESULTS OF THE INTERNAL CONTROL REVIEW**

This announcement is made by Redco Healthy Living Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements of the Company dated 29 March 2023, 31 March 2023, 31 May 2023, 30 June 2023, 25 July 2023, 31 August 2023, 28 September 2023, 29 December 2023, 31 January 2024, 28 March 2024, 24 April 2024, 3 May 2024, 28 June 2024, 28 August 2024 and 27 September 2024 in relation to, inter alia, (i) suspension of trading of the shares of the Company; (ii) delay in publication of annual results for the two years ended 31 December 2023; (iii) resumption guidance and additional resumption guidance; (iv) change of auditors of the Company; (v) delay in publication of interim results for the six months ended 30 June 2023; (vi) the audited annual results of the Group for the years ended 31 December 2022 and 2023, and the unaudited interim results of the Group for the six months ended 30 June 2023 and 2024; (vii) quarterly updates on the status of resumption; and (viii) key findings of the independent inquiry conducted by the independent professional adviser (the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

FURTHER KEY FINDINGS OF THE INDEPENDENT INQUIRY

The Independent Inquiry on Audit Issues I, II and III raised by the former auditor of the Company in its resignation letter has been completed.

The key findings of the Independent Inquiry based on the Independent Inquiry Report dated 18 January 2024 and the Board's assessment were disclosed in the announcement of the Company dated 31 January 2024 (the "**January Announcement**").

In order to address the queries and observations from the Stock Exchange regarding the Independent Inquiry, the Independent Professional Adviser had performed additional procedures and issued a supplemental independent inquiry report dated 17 September 2024 (the "**Supplemental Independent Inquiry Report**").

A summary of the key findings of the Supplemental Independent Inquiry Report, which shall read in conjunction with the January Announcement, is set out below.

Audit Issue I

(i) Due diligence and credit assessment performed on the Target Companies

Key findings

As disclosed in the January Announcement under the section headed "SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INQUIRY AND THE BOARD'S VIEW — Audit Issue I — Key findings", the Company paid the Earnest Money to the Party A Group under the Party A Cooperation Agreements.

The Independent Professional Adviser noted that, before paying the Earnest Money, the Company did not appear to have performed sufficient due diligence on Party A, or the 17 Target Companies and the Seven Additional Target Companies (collectively, the "**Target Companies**"), or undertake sufficient measures to safeguard the recoverability of the Earnest Money. It was also noted that the negotiations with the Target Companies were conducted through Party A and the Group did not directly approach the Target Companies.

The Independent Professional Adviser further noted that while the Cooperation Agreement was entered into in March 2022 and the Framework Agreements were entered into between October and December 2022, the Group's financial and legal due diligence review on the Nine Target Companies was only completed in May 2023. The Independent Professional Adviser also noted the Company's explanation that the delay was primarily due to the impact of the COVID-19 pandemic and the departure of the relevant staff of the Group.

The Independent Professional Adviser also noted that the Company did not keep proper documentation, including the correspondences and minutes of meetings held with Party A, and written records of due diligence work and negotiations conducted with the Target Companies or their potential sellers.

For the purpose of the Independent Inquiry, the Independent Professional Adviser has, among other procedures and work done, (i) sent written enquiries to, and conducted interviews with some of, the Target Companies and their shareholders, which confirmed, among other things, Party A's role in facilitating the potential acquisitions under the Party A Cooperation Agreements; (ii) reviewed the progress reports made by Party A to the Group regarding the status of the potential acquisitions after the entry of the Cooperation Agreement; (iii) obtained from Party A's sole shareholder ("**Individual A**") a list of assets owned by him to understand his background and financial standing; and (iv) performed litigation and winding up/bankruptcy searches on Party A and Individual A. Based on the additional work performed, the Independent Professional Adviser can understand the logic behind the relevant arrangement, and took the view that the payment of the Earnest Money to the Party A Group as fund proof for the potential acquisitions under the Party A Cooperation Agreements had commercial substance.

The Board's view

At the material time, the Company considered that the payment of the Earnest Money was for the purpose of securing the opportunity to obtain information on the relevant potential acquisition targets so that the Group could perform due diligence review on them and assess the feasibility of the potential acquisitions. The Group could terminate the engagement and request full refund of the Earnest Money if the Group was not satisfied with the results of its due diligence review on the relevant potential acquisition targets, or if the Group decided not to further pursue the potential transactions.

Prior to the payment of the Earnest Money to Party A, Mr. Tang Chegnyong ("**Mr. Tang**"), an executive Director, had assessed the credibility of Individual A, with whom he had personally known for more than a decade. To the best of Mr. Tang's knowledge and belief at the relevant time, Individual A is a successful businessman who has been engaged in business and investment activities in various sectors and countries, has good business network in various sectors including real estate, and is an individual of wealth. Mr. Tang also noted that Individual A had successfully lined up the relevant parties for the development of a property project of Redco Properties through his business network and coordination in the past, and had assisted a property management company to obtain property management contracts in the PRC.

In light of the above, at the relevant time, the Company believed that Party A and/or Individual A could facilitate the Group's commercial negotiations with the potential counterparties, and there was no material concern on the credit standing of the Party A Group with respect to the recoverability of the Earnest Money. On this basis, the Company proceeded to pay the Earnest Money. The Earnest Money was also promptly refunded to the Group upon the Group's request and the Group has not suffered any actual loss from these payments.

(ii) Selection criteria of the 17 Target Companies and monitoring of the IPO Proceeds

Key findings

The Independent Professional Adviser noted that the selection criteria of the Target Companies in the Party A Cooperation Agreements and/or the Framework Agreements differ from the selection criteria for strategic acquisitions as set out under the section headed "FUTURE PLANS AND USE OF PROCEEDS" in the Prospectus (the "**IPO Selection Criteria**").

In this regard, the Independent Professional Adviser has, among other procedures and work done, considered the purpose and reasons for entering into the Party A Cooperation Agreements as explained by the Company, and has reviewed the internal records of the Group and publicly available information in relation to the acquisitions conducted by other comparable property management companies at the material time. While the Independent Professional Adviser noted that the Company did not keep proper documentation of all the supporting documents in relation to the basis for deviation from the IPO Selection Criteria, based on the additional work performed, the Independent Professional Adviser considered that the Company's explanation in relation to the basis of deviation from the IPO Selection Criteria in respect of the Target Companies had commercial rationale.

The Independent Professional Adviser also noted that part of the IPO Proceeds was probably applied towards partial payment of the Earnest Money A, and such amount was subsequently fully refunded to the Group.

In addition, the Independent Professional Adviser noted that the Cooperation Agreement was not disclosed in the Prospectus. In this regard, the Independent Professional Adviser noted that, based on the Hong Kong legal advice rendered by a Hong Kong barrister-at-law, the Cooperation Agreement did not constitute material fact that would have rendered it to be disclosed in the Prospectus given that it was not legally binding and did not constitute any future plans for the use of the IPO Proceeds.

The Board's view

At the material time, the Company considered that the purpose of the Party A Cooperation Agreements was to engage Party A to broaden the search and identify potential acquisition targets for consideration by the Group without being restricted to the IPO Selection Criteria, as some of the potential targets could be strategic even though they might not meet the IPO Selection Criteria. For acquisition targets identified which did not meet the IPO Selection Criteria, the Company would be required to further consider financing arrangements which would not involve the use of the IPO Proceeds.

As the Earnest Money A was refundable upon the Group's request, was paid only for the purpose of proving the capital sufficiency of the Group, and was fully refunded to the Group, the Company considers that the IPO Proceeds had not been utilised.

At the material time, the factors considered by the Company in relation to the potential acquisition of the Target Companies even though they could not meet the IPO Selection Criteria included, among others, (i) the lower price to equity ratio ("**P/E ratio**") of the relevant target companies of approximately 8 times, representing a discount of at least 50% as compared to the P/E ratio of the target companies acquired by other listed property management services companies at the relevant time; and (ii) the strategic and synergy effects that the potential acquisition of the relevant target companies could bring to the Group which include (among others) enabling the Group to enter into new regional markets.

Disclosure of the Cooperation Agreement in the Prospectus was not considered to be necessary for the following reasons:

- (i) the potential target companies set out in the Cooperation Agreement were merely potential target companies identified by Party A and presented by Party A to the Group for consideration. The entry into of the Cooperation Agreement did not create any commitment or indicate any intention on the part of the Group to pursue the acquisition of any specific target company;
- (ii) the Cooperation Agreement did not create any binding obligation for the Company to pay any earnest money; and
- (iii) the Group only received the requests from the 17 Target Companies to pay earnest monies, and was only informed of the amount of such earnest monies requested, in April 2022. Hence, the Company was not aware of the need to pay any earnest monies for the 17 Target Companies nor the amount of earnest monies to be paid prior to the listing of the Company on the Stock Exchange.

(iii) Notification letters requesting for the Earnest Money issued by the 17 Target Companies

Key findings

The Independent Professional Adviser noted that the Company was requested to pay the Earnest Money to Party A pursuant to the notification letters issued by the Target Companies (instead of their shareholders who would be the potential vendors) and such notification letters were authorised by company chops without signature (**“Notification Letters Arrangement”**).

The Independent Professional Adviser had, among other additional procedures and work done, made further written enquiries with the Target Companies and the Party A Group. The Independent Professional Adviser received written responses from some of the Target Companies and the Party A Group, and also conducted follow-up interviews with the relevant shareholders or officers of some of the Target Companies. The Independent Professional Adviser noted that the respondents confirmed that the notification letters sent by the relevant Target Companies requesting for earnest money were genuine and consistent with the usual practice, and their respective responses to the written enquiries of the Independent Professional Adviser were authorised.

In addition, the Independent Professional Adviser noted that, based on the legal opinion rendered by a PRC legal adviser to the Company, (i) it is a common practice on the mainland for limited companies to affix their company chop on documents without the signature of their legal representative or authorized signatory; and (ii) so long as a document is affixed with the company chop of a company with proper authorization, such document is legally valid and enforceable against the company even though it is not signed by the legal representative or authorized signatory of a company.

Based on the above, the Independent Professional Adviser could understand the logic behind the Notification Letters Arrangement, and considered that the Notification Letters Arrangement had commercial substance and business rationale, and was consistent with the usual practice of the parties involved.

The Board’s view

The Company considers that the notification letters requesting for earnest money, which were sent by the relevant Target Companies and affixed with their company chops only without being signed by their authorized signatories, were consistent with common practice in the PRC.

(iv) Refunding arrangements of the Earnest Money with the Party A Group

Key findings

As disclosed in the January Announcement under the section headed “SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INQUIRY AND THE BOARD’S VIEW — Audit Issue I — Key findings”, the Independent Professional Adviser noted that the Earnest Money were refunded by the Party A Group to the Group in June 2022 and December 2022, respectively, at the Group’s request.

The Independent Professional Adviser has considered the Company’s explanation with reference to Hong Kong Financial Reporting Standard 9 — Financial Instruments (“**HKFRS 9**”), which requires the measurement of the expected credit losses arising for 12 months based on the balance of the financial instruments as at the reporting date. According to the Company’s understanding, if the relevant financial instruments have been fully repaid or the balance is nil as at the reporting date, the Company is not required to measure the expected credit losses for the purpose of audit under HKFRS 9, thereby saving time and costs.

On such basis, the Independent Professional Adviser considers that there is no evidence to rule out the possibility of the Company’s explanation.

The Board’s view

The requests for the refund prior to the relevant financial period end dates were made for compliance with the Group’s internal policy at the material time. The relevant policy required that all accounts receivable shall be reviewed every two months, which would typically fall on dates including prior to or closer to the mid-year end or year end of each year.

By doing such reviews and requesting the refunds at such time, the Group could have a benefit of reducing costs and workload of the financial reporting work with respect to its consolidated balance sheet, as otherwise the Company’s auditor would have likely required the Company to perform cumbersome and time-consuming assessments on the recoverability of the Earnest Money. Such costs and workload could be saved by completing the payment and refund cycle within the reporting period.

Audit Issue II

Escrow arrangement in relation to the Refundable Deposits

Key findings

With respect to the payment of the Refundable Deposits in order to secure the exclusive right to negotiate on the potential acquisitions of the Nine Target

Companies, the Independent Professional Adviser noted that the individual sellers of the Nine Target Companies (the “**Potential Sellers**”) and the Group adopted an escrow arrangement (the “**Escrow Arrangement**”), whereby (i) a PRC limited company which is an independent third party (the “**Escrow Agent**”) would hold the Refundable Deposits on escrow and refund the Refundable Deposits upon termination of the potential acquisitions; and (ii) a financing guarantee company which is an independent third party (the “**Guarantor**”) executed letters of guarantee in favour of the Group, pursuant to which the Guarantor agreed to guarantee the repayment obligation of the Escrow Agent in respect of the Refundable Deposits.

The Independent Professional Adviser further noted that the Escrow Arrangement was effected by way of (i) the Escrow Agent entering into loan agreements with each of the Potential Sellers, pursuant to which the Potential Sellers transferred the Refundable Deposits to the Escrow Agent (the “**Loan Agreements**”); (ii) entry into tri-partite agreements among the Escrow Agent, each of the Potential Sellers and a subsidiary of the Company, pursuant to which the Group provided guarantee in favour of the Potential Sellers in respect of the repayment obligation of the Escrow Agent for the Refundable Deposits (the “**Loan Guarantee**”); and (iii) the Guarantor executing letters of guarantee in favour of the Group as described above. The Independent Professional Adviser also noted that the Company did not appear to have conducted formal due diligence on the Escrow Agent and the Guarantor.

For the purpose of verifying the Company’s explanation for the Escrow Arrangement, the Independent Professional Adviser has performed additional work, including (i) reviewing the Loan Agreements, pursuant to which it was noted that the interest rate was nil and the loans should be repaid by the Escrow Agent upon termination of the Framework Agreements; (ii) sending written enquiries to the Escrow Agent and the Nine Target Companies, and pursuant to which it was noted from the responses received that, among other things, the Loan Agreements were used for convenience only, and it was a loan in form but an escrow arrangement in substance; and (iii) conducting company searches on the Guarantor. Based on its independent work performed, the Independent Professional Adviser considered the Company’s explanation that the Escrow Arrangement was intended to provide additional safeguard for the Refundable Deposits had commercial substance.

The Board’s view

At the material time, the Company considered that the payment of the Refundable Deposits to the Potential Sellers would involve certain credit risk. The Company also considered that it would be cumbersome and time consuming to verify the respective background and financial standing of each of the Potential Sellers. It was also considered not practicable to arrange for third-party financial guarantee companies to guarantee the repayment of the Refundable Deposits by the Potential Sellers who were individuals.

Therefore, in order to secure the opportunity to perform due diligence review on the Nine Target Companies and to better safeguard the Refundable Deposits, the Escrow Arrangement was entered into by the Group. The Company understands that the use of the Loan Agreements by the Potential Sellers and the Escrow Agent was for convenience, and the Group agreed to provide the Loan Guarantee as the Potential Sellers would only agree to the Escrow Arrangement if the Potential Sellers would not be exposed to the risk of being liable to repay the Refundable Deposits to the Group in the event that the acquisitions of the Nine Target Companies did not proceed. As the Group considered that the Escrow Arrangement could better safeguard the Refundable Deposits, it therefore agreed to the provision of such the Loan Guarantee with an aim to facilitating the Escrow Arrangement.

Audit Issue III

(i) Payment of earnest money on behalf of the Potential Investors

Key findings

As disclosed in the January Announcement under the section headed “SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INQUIRY AND THE BOARD’S VIEW — Audit Issue III — Key findings — (ii) Earnest money for property project”, the Independent Professional Adviser noted that the Company paid the earnest money on behalf of the Potential Investors in relation to the Tianjin Project.

The Independent Professional Adviser further noted that there was no written agreement entered into between the Group and the Potential Investors regarding such arrangement and the Company did not request the Potential Investors to repay to the Group the earnest monies paid on their behalf. Redco Group refunded the relevant earnest monies to the Group upon the termination of the respective strategic cooperation agreements between the Group and each of the Potential Investors.

The Independent Professional Adviser had, among other additional procedures and work done, (i) sent written enquiries to each of the Potential Investors confirming that the earnest money was paid on its behalf; (ii) reviewed the letters sent by Redco Group to other potential investors to solicit their interest in the Tianjin Project and their payment of earnest money; and (iii) sent written enquiries to such other potential investors of the Tianjin Project to confirm whether they had negotiated with, and received requests for earnest money from, Redco Group in relation to the Tianjin Project.

Having considered the additional work done, the confirmations received from the relevant parties and the circumstances under which the Company paid the earnest monies on behalf of the Potential Investors, in particular that the Company could potentially earn additional revenue from the provision of property management services for the Tianjin Project, the Independent Professional Adviser considered that the payment of earnest money by the Group on behalf of the Potential Investors with an aim to securing the management rights of the Tianjin Project had commercial substance.

The Board's view

At the relevant time, each of the Potential Investors was interested in the Tianjin Project. The Company was keen to facilitate the cooperation between the Potential Investors and Redco Group with an aim to obtaining the priority right of operation and management of the Tianjin Project if the Potential Investors proceeded to invest in the Tianjin Project, from which the Group was expected to generate revenue if the Group would be engaged to provide property management services to the Tianjin Project.

The Potential Investors could not timely arrange for the earnest money to be paid to Redco Group at the material time. As there were other third parties competing for the Tianjin Project, the Company proceeded to pay the earnest money on behalf of the Potential Investors based on their verbal confirmation. The Company had, at the relevant time, considered the background and credit risk of the Potential Investors, and believed that each of the Potential Investors was a credible investor with the relevant experience and financial strength to pursue the Tianjin Project.

In addition, as Redco Group is the holding company of the Company, the Company took the view that it would not face material credit risk in relation to the payment of the earnest monies to Redco Group on behalf of the Potential Investors. It was also agreed that, to minimize the credit risk regarding the Potential Investors, Redco Group would refund the earnest monies to the Group upon the Group's request if the proposed cooperation with the Potential Investors could not be materialised.

(ii) The Redco Group's Bridging Loans

Key findings

As disclosed in the January Announcement under the section headed "SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INQUIRY AND THE BOARD'S VIEW — Audit Issue III — Key findings — (iv) Bridging loans between the Group and Redco Group", the Group borrowed the Redco Group's Bridging Loans for the purpose of providing fund proofs to the counterparties with respect to five potential projects in relation to property management consultancy services, healthcare services and property management services which were subsequently refunded to Redco Group or set off against the receivables due from Redco Group. The Independent Professional Adviser noted that the Company did not keep proper documentation in relation to the Redco Group's Bridging Loans. The Independent Professional Adviser also noted that the Company consulted with the Nanchang Property Management Association (南昌市物業管理協會) and received its written response that it is a common practice in the property management industry to obtain short-term bridging loans for fund proof purpose, which is consistent with the Company's explanation that the use of the Redco Group's Bridging Loans for fund proof purpose provided flexibility to the Group and saved the financing costs of the Group.

The Independent Professional Adviser did not find anything which is contradictory to the explanations provided by the Company in this respect.

Conclusion

The Independent Inquiry has been completed. The Independent Inquiry is subject to limitations as set out in the Independent Inquiry Report and the Supplemental Independent Inquiry Report, including the unavailability of written documents and records of the Group as well as the contact information or unresponsiveness of certain parties to which/whom the Independent Professional Adviser had reached out or attempted to reach out, unavailability of computers of former employees of the Group which were damaged or lost and the refusal by third parties (including certain vendors of the Target Companies) to attend interviews with the Independent Professional Adviser, which are beyond the control of the Independent Committee and the Independent Professional Adviser.

In view of such limitations, the Independent Committee has requested the Independent Professional Adviser to perform additional and/or alternative procedures to the extent practicable, including but not limited to corroborating the Company's explanations by conducting interviews with the relevant parties.

The Board and the Independent Committee consider that the Independent Inquiry is considerably sufficient for the following reasons: (i) the details of the relevant transactions and/or fund movements under Audit Issues I, II and III, as well as the business rationale and commercial substance, have been sufficiently clarified with reference to the key findings of the Independent Inquiry Report and the Supplemental Independent Inquiry Report; and (ii) the key findings of the Independent Inquiry based on the Independent Inquiry Report and the Supplemental Independent Inquiry Report have been disclosed in the January Announcement and this announcement respectively.

Given that (i) all the deposits and earnest monies involved in Audit Issues I, II and III in respect of potential transactions that were subsequently terminated or not further pursued by the Group had been fully refunded to the Group; and (ii) the Group did not incur any actual loss as a result of the fund movements and/or terminated transactions, the Board takes the view, with which the Independent Committee concurs, that the fund movements considered under Audit Issues I, II and III did not have any material adverse impact on the business operation and financial position of the Group.

One of the conditions set out in the Resumption Guidance is that the Company shall conduct an appropriate independent forensic investigation into the Audit Issues, assess their impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions.

The Board and the Independent Committee consider, and the Independent Professional Adviser concurs, that taking into account the following methodology of the Independent Inquiry performed by the Independent Professional Adviser, the Independent Inquiry is comparable to an independent forensic investigation:

- (a) review of the Group’s books and records, including but not limited to accounting records, agreements, bank statements, internal policies, approval records, meeting minutes, project progress reports, feasibility reports and due diligence reports;
- (b) interviews with management personnel and employees of the Group (including the Directors), as well as representatives of third parties involved;
- (c) tailored forensic technology data collection, review and analysis of electronic data stored in computer devices and email server archive; and
- (d) targeted background research, winding up/bankruptcy and company searches on certain third parties involved.

In view of the above, the Board and the Independent Committee consider that the Company has fulfilled such resumption guidance upon the publication of this announcement setting out the key findings of the Supplemental Independent Inquiry Report.

During the Independent Inquiry and Internal Control Review, it was noted that, there were certain internal control deficiencies of the Group in relation to Audit Issues I, II and III, and the Company has taken remedial actions in relation to these internal control deficiencies, details of which are set out in the section headed “RESULTS OF THE INTERNAL CONTROL REVIEW — 1. Internal control issues in relation to the Independent Inquiry” of this announcement.

RESULTS OF THE INTERNAL CONTROL REVIEW

The Board has engaged the Internal Control Consultant to conduct the Internal Control Review which has been completed. A summary of the internal control issues identified and rectification recommendations made by the Internal Control Consultant in its report dated 24 September 2024, and the Board’s responses, are set out below.

1. Internal control issues in relation to the Independent Inquiry

1.1 Investment management (relating to Audit Issues I and II)

Findings

The Internal Control Consultant noted that proper written records were not kept by the Group in relation to the potential acquisitions of target companies as

contemplated under the Party A Cooperation Agreements and the Framework Agreements, including written records for the negotiation of material commercial terms, fund arrangements and due diligence work conducted on the potential target companies.

The Company has adopted a written policy which sets out the procedures with respect to investment in and acquisition of property projects. It has also adopted written guidelines which specified the requirements for the due diligence work to be performed by the Group with respect to investments. However, there were no clear procedures or guidance established with respect to the engagement of third-party agents for introducing potential target companies to the Group.

Rectification recommendations

The Group should enhance its existing policy and procedures with respect to acquisitions which should cover the engagement of third-party agents for introducing potential target companies to the Group, with the requirements for the due diligence work to be performed on the investments being comparable to its existing written guidelines on the due diligence work required for investments without engaging any agents. The relevant due diligence work should cover, among others, potential risks assessment, tax assessment, transaction consideration assessment, analysis of the proposed transaction structure, analysis on the operations, operating income, costs and expenses, management risks and listing implications of the target project, and the requirements on proper maintenance of all the relevant records, documents and working papers.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the implementation of the enhanced policies and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant, and the Company has amended its existing policy and procedures with respect to acquisitions accordingly.

In addition, the guidelines for property investment and acquisitions have been updated to require, among other things:

- (i) in respect of acquisitions through third-party agents, framework agreements should be entered into between the relevant parties setting out clearly the rights and obligations of each of the relevant parties;

- (ii) the proposed third-party agents shall provide proof of previous successful transactions introduced by them;
- (iii) the commission fees payable to the third-party agents should not exceed 3% of the proposed consideration of the potential target companies;
- (iv) where the earnest monies payable exceeds RMB1 million, it should be approved by the investment decision committee of the Group and reported to the Board;
- (v) the applications for approval of the prepayments shall be enclosed with particulars of the counterparty (including company name, address and contact numbers), relevant contract entered into with the counterparty which has been properly approved according to the Group's internal policies, risk assessment reports and risk control measures available such as requests for guarantees or collaterals and/or establishment of escrow accounts, and findings of the due diligence work as detailed in (vi) below;
- (vi) due diligence work prior to the prepayments (or payment of earnest monies or other equivalent form of payments) should cover the background of the counterparty (including business scope and the financial statements for the latest financial year), the historical transactions record of the counterparty in the recent three years, site visits at the office address and interviews with key personnels, report on risks assessment and safeguard measures in connection with the guarantees, pledges or co-managed accounts (if any), and engagement of independent legal adviser or financial adviser to commence independent due diligence (if necessary);
- (vii) the market development center of the Group shall be responsible for the negotiation of the terms of the framework agreements with third-party agents, the signing of the framework agreements and the coordination among the third-party agents and different departments of the Group for due diligence work and progress reports;
- (viii) third-party agents shall take the lead to push forward the relevant investment projects, and coordinate with the relevant parties in order to resolve problems encountered and shall report on the relevant progress regularly to the Company. The Company shall keep proper documentation in relation to the correspondences and meetings held with the third-party agents and counterparties;
- (ix) the internal control and compliance center of the Group shall review all the relevant transaction documents from a legal compliance perspective;

- (x) the investment decision committee and the market development center should report the progress of the potential acquisitions regularly to the company secretary of the Company (the “**Company Secretary**”), who shall make timely reports to the Board in accordance with the Listing Rules and as requested by the Board; and
- (xi) the market development center shall be responsible for the organisation and archiving of all relevant documents and records.

The new guidelines for property investment and acquisitions have also been circulated to all relevant personnels for their attention and execution.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

1.2 Disclosure of transactions and use of funds (relating to Audit Issues I, II and III)

Findings

The Group has adopted written policies governing notifiable transactions and connected transactions for compliance with the requirements of Chapters 14 and 14A of the Listing Rules, respectively. However, there were no records showing that the Company had provided proper trainings to the Directors and the Company Secretary in relation to these compliance requirements.

Also, the Company had not established any specific written policies for monitoring the use of IPO Proceeds.

Rectification recommendations

The Company should seek appropriate advice from professional advisers and arrange trainings for the Directors and the Company Secretary and keep all training records properly.

The Company should also establish written policies regarding the deposit, use, and change of use of IPO Proceeds and the monitoring on the use of the IPO Proceeds, and specify the approval authority, decision-making procedures, risk control measures, and information disclosure requirements for the use of IPO Proceeds.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the implementation of the enhanced policies and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant. The Company has arranged trainings for the Directors and the Company Secretary as disclosed under the section headed “6. Corporate Governance — (b) Continuous professional development of Director” in this announcement. The Company has also established a written policy regarding the IPO Proceeds and will conduct regular internal audit reviews in accordance with the suggestions made by the Internal Control Consultant.

The written policy regarding the use of IPO Proceeds stipulates that, among other things, (i) idling funds of the IPO proceeds may be deposited with licensed financial institutions as fixed deposits with terms of less than 6 months each; (ii) the IPO Proceeds should be used for the purposes as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus; (iii) any changes in the use of IPO Proceeds should comply with all necessary internal approval procedures and in accordance with applicable rules and regulations; (iv) the finance department should record and keep track of the utilization of the IPO Proceeds and cross check the fund movements against the bank statements on a monthly basis. Any discrepancies or issues identified shall be reported to the Board promptly; and (v) prior approvals from the financial management center, the executive Directors and the independent non-executive Directors should be obtained for all use of IPO Proceeds.

The new written policy has also been circulated to all relevant personnels for their attention and execution.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

1.3 Risk control system and procedures regarding prepayments (relating to Audit Issues I and II)

Findings

The Group has not established a written risk management policy governing the identification, assessment, handling, supervision and reporting of risks in relation to earnest monies, deposits and prepayments.

Rectification recommendations

The Group should establish a written risk management policy in relation to earnest monies, deposits and prepayments, which should set out all the

procedures for the identification, assessment, handling, supervision and reporting of all major risks including strategic risks and investment risks. A register of risks should also be kept to monitor the relevant risks and for further decision making by the Board.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the implementation of the enhanced policies and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations. As disclosed under the section headed “2. Risks identification, assessment and reporting procedures” in this announcement, the Company has established a written risk management policy with respect to the identification, registration and reporting of risks. Such risk management policy also governs the prepayment and payment of earnest monies and deposits by the Group and sets out procedures for the identification, assessment, handling, supervision and reporting of risks with respect to such payments for further decision making by the management team.

Key risk areas governed by the risk management policy include:

(a) Decision-making risks

The Company and its subsidiaries should strictly follow the decision-making and approval procedures for prepayments (including other receivables) in accordance with the relevant provisions of the financial management system and business process management system, and the financial management center should conduct regular internal inspections. Prepayments with significant amounts or prepayments made outside the scope of the Company's ordinary course of business operations should be promptly reported to the Company Secretary and submitted to the Board for consideration.

(b) Recoverability risks

The financial management center is responsible for reviewing the prepayments of the Group regularly (at least once every two months), and coordinating the business departments and legal department to conduct recoverability assessments. In respect of prepayments involving an amount of over RMB1 million, they should be reported to the management promptly, and a recovery plan and preservation strategy should be formulated and reported to the Board in a timely manner.

(c) External risks

Prepayments made by the Company and its subsidiaries should be taken into consideration in the Company's financing plans and cashflow budgeting, with the premise of maintaining a healthy cashflow of the Company. In principle, prepayments shall be satisfied by the Group's internal resources but not by taking out loans.

(d) Credit risks

Prior to any prepayments made by the Company or its subsidiaries, the financial management center shall conduct credit risks assessment and report to the management team and the Board.

The new risk management policy has also been circulated to all relevant personnels for their attention and execution.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

1.4 Management of funds (relating to Audit Issue III)

Findings

The Group has adopted a written policy for fund management in order to manage its fund effectively. However, the Internal Control Consultant noted that this policy did not govern the management of bridging loans.

Rectification recommendations

The Company should establish a management policy in relation to bridging loans. Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the implementation of the enhanced policies and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations. The Company has updated its fund management policy which provides that where any member of the Group needs to apply for bridging loans, it should report to the management and the financial management team should be responsible for central coordination and to perform relevant assessment, and the relevant expenses

should be duly approved and authorised in compliance with the Company's internal control policies and in accordance with the Company's contract management system. All bridging loans so approved shall be repaid as soon as practicable.

The updated policy has also been circulated to all relevant personnels for their attention and execution.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

1.5 Management of contracts

(a) Contract signing and approval process (relating to Audit Issues I, II and III)

Findings

The Group has adopted a contract approval policy setting out the procedures for the signing and approval of contracts. Under this policy, contracts that have not been approved shall not be signed and affixed with company chops. This policy also governs the use of company chops on contracts. However, the Internal Control Consultant found that certain contracts of the Group were signed and affixed with company chops without prior approval.

Rectification recommendations

The Group should formally remind all employees of the Group to strictly comply with its contract approval policy.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the implementation of the enhanced policies and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations. The personnel of the relevant departments have been reminded to strictly comply with the Group's written policies on the contract approval procedures and the use of company chops. Contracts without approval or contracts which violate the Group's internal policies should not be affixed with any company chops, and the company chops should only be affixed where the physical copy of the contract is the same as the contract shown in the approval system.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

(b) Document scanning and tracking (relating to Audit Issues I, II and III)

Findings

The Internal Control Consultant found that the employees of the Group did not have to use a staff card to scan documents on the office scanners and could send the scanned document to any computer. As such, it was not possible to trace the scanned documents.

Rectification recommendations

The Company should adjust the settings of the office scanners such that documents could only be scanned after verification of the identity of the user, and employees should only be able to send the scanned documents to their own office computers to allow proper tracking.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the above control measures of the office scanners.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant and the settings of the scanner at the Hong Kong and Shenzhen offices have been adjusted accordingly.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

(c) Management of amendment of contract approval forms (relating to Audit Issues I, II and III)

Findings

The Company has adopted an electronic contract approval system to deal with the procedures for the signing and approval of contracts. If there is any subsequent amendment to a form which was previously approved, the Group

has to contact the system supplier to make such amendments. The Internal Control Consultant noted that the system supplier had made amendments to certain approval forms of the Group without proper records of such requests or for the work performed being retained by the supplier or the Group.

Rectification recommendations

Amendment of approval forms during the contract approval process should be strictly prohibited and where amendments are required, the original approval form should be retracted and the whole approval process should be relaunched with a new approval form, and all changes should be properly recorded.

The Company should ensure that only its authorised persons will have access right to the system and only for the permitted purposes.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant. The procedures for the application to amend an approval form have been included in the Group's contract approval management system. The Company has established guidelines mandating the initiation of a new approval process if amendments to the original approval form are needed. The Company has also entered into a supplemental agreement with the system provider, pursuant to which the system provider is prohibited from making amendments to the approval forms. The new guidelines have also been circulated to all relevant personnels for their attention and execution.

The Company has also made an arrangement with its system supplier to ensure that only the authorised persons with proper authority could give instructions to the system supplier to access the system and amend records.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

- (d) Approval of agreements in relation to guarantees (relating to Audit Issue II)

Findings

In respect of the Refundable Deposits under the Framework Agreements, an escrow arrangement was entered into among the Group, the Potential Sellers, the Escrow Agent, and the Guarantor. However, the Internal Control Consultant noted that there was a lack of due diligence work conducted against the Guarantor by the Company to ensure the legality and enforceability of the relevant letters of guarantees executed.

The Internal Control Consultant also noted that the guidelines for contracts review and approval of the Group did not cover the procedures and requirements for review and approval of guarantee agreements.

Rectification recommendations

The guidelines for contracts review and approval of the Group should be revised to cover the procedures and requirements for review and approval of guarantee agreements, including but not limited to the following: (i) the execution of all guarantee agreements without proper approval shall be strictly prohibited; (ii) guarantee agreements shall be reviewed, and legal advice should be obtained if necessary, before submitted to the management or the Board for approval, and the business, financial and operation condition of the entity whose repayment obligations are guaranteed by the Group should be continuously monitored; (iii) in respect of guarantee agreements under which the guarantee is provided in favour of Group, the Company shall conduct sufficient due diligence on the proposed guarantor before submitting to the management or the Board for approval and execution.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding the execution of the enhanced guidelines and proper and timely documentation of the relevant documents.

The Board's responses

The Board agrees with the rectification recommendations. The guidelines for contracts review and approval of the Group have been updated accordingly, which have been circulated to all relevant personnels for their attention and execution.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

1.6 Accounting treatment and audit of fund movements (relating to Audit Issue III)

Findings

According to the Independent Inquiry Report, in relation to the earnest monies paid by the Group to Redco Group on behalf of the Potential Investors under Audit Issue III, while the relevant accounting entries should have been recorded as amounts receivable from each of the Potential Investor A and the Potential Investor B (as the case may be), the Group recorded the accounting entries solely based on the recipient of the funds, i.e. as receivables from Redco Group, which did not reflect the purpose of the payments. There was also a lack of documentation of the correspondences between the Group and the Potential Investors regarding the payment of earnest monies by the Group on their behalf.

The Internal Control Consultant noted that the failure to make proper accounting entries with respect to the earnest monies was attributable to the lack of review and verification of the accounting vouchers in accordance with the applicable financial reporting standards.

Rectification recommendations

The Group should provide training to all relevant personnel of the finance department of the Group to enhance their awareness of the need to ascertain the material terms of the transactions including the transaction date, nature of transaction, and the payor and payee of the money involved, and obtain supporting documents evidencing the same, so that proper accounting treatments could be made.

Furthermore, the Group shall conduct internal audit review regularly and report the findings to the Board regarding proper accounting treatments are made in respect of all transactions and fund movements of the Group. Proper records shall be maintained for all the relevant supporting documents and correspondences.

The Board's response

The Board agrees with the rectification recommendations. The guidelines for property investment and acquisitions have also been updated which set out the documentation requirements of the relevant correspondences and records as mentioned in the section headed “1.1 Investment Management (relating to Audit Issues I and II)” above. Such guidelines have also been circulated to all relevant personnels for their attention and execution. Training in relation to accounting treatments has been provided to the key personnels (including approvers for relevant accounting vouchers) of the finance department in August 2024.

The Company will engage an independent professional consultant to conduct a review on the internal control system of the Group for the year ending 31 December 2024 in this regard.

2. Risks identification, assessment and reporting procedures

Findings

The Company has not established a written policy regarding risk management of the Group for the purpose of fulfilling the requirements of the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). It did not keep a register of risks to ensure all the major risks faced by the Group would be effectively identified and reported to the Board periodically.

Rectification recommendations

The Company should establish a written policy setting out the procedures for the identification, assessment, response, supervision and reporting of all major risks for the purpose of compliance with the applicable requirements of the Listing Rules.

It should also establish a register of risks to keep track of the major risks faced by the Group, formulate and update the responsive plans from time to time and report to the Board or the Audit Committee periodically (e.g. annually).

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant. The Company has established a written risk management policy, maintained a register of risks in relation to risks identification, assessment and reporting, and introduced a requirement for a risks assessment report prepared by the management team to be made available to the Board at least annually. As mentioned under the section headed “1.3 Risk control system and procedures regarding prepayments (relating to Audit Issues I and II)” above, the new risk management policy has also been circulated to all relevant personnels for their attention and execution.

The Company's management team has also completed a risk assessment on the Group and reported the findings to the Board and the Audit Committee on 26 February 2024.

3. Cheque management system

Findings

Under the cheque signing arrangement of a Hong Kong subsidiary of the Company, a single authorised signatory could authorise the issuance of cheques of that subsidiary regardless of the amounts involved. This would increase the risk of misappropriation of funds.

Rectification recommendations

The Company should consider setting a threshold monetary amount for payment by cheques of the relevant subsidiary in excess of which the cheque to be issued by the relevant subsidiary shall be signed by two authorised persons in order to minimise the risks of misappropriation of funds.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant and has amended its cheque signing mandate of the relevant subsidiary so that any single cheque payment for an amount in excess of HK\$3 million shall be signed by two authorised persons.

4. Guidelines and treatment for bad debts

Findings

The Internal Control Consultant noted that certain accounts receivable of the Group remained outstanding for more than five years, but the Group had not made any bad debts provisions or write off arrangements.

The Group has adopted a set of guidelines governing the follow-up procedures in relation to the long-outstanding accounts receivable of the Group. The Internal Control Consultant noted that such guidelines did not cover the accounting treatment and approval process in relation to the provisions for bad debts and bad debts written-off of the accounts receivable of the Group.

Rectification recommendations

The Group should establish written policies governing the accounting treatment and approval process in relation to the provision for bad debts and bad debts written-off, and it should consider making timely assessment on the adequacy of the provision for bad debts or bad debts written-off in relation to the accounts receivable of the Group for financial reporting purpose.

The Board's responses

While the Company has applied “the simplified approach” under Hong Kong Financial Reporting Standard 9 “*Financial Instruments*” to measure expected credit loss in respect of all the accounts receivable and other receivables of the Group bi-annually for the interim and annual reporting each year, the Board agrees with the rectification recommendations suggested by the Internal Control Consultant. The Company has updated its relevant guidelines to set out a standardized policy on the bad debts provision and bad debts written-off, the corresponding accounting treatment and approval process for the accounts receivable aged more than five years, and approved in accordance with the authorities and responsibilities manual of the Group.

5. Aging analysis of accounts payable

Findings

The Internal Control Consultant noted that the Group did not prepare aging analysis of accounts payable periodically to monitor the status of its accounts payable. If overdue arrears of payments to suppliers were not handled in a timely manner, the relationship between the Group and its suppliers could be adversely affected.

Rectification recommendations

The Company should require the finance department of the Group to prepare an aging analysis of accounts payable periodically (e.g. monthly) for the management's approval and proper approval records should be maintained to ensure the accounts payable are effectively monitored. Such requirements should be codified into the relevant guidelines of the Group.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant. The Company has established a written policy in relation to the settlement of financial transactions which stipulates that monthly analysis and assessment should be performed on accounts payable of the Group. The new policy has also been circulated to all relevant personnels for their attention and execution.

6. Corporate Governance

(a) Declaration of conflict of interests

Findings

The Group has adopted an internal control policy which requires all the directors and senior management of the Group to submit a declaration form to declare their personal interests within five working days prior to each year end date (i.e. 31 December). However, this does not cover declaration of their personal interests prior to each half-year end date (i.e. 30 June). The Internal Control Consultant also found that the declaration forms received from the directors of the Group only covered the period up to 30 June 2022, but not up to 31 December 2022 at the time of its initial review.

Rectification recommendations

The Company should update its internal control policy and ensure the directors and senior management of the Group shall submit the declaration forms within five working days prior to each half-year end date (i.e. 30 June) and year end date (i.e. 31 December).

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant and the Company has updated its internal control policy accordingly. The Board also wishes to clarify that the updated declaration forms were not timely filed by the relevant directors with the Group up to 31 December 2022 primarily because the filings were typically required as part of the annual report preparation workstream but there was a delay in the publication of the Group's annual results for the year ended 31 December 2022.

The Board has instructed the Company Secretary to send a written reminder to all the directors and senior management of the Group to timely submit their declaration forms in accordance with the Group's internal control policy and all the updated declaration forms were received by the Group. The Company Secretary has been instructed to actively follow up with the relevant directors or senior management of the Group as necessary to ensure timely filing of the declaration forms in accordance with the Group's internal control policy.

(b) Continuous professional development of Directors

Findings

During the Internal Control Review, the Internal Control Consultant noted that no training records for the year ended 31 December 2022 were provided by certain Directors in respect of their continuous professional development.

Rectification recommendations

The Company should collect all the training and attendance records of the Directors and arrange training sessions for the Directors periodically to ensure all Directors have complied with the continuous development requirement set out under the code provisions of Part 2 of the Corporate Governance Code.

The Board's responses

The Board agrees that compliance with the applicable requirement in the Corporate Governance Code are necessary, and to enhance the awareness and understanding of the Directors and senior management with respect to Listing Rules compliance, on 15 January 2024 and 20 February 2024, the Company arranged for training sessions covering Chapters 3, 13, 14 and 14A of the Listing Rules and Appendix C1 to the Listing Rules for the Directors.

(c) Minutes of the meetings of the committees of the Board

Findings

According to the Listing Rules and the terms of reference of the nomination committee (the “**Nomination Committee**”) and remuneration committee (the “**Remuneration Committee**”) of the Board, the Nomination Committee and the Remuneration Committee shall hold meetings at least annually. However, no records were provided by the Company regarding any meetings of the Nomination Committee and the Remuneration Committee held during the year ended 31 December 2022.

Rectification recommendations

The Company should ensure each of the Nomination Committee and the Remuneration Committee should hold meetings during each financial year and perform its duties in compliance with the Listing Rules and the respective terms of reference with proper meeting records maintained.

The Board's responses

The meetings of the Nomination Committee and the Remuneration Committee were not timely held during the year ended 31 December 2022 primarily because such meetings are typically held as part of the annual report preparation workstream during which members of the Nomination Committee and the Remuneration Committee would consider, among other matters, re-appointment of the Directors and the remuneration of the Directors and senior management. However, as there was a delay in the publication of the Group's annual results for the year ended 31 December 2022, such meetings were also delayed. The Board agrees that compliance with the applicable requirements in the Corporate Governance Code are necessary, and the Nomination Committee and the Remuneration Committee had each held a meeting on 12 January 2024 to consider matters in accordance with their respective terms of reference and the applicable requirements of the Listing Rules.

(d) Information provided by the Directors

Findings

The Company's internal policy requires the Directors to provide (i) confirmation regarding any updates to the personal information of the Directors; and (ii) independence confirmation of its independent non-executive Directors so as to, among other things, make relevant disclosure in its annual report in accordance with the Listing Rules. However, the Company did not request the Directors to regularly provide a list of their associates in order to, among other things, monitor the Company's transactions with connected persons. Also, the Internal Control Consultant found that, at the time of its initial review, the Company did not, for the year ended 31 December 2022, obtain the (i) annual confirmation from the Directors regarding any changes to their personal information as required under Rule 13.51(2) of the Listing Rules (which was only updated up to the date of the interim report of the Company for the six months ended 30 June 2022); and (ii) independence confirmation from the independent non-executive Directors (which was only updated up to the date of the annual report of the Company for the year ended 31 December 2021).

Rectification recommendations

The Company should request the Directors to provide the relevant confirmations and the updated list of connected persons at least annually.

The Board's responses

The updated confirmations and list of connected persons were not timely filed by the Directors primarily because the filings were typically required as part of the annual report preparation workstream but there was a delay in the publication of the Group's annual results for the year ended 31 December 2022. As at the date of this announcement, the Directors had provided the relevant confirmations and the updated list of connected persons for the purpose of preparation of the annual report for the two years ended 31 December 2022 and 31 December 2023, respectively.

- (e) Mechanism to ensure independent views are available to the Board

Findings

The Group has in place mechanism to ensure independent views are available to the Board but no written policy is adopted to govern the same.

Rectification recommendations

The Company should adopt a written policy governing the mechanism to ensure independent views are available to the Board and the Board should review the implementation and effectiveness of the mechanism annually.

The Board's responses

The Board agrees with the rectification recommendations suggested by the Internal Control Consultant and a written policy has been adopted accordingly. The new policy governing the mechanism to ensure independent views has also been circulated to all relevant personnels for their attention and execution.

Follow-up review

Following the initial review by the Internal Control Consultant in respect of the period from 1 August 2022 to 31 July 2023 (both days inclusive), the Company has enhanced its internal control systems based on the rectification recommendations of the Internal Control Consultant set out above. Thereafter, the Internal Control Consultant has conducted a follow-up review on the internal control systems of the Group in respect of the period from 1 August 2023 to 24 September 2024 (both days inclusive), including reviewing the enhanced or new policies of the Group and the available supporting documents regarding their execution, obtaining a copy of the report of the risk assessment performed against the Group and the written record of the report made to the Group's management, and checking the Company's bank statements and accounting books and records. The Internal Control Consultant

considers that all identified internal control deficiencies have been rectified by the Group and all the internal control rectification recommendations made by it have been properly addressed by the Group and no significant internal control issues were identified. Based on the foregoing, the Internal Control Consultant takes the view that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

Conclusion

Based on the findings of the follow-up review by the Internal Control Consultant, the Board and the Independent Committee are satisfied that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended from 1:00 p.m. on 29 March 2023 and will remain suspended until the Company fulfils the Resumption Guidance.

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

By order of the Board
Redco Healthy Living Company Limited
Huang Ruoqing
Chairman

Hong Kong, 24 October 2024

As at the date of this announcement, the executive Directors are Mr. Tang Chengyong, Ms. Wong Yin Man and Ms. Huang Yanqi, the non-executive Director is Mr. Huang Ruoqing, and the independent non-executive Directors are Mr. Lau Yu Leung, Mr. Sze Irons BBS, JP, and Mr. Chow Ming Sang.