

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from on in reliance upon the whole or any part of the contents of this announcement.



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)

SUPPLEMENTAL ANNOUNCEMENT
MAJOR AND CONNECTED TRANSACTION IN RELATION TO
PROVISION OF UNAUTHORISED GUARANTEES
TO THE THEN ULTIMATE CONTROLLING SHAREHOLDER

Reference is made to the announcement (the “**Announcement**”) of Jiayuan Services Holdings Limited (the “**Company**”) dated 13 November 2024 in relation to, among others, the major and connected transaction in relation to provision of unauthorised guarantees to the then ultimate controlling shareholder. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

In addition to the information set out in the Announcement, the Board wishes to provide supplemental information in relation to the unauthorised Guarantee, the Settlement Agreement, the Arbitration Mediation Statement and the Enforcement Orders.

Additional background

According to the custodian of the company chops of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng (the “**Custodian**”), in early November 2023, the relevant personnel of the Human Resources and Administration Department of China Jiayuan (the “**Relevant Personnel**”) attended the Human Resources and Administration Centre of the Company (the “**Human Resources and Administration Centre**”), and used the company chops of Zhejiang Yuan and Zhejiang Zhixiang Dacheng on certain documents (the “**Documents**”). When the Custodian asked the Relevant Personnel whether the usage of the company chops had been approved, whether there was a chop usage approval list and requested for a copy of the Documents, the Relevant Personnel replied that the chop usage approval list was not required, and informed the Custodian clearly that it would be unnecessary to photocopy the Documents.

Having reviewed the company chops records of the Group between July 2023 to December 2023, the Custodian is unaware of other unauthorised use of company chops in connection with the Guarantee Agreements, and the previous Board (consisting of Mr. Pang Bo, Mr. Bao Guojun, Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin) (the “**Previous Board**”) believed that the Documents were the Guarantee Agreements. Based on the records available to the Company, the Guarantee Agreements were only stamped but not signed. Apart from the aforesaid persons, no other staff have knowledge or involvement in the relevant use of company chops. In view of the above, the Relevant Personnel had bypassed the Group’s then existing corporate governance and internal controls and used the company chops of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng without the proper approval of the Group.

In early October 2024, the relevant finance staff of the Company discovered that the bank account of Zhejiang Zhixiang Dacheng had been frozen when attempting to make electronic bank transfers, and subsequently noted that the bank account of Zhejiang Heyuan had also been frozen upon public searches. The said staff then notified Mr. Deng (“**Mr. Deng**”), the general manager of the Investment Development Centre of the Company, who then immediately informed Mr. Pang Bo (“**Mr. Pang**”), the executive Director, of the freeze of the Bank Accounts on even day.

Having considered that (i) the information then available to the Company relating to the frozen Bank Accounts was insufficient for the Company to fully appreciate the incident and to take proper follow-up actions; (ii) the total deposit standing to the credit of the Bank Accounts frozen was relatively immaterial; and (iii) the freeze of the Bank Accounts have no immediate material adverse impact on the Group’s business and operation, Mr. Pang instructed Mr. Deng and the relevant staff (including those from the Finance Department and the Human Resources and Administration Department) to find out more about the background of the Arbitration Mediation Statement and the Enforcement Orders and to seek assistance from the retainer legal adviser of the Company as to the PRC laws (the “**Retainer PRC Legal Adviser**”). On 10 October 2024, Mr. Deng attended the court with the Retainer PRC Legal Adviser to understand the preliminary background of the Arbitration Mediation Statement and the Enforcement Orders and reported the same to Mr. Pang. On 13 October 2024, Mr. Pang informed Mr. Bao Guojun (“**Mr. Bao**”), the executive Director, of the freeze of the Bank Accounts.

In order to avoid causing unnecessary confusion, and as the Group was then heavily engaged in the audit work in order to publish the outstanding financial results of the Group, Mr. Pang and Mr. Bao, the executive Directors, considered that it would be proper to collate all the necessary information and to obtain the relevant advice from its legal advisers, auditors and internal control consultants before addressing the situation to the independent non-executive Directors in order to assist the Previous Board to understand the case thoroughly. During the period between early October 2024 and early November 2024, Mr. Deng had been actively working with the Retainer PRC Legal Advisers and external legal counsels to formulate various plans and taken legal actions to safeguard the interests of the Group, and Mr. Pang and Mr. Bao have been regularly informed by Mr. Deng of the development of the incidents. In early November 2024, a meeting of the Previous Board with all Directors (including the independent non-executive Directors) attended was convened to discuss the Arbitration Mediation Statement and the Enforcement Orders.

According to the public records received by the Group, the identities of the then legal representatives for each of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng who were imposed with consumption restriction orders were Mr. Shen Weiping and Mr. Zhu Hongge, respectively. In addition, according to the documents received by the Company, the Legal Adviser (i.e. the improperly authorised arbitration case agent as disclosed in the Announcement) was jointly appointed by each of (i) Chaohu Xutong; (ii) Jiayuan Chuangsheng; (iii) Zhejiang Heyuan; and (iv) Zhejiang Zhixiang Dacheng, and the Settlement Agreement was signed and confirmed by the Legal Adviser.

Financial impact of the Arbitration Mediation Statement and the Enforcement Orders

As disclosed in the audited annual results announcement of the Company for the year ended 31 December 2023 and the unaudited interim results announcement of the Company for the six months ended 30 June 2024, the Group has recognised an expected credit loss of approximately RMB123,000,000 based on the consideration of the equity transfer associated with the provision of the Guarantee. If excluding all one-off losses for the year ended 31 December 2023 (including, among others, the provision of the Guarantee), the financial performance of the Group would have improved from audited net loss of approximately RMB77 million to unaudited pro forma net profit of approximately RMB46 million, and from audited net liabilities of approximately RMB112 million to unaudited pro forma net assets of approximately RMB11 million.

Furthermore, despite the writing off of the balances of cash and cash equivalents, the other assets of the Company as at 31 December 2022 and 31 December 2023 have largely remained sufficient, in particular, (i) the Group had a positive net cash generated from operating activities; and (ii) the Group had a net asset position (excluding the one-off losses (including, among others, the provision of the Guarantee) for each of FY2022, FY2023 and the interim period for the six months ended 30 June 2024). According to the unaudited interim results announcement of the Company for the six months ended 30 June 2024, the total assets of the Group as at 30 June 2024 amounted to approximately RMB648 million, and the profit after taxation for the six months ended 30 June 2024 amounted to approximately RMB66 million. Based on the above, and having considered that the principal business of the Group, namely, the provision of property management services in the PRC is an asset-light business, the Board is of the view that the Arbitration Mediation Statement and the Enforcement Orders have no material adverse impact on the financial performance of the Group and the Group has maintained a sufficient level of assets.

Views of the Previous Board and the Board

The Previous Board is of the view that during the time when the Group had first discovered the incident in around early October 2024 up to November 2024, the Group had diligently and proactively worked with its Retainer PRC Legal Adviser and the judicial authorities, and had appointed external legal counsels to take all necessary legal actions such as applying for the withdrawal of the Arbitration Mediation Statement and the non-enforcement of the Arbitration Mediation Statement to rigorously defend the Group's position in relation to the Arbitration Mediation Statement and the Enforcement Orders in order to protect and safeguard the legitimate interest of the Group. Such applications have been accepted by the courts in early November 2024. The management has also concurrently informed and sought advices from professional parties to ascertain the impact of the Arbitration Mediation Statement and the Enforcement Orders on the Group, and has reported the same to all Directors and informed the Stock Exchange at the earliest practicable time.

The Company is of the view that the above arrangements could effectively control and minimise the possible disruption on the Group caused by the Arbitration Mediation Statement and the Enforcement Orders, and assist its professional parties to obtain sufficient information to assess the impact on the Group, as well as helping the Previous Board to fully understand the context of the Arbitration Mediation Statement and the Enforcement Orders and discuss countermeasures to the same. According to the Management System of Continuing Disclosure Obligations of the Group, the staff are required to provide sufficient, reliable and appropriate information to the Board to ascertain whether such information would constitute inside information. The Previous Board is therefore of the view, and the Board concurs, that the above arrangements comply with the requirements of the Management System of Continuing Disclosure Obligations of the Group.

Nevertheless, to further enhance the reporting mechanism of the Group, the Group will arrange additional manpower to investigate similar accidents and inform the Board as soon as practicable. The Group will also (including but not limited to) report and provide update to the Board of the advice from the professional parties and the possible measures. Announcement(s) will be made promptly to inform the Shareholders and potential investors of the Company of such accident and any material development thereafter on a regular basis.

Furthermore, the Company has reviewed all stamping records of the Company from the date of listing (i.e. 31 December 2020) to the date of this announcement, and has conducted and reviewed the public litigation search record and the List of Dishonest Persons of each of the company of the Group to confirm that there are no other unauthorised guarantee. To verify the completeness of the stamping records, the Company has also reviewed all previous agreements which used the company chops of the Group and all previous application requests for the use of the company chops, and the Custodian has signed a declaration confirming that all stamping records have been verified. The auditor of the Company has also (i) obtained the Groups' stamping record and selected samples to ascertain if the contracts listed were properly authorised and recorded in the Group's accounts; (ii) selected samples of contracts from the Group's stamping record, especially those with unclear descriptions, and reviewed their terms and business rationale to ascertain consistency with the Company's operations; and (iii) cross-checked the contracts received during its course of audit against the Group's stamping record. Based on the above, the Company is of the view that it has exhausted all means to ascertain that there are no other unauthorised guarantee.

As set out in the Announcement, according to the PRC legal advisers of the Company, in the event that all payment obligations are assumed by Zhejiang Heyuan and Zhejiang Zhixiang Dacheng in accordance with the Settlement Agreement, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng may (i) recover and claim the entire amount from Chaohu Xutong; and (ii) recover and claim Jiayuan Chuangsheng for the excess amount that Zhejiang Heyuan and Zhejiang Zhixiang Dacheng have assumed as under the Civil Code of the PRC, all guarantors would bear joint liabilities in equal proportion (namely one-third of the guaranteed amount) unless otherwise determined.

The Board is of the view that, notwithstanding Zhejiang Heyuan and Zhejiang Zhixiang Dacheng, together with their subsidiaries contributed all of the total revenue of the Group for the year ended 31 December 2023 and are the major subsidiaries of the Group, (i) the validity of the Settlement Agreement is uncertain, given that the entering into of the Settlement Agreement was not approved by the Previous Board and the Shareholders and is of material procedural irregularity; (ii) although the Enforcement Orders ruled that the Bank Accounts of up to approximately RMB124 million be frozen, as at the date of this announcement and based on the records of the Company, the actual total deposits frozen amounted to approximately RMB900,000; (iii) the Group have sufficient source of financial resources to settle the possible negative financial impact caused by the Arbitration Mediation Statement and the Enforcement Orders, including but not limited to the existing and additional banking facilities available for the Group etc., the potential financial impact of such incidents on the Group is therefore minimal. In light of the above, the Company is of the view that the Arbitration Mediation Statement and the Enforcement Orders do not affect the normal business and operations of Zhejiang Heyuan, Zhejiang Zhixiang Dacheng and the Group.

The Board hereby reaffirms that the entering into of the Guarantee Agreements, the Settlement Agreements and the transactions contemplated thereunder respectively was not approved by the then Board and the Shareholders, and casted doubt on their legal effects. The Board will take all necessary legal actions to rigorously defend the Group's position in relation to the Arbitration Mediation Statement and the Enforcement Orders to protect and safeguard the legitimate interest of the Company and the Shareholders.

Views of the then Audit Committee

As set out in the announcement of the Company dated 25 September 2024, the Previous Board has 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 Group’s internal control systems, procedures and policies (the “**Internal Control Review**”), and has adopted and enhanced the Group’s internal control systems, procedures and policies from January 2024 and has completed the enhancements on April 2024.

The then Audit Committee is of the view that the application of the company chop in the Guarantee Agreements did not comply with the approval requirements of the then Organisation Authority and Responsibility Manual, and the Company did not comply with the requirements under Chapters 13, 14 and 14A of the Listing Rules. The then Audit Committee is also of the view that in respect of the litigation reporting procedures, the then Management System of the Group sets out that (among others) for all litigation or arbitration cases, action plans and execute such plans shall be formulated after receiving approvals from the Investment Development Centre of the Group and completed registration with China Jiayuan Group Limited, which demonstrated the lack of genuine independence and autonomy in the governance structure of the Group at the material time.

Following the Internal Control Review, the Group has, in particular, updated (i) the Organisation Authority and Responsibility Manual to strengthen matters which requires the communication and approval from the Board, including but not limited to the provision of the guarantee, and has stated the relevant approval; (ii) the disclosure requirements under the Rules of Procedures of the Board, including the requirements of written agreements and other supporting documents, which shall be approved through the OA system of the Group and notified to the Board in advance, and are in compliance with the procedures required under Chapters 13, 14 and 14A of the Listing Rules; (iii) the Working Standards of the Group – Human Resources and Administration Centre* (《集團工作標準－人事行政中心》), which included the written manuals for handling whistleblowing; and (iv) the Management System of the Group, in particular, on parts relating to the reporting procedures and timeframes of arbitration and litigation proceedings. The Investment Development Centre and the Human Resources and Administration Centre shall promptly handle the relevant legal documents as respondent or defendant, to understand the facts of the case, organise meetings, and formulate plans and measures. The Management System of the Group has also set out the timeframe for reporting monthly statistics of the litigations and administrative penalties in which the Group is involved to the Investment Development Centre of the Group, and the report on the litigations and administrative penalties of the Group to the chief executive of the Group.

Please refer to the announcement of the Company dated 25 September 2024 for further details of the Internal Control Review.

The Group will strictly implement the enhanced internal control system and will provide training on the internal approval procedures and reporting mechanism of the Group to the staff of the Human Resources and Administration Centre to enhance their capability in handling unusual circumstances. Based on the above, the Audit Committee is of the view that the Group has in place sufficient internal control systems and procedures to fulfil its obligations under the Listing Rules and to safeguard the interest of the Shareholders.

Also, the then Audit Committee concurs with the view as disclosed in the section headed “*Views of the Previous Board and the Board*” above and agrees that the reporting arrangements comply with the requirements of the Management System of Continuing Disclosure Obligations of the Group.

All information as set out in the Announcement remains unchanged, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Jiayuan Services Holdings Limited
Li Meng
Chairman and Executive Director

Hong Kong, 13 December 2024

As at the date of this announcement, the Board comprises ten Directors, of which Mr. Li Meng (Chairman), Mr. Xin Bing, Mr. Pang Bo and Mr. Bao Guojun are the executive Directors, and Mr. Zhang Chen, Ms. Cui Yan, Mr. Cai Sitao, Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin are the independent non-executive Directors.

* *For identification purposes only*