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美亞控股有限公司*
MAYER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

KEY FINDINGS AND RESULTS OF THE INVESTIGATION AND CONTINUED SUSPENSION OF TRADING

References are made to the announcements of the Company dated 28 February, 27 January 2025, 30 December, 29 November, 27 September, 14 and 11 June, 17 April, 21 and 15 March, 22 and 14 February, 31, 26, 19, 15 and 3 January 2024 as well as 28 December, 30 November, 31 and 10 October, 29 September, 31 and 10 August and 15 June 2023 (collectively, the “**Announcements**”). Capitalized terms used herein shall have the same respective meanings as defined or adopted in the Announcements unless otherwise stated.

BACKGROUND

The Allegations

The Company received complaints on 29 March 2023 that raise the Allegations (the “**Complaint Letter**”). The II Committee was established in response to the Allegations and to determine, among other matters, whether the Allegations were true and made with reasonable basis.

The Disposal

On 29 November 2023, the Board noted that the Disposal was completed inappropriately without any approval and authorization from the Board.

* For identification purpose only

The Resumption Guidance

As set out in the announcements of the Company dated 3 and 26 January, 14 February and 17 April 2024, among other matters, the Board received letters from the Stock Exchange setting out the Resumption Guidance for the Company, including but not limited to, the followings,

- (a) Conduct an appropriate independent investigation into the Allegations (of which the details are set out in the announcement of the Company dated 15 June 2023), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions; and
- (b) Demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

To address the above Resumption Guidance, the II Committee has appointed Grant Thornton, as the independent investigator, to carry out the Investigation covering the matters and issues relating to the Allegations and the Disposal and to report the respective findings to the II Committee. This announcement sets out the key findings of the Investigation.

THE INVESTIGATION

As at the date of this announcement, the Independent Investigator has issued the Investigation Report to the II Committee and the details of which are set out as below:

Scope of the Investigation

The scope of the Investigation covering the matters and issues relating to the Allegations and the Disposal includes (collectively, the “**Issues**”),

- (i) whether the Company was controlled by the Alleged Controller through several figureheads and Mr. Lee Kwok Leung (“**Mr. Lee**”), former executive Director and former chairman of the Board, and whether the Alleged Controller manipulated the trading of the Shares (the “**Issue 1**”);

- (ii) whether the Alleged Controller misappropriated funds in the aggregate amount of HK\$205 million from the Company (the “**Issue 2**”);
 - (A) matters relating to a purported prepayment of HK\$85 million by the Company for the sale and purchase of steel (the “**Issue 2A – Purported Steel Purchase**”); and
 - (B) matters relating to a purported transfer of HK\$120 million in total by the Group to six service providers under certain urban redevelopment projects (the “**Issue 2B – Purported Service**”)
- (iii) whether the Alleged Controller defaulted on the repayment of a borrowing from Happy (Hong Kong) New City Group Limited (“**Happy BVI**”, and together with its subsidiaries, the “**Happy Group**”) (a company which was subsequently acquired by and became a subsidiary of the Company after the borrowing took place), which then, due to lack of funding, caused a delay in the progress of the re-development project in Yuetang Village, held by such company (the “**Issue 3**”);
- (iv) whether there was a purposeful delay of a Board meeting by certain Directors and the company secretary of the Company (the “**Issue 4**”);
- (v) matters relating to the Disposal that was unauthorized and without approval by the Board but was discovered by the Board during a regular check on the Company’s subsidiaries (the “**Issue 5**”); and
- (vi) other related matters including the investigation on integrity, character and competence of the current executive Directors of the Company and management personnel of Guangzhou Mayer Corporation Ltd. (“**GZ Mayer**”), an indirect non-wholly-owned subsidiary of the Company, which is also one of the resumption guidance of the Company.

Major procedures of the Investigation

The major investigation procedures conducted by the Independent Investigator include, but are not limited to the following,

- *Data analysis and document review* – the documents obtained and reviewed included, but not limited to, (i) the Complaint Letter; (ii) the relevant meeting minutes of the senior management, the Board and the audit committee, the correspondence and legal advices between the Company and its legal advisor, the legal and litigation documents, the Company's announcements and the documents and correspondences such as emails, letters and other forms of communications regarding the transactions involved in the Issues; (iii) the relevant agreements and accounting records, including but not limited to the relevant share transaction records, loan agreements, service agreements, steel purchase agreements, agreements and records relating to the acquisitions and disposals of subsidiaries of the Company, correspondences relating to the arrangement of Board meetings, payment records and receipts, internal approval records, accounting vouchers, bank statements and other bank documents; and (iv) other relevant documents such as the relevant approval records, contract registers, internal control policies and manuals to understand whether the procedures involved in the Issues complied with the Company's guidelines.
- *Interviews* – identified and conducted interviews with the relevant internal and external parties involved in the Issues, including but not limited to, the Alleged Controller, the current and former Directors, the company secretary, the relevant management and finance personnel, the relevant transaction counterparties and other third parties.
- *Independent background checks* – performed independent background searches on (i) the Company and its relevant subsidiaries; and (ii) the relevant individuals, companies and related parties (if any) relevant to the transactions involved in the Issues in order to obtain the background information and understand their relationships with the Group.
- *Confirmations and site visits* – obtained confirmations from transaction counterparties and bank statements from relevant banks in relation to the transactions involved in the Issues and performed site visits to the addresses of the transaction counterparties and the involved villages in order to confirm their operations and the status of the redevelopment.

- *Specific internal control assessment* – (i) conducted interviews with the relevant management and finance personnel of the Group to understand the relevant internal control policies and procedures regarding the transactions involved in the Issues; and (ii) obtained and reviewed the written policies and manuals in order to assess the adequacy of the internal control system and procedures of the Company.
- *Computer forensic review* – conducted computer forensic review to obtain the image of the computers and emails of the relevant personnel and performed computer forensic procedures, including keywords searches to identify relevant documents.

Key limitations on the Investigation

Even though the Board has allowed and provided the Independent Investigator with all reasonable access to documents, records and data, etc. that are likely to contain potentially relevant evidence and contact and make enquiries of relevant personnel directly, due to factors that are beyond the Company's control, the following limitations (the "**Limitations**") encountered by the Independent Investigator may have limited the extent of the Investigation:

- (i) as the Independent Investigator was not given mandatory investigative powers, the Investigation largely relied on the voluntary cooperation of the Company and the relevant third parties. The Independent Investigator was not in the position to fully verify the representations made by the interviewees or ensure that the investigation findings were without errors. In fact, there were inconsistencies noted from the interviewees/ records and absences of corresponding supporting document. The Independent Investigator could not directly verify and confirm the representations that contain inconsistencies and was without sufficient evidence to draw certain conclusions on the Issues, despite that the Independent Investigator had, to its extent possible, already performed alternative works. Except those documents which were marked as verified in the Investigation Report, the Independent Investigator also could not verify the authenticity of all the documents provided;
- (ii) the Independent Investigator could not obtain some of the contemporaneous records and documents it requested and considered material. The Independent Investigator had alternatively performed, including but not limited to, computer forensics work with additional keywords and attempted more interviews with relevant personnel but was not given positive, if any, responses most of the time which prevented the Independent Investigator from ascertaining the facts surrounding the irregular transactions or the extent of the Directors' involvement in the Issues;

- (iii) the Independent Investigator could not complete the fund-flow tracking under Issues 2 and 3 as some of the relevant transactions involved third parties outside the Group and the Independent Investigator were not able to obtain the relevant supporting documents and/or consistent information from interviews/records to verify the fund flows;
- (iv) the Independent Investigator could not fully complete the independent individual searches on the Directors, senior management and shareholders of the Company, and the directors and shareholders of the relevant parties involved in transactions under Issues 2 and 3;
- (v) the independent third party agency, who was commissioned by the Independent Investigator, could not conduct searches on the shareholdings and directorships of the relevant companies incorporated in the British Virgin Islands;
- (vi) as at the date of the Investigation Report, the Independent Investigator was unable to obtain positive responses from the key personnel to conduct complete interviews involved in the Issues, including the former executive Directors and the former non-executive Directors despite of various interview invitations from the Independent Investigator;
- (vii) as at the date of the Investigation Report, the Independent Investigator has not received all confirmation letters;
- (viii) the Independent Investigator was not able to locate the company names or doorplate of the service providers involved in Issue 2 provided by an independent third-party information agency and the Independent Investigator could not obtain evidence to demonstrate that certain interviewee was in the proper capacity to represent certain service providers that had entered into agreements with the subsidiaries of the Company; moreover, despite alternative actions through requesting for more interviews and companies background searches, the Independent Investigator still could not verify and confirm the relationships between the relevant parties and the service providers;
- (ix) the Independent Investigator could not conduct computer forensics with Mr. Zhou Shi Hao (“**Mr. Zhou**”) and Mr. Chen Zhirui (“**Mr. Chen**”) as they were not assigned with any corporate electronic devices; and

- (x) the Independent Investigator could not obtain relevant WeChat records from key personnel involved in the Issues, including the former executive Directors, the former non-executive Directors and the current senior management members.

Summary of Key Findings and Observations from the Investigation

Issue 1

The Company entered into an employment contract with the Alleged Controller on 1 April 2022 appointing him as a Hong Kong-based consultant for GZ Mayer responsible for the Group's affairs in Guangzhou. The board of directors of GZ Mayer has also resolved that the Alleged Controller would become a member of the general management and control committee of GZ Mayer effective on 6 April 2022 and he assumed the role of Chairman of such committee of GZ Mayer on 4 July 2022.

The primary functions of the control committee of GZ Mayer are to assist the board of directors of GZ Mayer in managing and overseeing the operations of GZ Mayer, reporting to the Board, reviewing investment projects, conducting preliminary reviews on daily financial status and annual audit work, conducting preliminary reviews on the appoint, removal and compensation of senior executives, providing improvement suggestions for departmental shortcomings, and inspecting the implementation of GZ Mayer's management system.

Prior to the Alleged Controller's roles as discussed in the above, he served as the personal advisor to Mr. Xu Lidi ("**Mr. Xu**"), who was then an executive Director and the chairman of GZ Mayer. His responsibilities included handling GZ Mayer's factory operations and legal issues, introducing an old village redevelopment project in Zhuhai, the PRC to Mr. Xu, and relaying messages from Mr. Xu to the management of the Group. However, no formal employment contract was signed between Mr. Xu and the Alleged Controller.

Regarding Issue 1, the Independent Investigator conducted interviews with several key involved personnel, including the complainants, namely Mr. Zhou and Mr. Chen, to understand the details and reasons for the allegation set out in Issue 1. However, as at the date of the Investigation Report, the complainants have not provided any supporting documents to the Independent Investigator. Accordingly, the Independent Investigator performed alternative procedures, including (i) interviewing other current and former Directors of the Company, such as Mr. Lee, Mr. Lam Chung Chak, Mr. Xiao Libo and Mr. Lau Kwok Hung; (ii) reviewing the Company's Board meeting minutes from the relevant years; and (iii) conducting computer forensics to determine whether the Alleged Controller participated in the Board meetings or operations of the Company during the relevant years. After conducting the above, there were no sufficient evidence to conclude that the Alleged Controller is an actual controller of the Company.

A cooperation agreement was signed by Mr. Xu and the Alleged Controller on 30 May 2016 regarding the collaboration on the Company's control rights. The terms of the agreement mainly included (i) both parties would jointly provide funds for the Company's restructuring; (ii) both parties would jointly participate in the restructuring; and (iii) after the return of all invested fund, the equity distribution ratio would be 55% for Mr. Xu and 45% for the Alleged Controller; and (iv) both parties would jointly appoint representatives to participate in the management of the Company, with operation matters being primarily decided by Mr. Xu. However, as the two parties subsequently cut off contact, the said agreement was not executed.

In an interview with Mr. Xu, he stated that the acquisition of the Yuetang Village re-development project was primarily handled by the Alleged Controller, and that he was not involved in such transaction. However, through computer forensics procedures, the Independent Investigator discovered that Mr. Xu had signed a letter of engagement with a valuer (the "**Valuer**") on behalf of the Company in January 2019, commissioning the Valuer to provide an independent valuation service for the Company related to the Yuetang Village, and that the representatives of the Valuer had emails correspondence with "Mr. Xu" in relation to an arrangement of site visit to the Yuetang Village and an email attached with a preliminary draft of the valuation model of the Yuetang Village. Mr. Xu's statements during the interview appeared to be inconsistent with the findings from the computer forensic procedures. As at the date of the Investigation Report, the Independent Investigator has not been able to complete all relevant interviews with Mr. Xu. He has also not responded to the requests to conduct the remaining parts of the interview or provide the Independent Investigator with supporting documents. As a result, the Independent Investigator was unable to rely on the content of Mr. Xu's interview statements suggesting that the Alleged Controller was responsible for the Company's acquisition of the Yuetang Village re-development project or that he is the actual controller of the Company.

Based on the investigation findings and excluding the inconsistent statements from interviewees and the Limitations outlined in the section headed “*Key limitations on the Investigations*”, the Investigator has not found evidence that the Alleged Controller directed the relevant parties to manipulate or conduct trading of the Shares as alleged in the Complaint Letter.

Issue 2

Key findings of Issue 2A – Purported Steel Purchase

On 3 January 2019, GZ Mayer, as the buyer, has entered into a sale and purchase agreement (the “**Purported Master Purchase Agreement**”) with 珠海隆泰能源有限公司 (“**ZHLT**”) and Zhuhai Zhongle City Renewal Co, Limited (“**Zhuhai Zhongle**”), as the vendor and the guarantor respectively, for the sale and purchase of steels. As at the date of the Purported Master Purchase Agreement, members of the Happy Group were not subsidiaries of the Company as the Happy Group was acquired and become subsidiaries of the Company in late 2019.

According to the relevant contract registers obtained by the Independent Investigator, the Independent Investigator noted that GZ Mayer had not entered into any supplier contracts with other suppliers with a similar amount as the Purported Master Purchase Agreement (i.e. HK\$85 million) between 2020 and 2024.

The Independent Investigator also compared the average unit price of certain materials stated in a list attached in the Purported Master Purchase Agreement to the average unit price of respective materials sourced from other suppliers in 2019. It was noted that the average unit prices from the Purported Master Purchase Agreement were generally lower with a range from RMB20 to RMB370. According to the interview with the deputy general manager of GZ Mayer, he did not know about the pricing arrangement as he was not involved. However, he stated that the steel price would vary on a daily basis, and from his perspective, such price differences were acceptable in the industry. The Independent Investigator was unable to verify the execution arrangement, including the pricing arrangement, of such agreement and thus could not confirm the reason for such price differences.

The terms of the Purported Master Purchase Agreement were not executed accordingly

Based on the terms of the Purported Master Purchase Agreement, (i) it required delivery of goods within 30 days upon payment; and (ii) the Company had a right to request the relevant suppliers to pay an interest of 10% per annum in the event that it could not deliver on schedule. However, it is noted that GZ Mayer had made an upfront prepayment of RMB85 million (even though it is not required) but ZHLT did not deliver the subject steels according to contracted schedule and the Independent Investigator noted that the types of steel being delivered were not the same as the types listed in the Purported Master Purchase Agreement.

The fund flows of the HK\$85 million in respect of the Purported Master Purchase Agreement

ZHLT issued a letter of authorization for payment to GZ Mayer on 4 January 2019, requesting GZ Mayer to pay an upfront amount of HK\$85 million to a bank account of a wholly-owned subsidiary of Happy BVI (“**Happy HK**”), which is a company incorporated in Hong Kong. GZ Mayer also issued a letter of authorization for payment to the Company on the same date, requesting the Company to make the payment to Happy HK on its behalf in accordance with the terms of the Purported Master Purchase Agreement.

Based on the relevant cheque copies and Happy HK’s bank statements obtained by the Independent Investigator, the Company has paid HK\$85 million to Happy HK on 8 January 2019. In turn, Happy HK subsequently transferred the funds via cheques to (i) Well Success Limited on 17 and 18 January 2019 in the total amount of HK\$80 million; (ii) Mr. Lam Chung Chak on 14 January 2019 in the amount HK\$4.8 million; and (iii) Valley Park Global Corporation on 20 May 2019 in the amount of HK\$200,000. Based on the above findings and subject to the limitations stated in “Key limitations on the Investigation”, despite that the Independent Investigator could not confirm the purpose of these payments or their subsequent flows, there was no evidence showing that there was a misappropriation of funds as alleged under Issue 2.

Also, there was no evidence to the Independent Investigator showing that the Alleged Controller participated in any parts of the Purported Master Purchase Agreement or subsequent payment arrangements or misappropriation of funds as alleged under Issue 2.

Cheques issued by the Company to Happy HK

The Independent Investigator noted that Mr. Lee and Mr. Xu were the signatories of the cheque issued by the Company while Mr. Zhou was the signatory of the cheques issued by Happy HK. GZ Mayer then received the receipt of HK\$85 million payment from ZHLT on 14 January 2019. In relation to arranging payments to ZHLT, Mr. Lee in his interviews stated that he did not conduct any background check on ZHLT but he learned from Mr. Xu that personnel of GZ Mayer should have conducted background check or due diligence on ZHLT and there should be minimal risk as ZHLT was considered as a well-established company. However, the Independent Investigator is on the view that there was not sufficient evidence to show that a background check or due diligence had been conducted on ZHLT.

On the other hand, the Independent Investigator was also given to understand from the deputy general manager of GZ Mayer, that, from his perspective, the Purported Master Purchase Agreement shall be a regular contract and GZ Mayer therefore did not conduct due diligence on ZHLT. Moreover, no document related to due diligence of ZHLT could be identified through computer forensic works.

Actual supply of steels to the Group

After signing of the Purported Master Purchase Agreement, GZ Mayer signed eight side contracts with ZHLT between the period from 5 May 2019 to 28 November 2019. Having reviewed GZ Mayer's relevant records, and interviews with relevant individuals, the Independent Investigator noted that ZHLT actually supplied steel worth of approximately RMB2.63 million in total to GZ Mayer in May 2019 and November 2019. The Independent Investigator could not confirm the relevancy between the Purported Master Purchase Agreement and the eight side contracts, and whether GZ Mayer sought other steel suppliers during the relevant period to meet its demand for steels uses.

Commercial rationale of the Purported Master Purchase Agreement

The Independent Investigator examined the commercial rationale of GZ Mayer in respect of the entering into of the Purported Master Purchase Agreement on three aspects as follows:

(i) GZ Mayer's demand for steels

According to the Purported Master Purchase Agreement, GZ Mayer agreed to purchase 21,000 tons of steel from ZHLT. The Independent Investigator reviewed GZ Mayer's steel budget documents for 2019 and noted that the total budgeted procurement volume for the year was 132,475 tons. Therefore, the procurement volume under the Purported Master Purchase Agreement fell within the budgeted range for the year and aligned with GZ Mayer's steel requirements. The procurement volume under the Purported Master Purchase Agreement was expected to account for approximately two months' worth of budgeted procurement and the Independent Investigator was of the views that the pre-purchasing of steels may possibly be used to mitigate the potential impact of future price fluctuations and the procurement volume was consistent with GZ Mayer's budget for 2019.

(ii) Reasonableness for the one-time prepayment arrangement

Based on relevant interviews, the Independent Investigator noted that GZ Mayer's suppliers were generally divided into steel traders and steel mills. ZHLT fell under the category of steel traders which typically required payment upon delivery (i.e. payment before shipment). The Independent Investigator had obtained some of GZ Mayer's steel procurement contracts with other steel trader suppliers in 2019 with the corresponding bank receipts for verification purpose and found that GZ Mayer also had one-time advance payment arrangements with other steel traders in 2019 and can be considered as customary procurement terms. However, the Independent Investigator also noted that the amounts involved in such contracts the Independent Investigator were relatively small as compared to that in the Purported Master Purchase Agreement and may not be directly comparable.

Reduction of contract sum and refund of HK\$80 million to the Company

From the correspondences in September 2019 and December 2019 between GZ Mayer and ZHLT, as well as interviews with relevant individuals, the contract sum of steels to be supplied under the Purported Master Purchase Agreement was reduced from HK\$85 million to HK\$5 million and ZHLT was required to refund the payment of HK\$80 million. The Independent Investigator noted from the relevant cheque copies and bank receipts that Happy HK had transferred a total of HK\$80 million to the Company through four installments in December 2019. The Independent Investigator was unable to verify the relevant account entries regarding the HK\$80 million refund paid by Happy HK in December 2019 since the accounts of Happy HK for December 2019 could not be provided. Based on the relevant bank statements, the Independent Investigator noted that the source of the HK\$80 million refunded by Happy HK to the Company may have been originated from (i) service fees related to the Issue 2B – Purported Service; and (ii) payments related to Issue 3 (please also refer to page 23 under the section headed “*Summary on the Independent Investigator’s view on potential round-robin funds and potential misappropriation of funds*” of this announcement). As a result, the Independent Investigator attempted to conduct alternative procedures including conducting further interviews with Mr. Xu, but Mr. Xu could not provide any supporting document, and performing computer forensics works, but no documents were found related to the actual execution or repayment of the above matters.

Rationale of the reasons for the payment adjustment and refund

According to the correspondence between GZ Mayer and ZHLT, they have discussed to reduce the contract amount by RMB60 million and RMB20 million (i.e. total of RMB80 million, reducing the total amount of steels from RMB85 million to RMB5 million) in September 2019 and December 2019 respectively. The respective reasons for that were (i) the expected downward price pressure due to the impact of global trade tensions; and (ii) changes in the application materials of major customers. The Independent Investigator conducted market researches and noted from China Steel Price Index (from 2019 to 2020) and monthly steel price in Guangzhou from 中鋼網* (Zhonggang Network) (from January 2019 to March 2020) that the relevant steel indices and prices generally showed a downward trend, which aligned with the rationale provided by both parties for adjusting the total supply of steels. However, the Independent Investigator could not verify the rationale of the second reason i.e., changes in the application materials of major customers.

Internal control deficiencies

In respect of the entering into of the Purported Master Purchase Agreement, the Independent Investigator identified and summarized the following internal control deficiencies.

Findings	Details
No written internal control management policies were established for the relevant procurement activities	<ul style="list-style-type: none">– the existing internal control policies did not specify the internal control processes for advance payments for material procurement, nor did it mention the internal control processes for the relevant procedures of the sale and purchase contracts with suppliers.– based on interview results with Mr. Lee, procurement decisions at GZ Mayer were often made solely by Mr. Xu, the then general manager of GZ Mayer and the approval process at GZ Mayer might have been inadequate.
Lack of internal documentation for the signing of relevant contracts	<ul style="list-style-type: none">– no corresponding document could be identified relating to the signing of the Purported Master Purchase Agreement, such as the internal records of background checks conducted by GZ Mayer on counterparties and relevant approval records.

Findings

Details

Incomplete internal
approval documents

- although there was a request form submitted by GZ Mayer to the Company for the payment under the Purported Master Purchase Agreement and such form was approved and signed by the then deputy general managers of GZ Mayer, it was discovered that the payment had already been transferred before the request form was approved.
- based on relevant interviews results, the approval process for the request form was retroactively completed at the request of Mr. Xu and that the request form lacked the general manager's signature and thus might not have been the final version.
- the findings above indicated to the Independent Investigator that GZ Mayer's internal control processes at the time may have been untimely and incomplete.

Based on the investigation findings and excluding the inconsistent statements from interviewees and the Limitations outlined in the section headed "Key limitations on the Investigations", the Independent Investigator was unable to verify the commercial rationale and the execution arrangement involved in the Purported Master Purchase Agreement.

Key findings of Issue 2B – Purported Service

The Company initiated the old village re-development projects by acquiring the Happy Group together with the Yuetang Village renewal project in November 2019. To the Independent Investigator's knowledge, these projects were primarily executed and managed by Mr. Zhou, Mr. Chen and Mr. Xu.

Four subsidiaries of the Company in Zhuhai entered into six service agreements (the “**Service Agreements**”) with six service providers (the “**Service Providers**”) between December 2019 and January 2020, with a total value of HK\$120 million. All the Service Agreements were signed by Mr. Zhou and Mr. Chen as representatives of the Company. However, regarding the accounting treatment of the four subsidiaries, the Independent Investigator was unable to obtain the relevant sub-ledgers for two of the entities. Based on available documents, the Independent Investigator noted that these subsidiaries had not booked the payments and transactions in respect of the Service Agreements in their accounts.

Rights of re-development of the projects

The Independent Investigator obtained and reviewed three supplemental agreements supplemented to three Entrustment Agreements signed on 6 January 2020. These agreements were related to Zhuhai Zhongle holding the respective project re-development companies on behalf of 珠海橫琴眾樂投資有限公司, an independent company of the Company held by Mr. Chen and Mr. Zhou Xiwen, the father of Mr. Zhou. However, the Independent Investigator was unable to obtain the relevant Entrustment Agreements despite carrying out alternative actions such as conducting computer forensics and re-inviting Mr. Chen and Mr. Zhou for follow-up interviews and requesting them to provide relevant documents. Therefore, the Independent Investigator was unable to verify whether the relevant subsidiaries of the Company possessed the relevant rights to develop the village projects in Zhuhai, and whether such subsidiaries were in the appropriate position to enter into the Service Agreements with the Service Providers.

The fund flows of the HK\$120 million in respect of the Service Agreements

Each of the Service Agreements was attached an entrusted payment letter (the “**Payment Letter**”), in which the Service Providers instructed the relevant subsidiaries of the Company to convert the payments into Hong Kong dollars and transfer them to four designated recipients, namely Happy HK, Mr. Tam Jinwei, Mr. Lam Chung Chak and Fine Day Asia Pacific Limited (朗天亞太有限公司). The Independent Investigator identified that a total of HK\$108 million were paid to the four designated recipients between December 2019 and February 2020 in accordance with the Payment Letters by cheques which were jointly signed by Mr. Lee and Mr. Xu. The Independent Investigator was also unable to obtain documentary evidence showing that Mr. Lee and Mr. Xu had conducted sufficient due diligence before effecting the payments. Due to the Limitations, the Independent Investigator could not identify and confirm the background or circumstances and commercial rationale leading to the entering into and the execution status of the Service Agreements signed between the Company’s subsidiaries and the Service Providers.

The background of the Service Providers

Based on interview results with relevant parties including Mr. Lee and Mr. Chen, the Independent Investigator was given to understand that the Service Providers were all recommended to the Company by Mr. Chen, who also acted as the point of contact for the Company. Due to the Limitations, the details of the coordination between the Group and the Service Providers could not be confirmed by the Independent Investigator, but available information was directing that the coordination between the Group and the Service Providers was handled by Mr. Chen. Regarding the background checks on the Service Providers, Mr. Lee stated in his interview that he verbally learned from Mr. Xu that Mr. Zhou and Mr. Chen had conducted the relevant background checks on the Service Providers. The Independent Investigator also attempted to conduct alternative procedures by (i) re-inviting the Service Providers for interviews and one of them responded that Mr. Chen was the contact point at the time; (ii) re-inviting Mr. Zhou and Mr. Chen for interviews but did not receive their responses as at the date of the Investigation Report; and (iii) conducting computer forensics works but no results were shown to reinforce that Mr. Chen was the contact person of the Company nor any results in relation to the relevant background checks of the Service Providers were recorded.

Some of the Service Providers were established shortly before the execution of the Service Agreements (one or a few days only). The Independent Investigator was also unable to locate the offices of any of the Service Providers at their respective registered address. Accordingly, the Independent Investigator cannot confirm whether the Service Providers were in operation.

The Independent Investigator therefore performed alternative works such as interviews, site visits and consulting the Auditors about the audit evidence it had obtained to confirm the delivery of the services in the previous financial years. the Independent Investigator was aware that only two of the Service Providers appeared to have carried out preliminary service works that could not be verified that the service works were related to the respective Service Agreements and no sufficient information was available to further verify the specific operation details.

The payments and services under the Service Agreements

After reviewing the Service Agreements, the Independent Investigator noted that the payment terms in these agreements were not the same. Specifically, four of the Service Agreements were to receive their service fees in a one-time payment within five working days from the date of the agreement signed while the other two agreements were to receive their service fees in a one-time payment within five working days from the date the entrusting party signed the service agreements with the designated resident groups and obtained approval from the villagers' assembly. As no sufficient relevant documents were provided to the Independent Investigator, it could not identify the reasons for the differences in the payment terms of the Service Agreements. As explained by the Company to the Independent Investigator, the Company appeared to be unaware of the payment details and terms of the Service Agreements since the relevant projects in Zhuhai were managed by Mr. Zhou and Mr. Chen.

The Independent Investigator was also given to understand from the Auditors, with supporting documents to show that information was gathered primarily through communications with Mr. Zhou, such as progress schedules for the projects, relevant renewal request documents of the villages to the Zhuhai Natural Resources Bureau and a renewal opinion form confirmed by villagers' signatures to verify the progress of the relevant projects, and the progresses of these renewal projects were affected by the emergence of the COVID-19 pandemic and uncertainties in the real estate market in the PRC.

Terminations of the Service Agreements

The Independent Investigator noted that three of the Service Providers entered into three termination agreements with Zhuhai Zhongle on 10 November 2020 (the “**Termination Agreements**”) to terminate the respective Service Agreements. The Termination Agreements were all signed by Mr. Chen on behalf of Zhuhai Zhongle by means of a seal. However, along with alternative actions such as computer forensics being carried out, the Independent Investigator noted certain inconsistencies regarding the termination arrangements, including but not limited to:

- the contents of some Termination Agreements were incorrect by stating the wrong date of the Service Agreements
- two of the Service Providers stated in the interviews that they had not entered into any Termination Agreements
- Mr. Chen stated in the interview that the Termination Agreements were subsequently terminated, but has not provided the Independent Investigator with relevant supporting documents

Based on the above, the Independent Investigator was unable to verify the details of the termination arrangements.

In light of the above findings of the Investigation, excluding the inconsistent statements from interviewees and the Limitations outlined in the section headed “*Key limitations on the Investigations*”, the Independent Investigator has identified that the Company paid a total of HK\$108 million (and was then booked under “Prepayments” in the financial statement of the Company) to the designated recipients between December 2019 and February 2020 in accordance with the Payment Letters but did not have sufficient documents or information to fully determine the flow of these funds as well as whether or not the subject services were delivered to the Group.

Internal control deficiencies

In respect of the entering into of the Service Agreements, the Independent Investigator identified and summarized the following internal control deficiencies.

Findings	Details
The subsidiaries of the Company in Zhuhai did not establish relevant written internal control policies	– during the Investigation, the Independent Investigator was unable to obtain the internal control management policies of the Company's four subsidiaries in Zhuhai and it appeared that these subsidiaries did not establish written policies to regulate the internal controls related to signing service contracts.
The approval of the Company's payment request forms was incomplete	– during document review, the Independent Investigator found that the payment request form for the Company's payment of service fees to the designated recipient only had the applicant's signature. The relevant form was not reviewed by relevant personnel or signed by the Director.
The Company did not make payments in accordance with the terms specified in the relevant Service Agreements	– during document review, the Independent Investigator found that the Company did not make the payment in accordance with the terms specified in the Service Agreements

Issue 3

The acquisition of Happy HK and the Yuetang Village

In accordance to the sale and purchase agreement dated 11 June 2019 (the “**2019 SPA**”) entered into by, among others, Elate Ample Limited, a wholly-owned subsidiary of the Company, as the purchaser to acquire 100% interests of Happy BVI (the “**2019 Acquisition**”), has to pay HK\$20 million by cash as deposit to the then vendor, a company wholly-owned by Mr. Zhou (or its nominee) as part of the total consideration for the 2019 Acquisition. On 12 November 2019, HK\$20 million was paid to Mr. Zhou from the Company on behalf of its subsidiary. Following the 2019 Acquisition, the Company has widened its business scope to include urban re-development projects in Zhuhai, including but not limited to, the re-development of the Yuetang Village.

The fund flows of the HK\$20 million in respect of the 2019 SPA

According to the relevant bank statements and relevant interview results, the Independent Investigator noted a transfer of HK\$20 million deposited by Mr. Zhou to Happy HK on 18 December 2019. The nature of this payment was a short-term loan due to insufficient operation funds. On the same day, Happy HK, together with another HK\$15 million received from a bank deposit, directly transferred a total of HK\$35 million to a bank account of the Company.

Status of and reasons for the delay in the development of the Yuetang Village

Through site visits performed by the Independent Investigator to the address of the Yuetang Village as provided by the Company, the Independent Investigator located the Yuetang Village and noted that there were two construction projects underway but neither of the construction sites displayed notices indicating the relevant construction projects, units nor construction periods.

Based on interviews with relevant individuals, the Independent Investigator noted that the reasons for the delay or suspension of the re-development of the Yuetang Village included the emergence of the COVID-19 pandemic and certain adjustments in national policies.

In light of the findings of the Investigation that mainly included background checks, documents review, interviews, site visits and computer forensics, excluding the inconsistent statements from interviewees and the Limitations outlined in the section headed “*Key limitations on the Investigations*”, the Independent Investigator found that Mr. Zhou once deposited HK\$20 million into Happy HK but there was insufficient information to verify the allegation in Issue 3 that the Alleged Controller borrowed funds from Happy BVI or Happy HK. On the other hand, the Independent Investigator was of the opinion that the reasons for the delay in the progress of the re-development of Yuetang Village included the emergence of the COVID-19 pandemic and adjustments in national policies. In conclusion, the Independent Investigator considered that there was insufficient evidence suggesting that the Alleged Controller had borrowed funds or due to this reason, caused delays in the re-development of the Yuetang Village.

Internal control deficiencies

In respect of the entering into of the 2019 SPA and the subsequent executions of the transactions thereunder, the Independent Investigator identified and summarized the following internal control deficiencies.

Findings	Details
The Company has not established any written management systems or procedures for acquisition and merger processes	– the Company had engaged a professional team to conduct due diligence in respect for the 2019 Acquisition and after discussion and approval by the Board at the material time, a shareholder meeting was convened to pass the relevant resolutions approving the matters relating to the 2019 Acquisition. The Company also complied with Chapter 14 of the Listing Rules by disclosing the details of such transaction and followed the required approval processes.

Findings

Details

- currently, the Company has established systems such as the “Discloseable Transaction Management System” and the “Compliance Guide for Hong Kong Listed Companies” to regulate the final approvers for transactions of certain size. However, the Company has not formulated any written systems or procedures at the corporate level specifically for its acquisition and merger processes. Moreover, the then Directors appeared to not have a comprehensive understanding of the Company’s acquisition and merger processes.

Inadequacy in file management

- due to the lack of document management, the Company could not provide the minutes of the Board meetings relating to the 2019 Acquisition and the Company also could not provide the internal payment application documents, acceptance note or escrow agreement relating to the deposit of HK\$20 million of the 2019 SPA.

Summary on the Independent Investigator’s view on potential round-robin funds and potential misappropriation of funds

The Independent Investigator has performed fund-tracking procedures and identified three suspected round-robin cash flows from the Company’s net cash outflows of HK\$133 million, as summarized in below,

Suspected

Details

Cash Flow A

On 26 November 2019 and 16 December 2019, the Company transferred HK\$20 million to Mr. Zhou and HK\$15 million to Mr. Tam Jinwei, respectively, totaling HK\$35 million in payments.

On 17 December 2019 and 18 December 2019, it was suspected that Mr. Tam Jinwei and Mr. Zhou transferred HK\$15 million and HK\$20 million respectively, to Happy HK.

On 18 December 2019, Happy HK transferred HK\$35 million back to the Company.

Cash Flow B

Between 20 December 2019 and 30 December 2019, four transfers of HK\$20 million each were recorded between the Company and Happy HK, and subsequently, among which, HK\$40 million relating to Issue 2 were transferred back to the Company.

Cash Flow C

On 20 December 2019, the Company transferred HK\$5 million to Mr. Tam Jinwei. Subsequently, on 23 December 2019, Mr. Tam Jinwei transferred HK\$5 million to Happy HK and on the same day, Happy HK transferred HK\$5 million back to the Company.

As illustrated in the above, the three cash flows transferred out from the Company to other third parties but subsequently returned to the Company within a short period.

While performing investigation procedures on Issue 2 (involving the execution of the Purported Steel Purchase Agreement and the execution of the Service Agreements), the Independent Investigator noted that Happy HK, which was a subsidiary of the Company at that time, pursuant to the Payment Letters, was appointed as a designated payee by some of the Service Providers. Based on the above fund-tracking results, it appeared to the Independent Investigator that Happy HK could have used the funds collected from the Service Providers as refunds for the steel payments to the Company.

The Independent Investigator set out below further observations and limitations related to the three suspected round-robin cash flows

- The Independent Investigator was unable to obtain all the detailed accounts of Happy HK to comprehensively determine the complete fund flows of Happy HK. Additionally, a portion of fund in Cash Flow A and Cash Flow C were transferred from what were suspected to be the personal bank accounts of Mr. Zhou and Mr. Tam Jinwei and the relevant supporting bank statements and documents were unable to be obtained to confirm the source of funds flowing out of the suspected personal bank accounts of Mr. Zhou and Mr. Tam Jinwei.
- In respect of Cash Flow B, the Independent Investigator could not obtain the ledger of December 2019 for Happy HK and hence could not ascertain the business activity of Happy HK for that month and whether Happy HK possessed other bank accounts to conclude its view. Accordingly, the Independent Investigator had taken alternative actions to, including comparing the financial statements of Happy HK as of 31 December 2019 against those as of 30 November 2019, and checking with the Auditors to ascertain whether Happy HK had alternative bank accounts in its attempt to obtain more information of Cash Flow B.
- Based on the investigation findings, the Independent Investigator noted that Mr. Xu should have acknowledged certain details regarding Issue 2B – Purported Services, but Mr. Xu has not responded to the Independent Investigator to complete the interview or to provide relevant supporting documents.
- The Independent Investigator was unable to verify the details and reasons of the steel refund, as the Independent Investigator could not conduct any interview with relevant involved personnel due to the resignation from the Group, e.g. the alleged personal secretary of the Alleged Controller and the then finance manager of GZ Mayer.

- The Independent Investigator was given to understand that services were completed in certain areas according to the Service Agreements, yet being unable to verify the relevant execution status and whether the services were related to the Service Agreements.

Considering the above, based on assumptions that (i) the relevant fund flows involving transfers from Mr. Zhou and Mr. Tam Jinwei were transfers from Mr. Zhou and Mr. Tam Jinwei themselves respectively; (ii) the bank statements of Happy HK for December 2019 that the Independent Investigator obtained reflected all bank transactions conducted by Happy HK during December 2019; and (iii) there were no other undisclosed transfer arrangements between the Company and Happy HK, Mr. Zhou and Mr. Tam Jinwei respectively that were unaware of, the Independent Investigator noted that the source of the HK\$80 million refunded by Happy HK to the Company may have been originated from (i) service fees related to the Issue 2B – Purported Service; and (ii) payments related to Issue 3 and thus assessed that the above three cash flows appeared to be suspected round-robin cash flows.

In terms of the potential misappropriation of funds as alleged under the Issue, the Independent Investigator has the following observations,

- (i) the Independent Investigator, without sufficient reasons and/or evidence provided, could not verify the commercial rationale for the execution arrangements relating to the Purported Master Purchase Agreement and the Service Agreements;
- (ii) based on available information, it was suspected that the source of the HK\$80 million refunded by Happy HK to the Company could have been originated from the service fees paid by the Company under the Service Agreements; and
- (iii) having cross-checked with the relevant opening and closing balances of the Company's Hang Seng bank accounts, it appeared that the Company did not have sufficient funds to settle the service fees on 20 December 2019 relating to the Service Agreements without using part of the HK\$35 million (possibly steel payment refund) it received on 18 December 2019. Overall, evidence obtained by the Independent Investigator suggested that the Company have used approximately HK\$31 million of funds unrelated to Issues 1 to 5 to settle its service fees, while the remaining service fees might have been paid with the funds from the possibly steel refund.

The Independent Investigator could not verify the commercial rationale for the execution arrangements relating to the Purported Master Purchase Agreement and the Service Agreements. However, in respect of the Issue 2, subject to incomplete supporting document, the inconsistent statements from interviewees and the Limitations outlined in the section headed “Key limitations on the Investigation”, and after performing multiple discovery and inquiry procedures and relevant alternative actions, the Independent Investigator has not found that the Alleged Controller misappropriated the Company’s funds as accused in the Complaint Letter.

Based on the above findings and assessment from the Independent Investigator, the Board suspected that there may have been potential round robin funds issues; however, due to the relevant limitations and assumptions set out in the Investigation Report, both potential issues cannot be fully verified and no direct evidences can be provided to the II Committee. Nevertheless, the Board has taken the remedial actions set out under the section headed “OVERALL RESPONSES BY THE BOARD” to address such issues.

Issue 4

According to the Complaint Letter, it was alleged that certain Directors and the company secretary of the Company intentionally delayed the convening of the Board’s meetings. The Board meetings in question were as follows,

1. The first Board meeting, which was held on 31 March 2023.

This meeting was requested by Mr. Zhou via email to the company secretary of the Company on 29 March 2023 to discuss the alleged misappropriation of a HK\$20 million deposit related to Issue 3 proposed to be held on 30 March 2023.

The chairman of the Board and the company secretary of the Company’s responses

After receiving the request to convene a board meeting on 29 March 2023, the company secretary of the Company forwarded the email to the chairman of the Board on the same day. Based on records, the chairman indicated that he would be overseas on the proposed meeting date on 30 March 2023 and suggested rescheduling the meeting to the next following day. The company secretary of the Company also responded on the same day, notifying the members of the Board via email, that the chairman of the Board was not available on the proposed date and, to arrange for the meeting to be held at 5:00 p.m. on 31 March 2023. The meeting was ultimately held on 31 March 2023.

2. *The second Board meeting, which was scheduled to be held on 19 April 2023*

This meeting was requested by Mr. Zhou via email to the company secretary of the Company on 4 April 2023 to discuss an alleged misappropriation of HK\$120 million related to Issue 2.

The chairman of the Board and the company secretary of the Company's responses

After receiving the request to convene a board meeting on 4 April 2023, the chairman of the Board took corresponding actions to (i) request Mr. Zhou to provide supporting documents and evidence; (ii) suggest to postpone the meeting date; and (iii) seek and obtain preliminary legal advices whether there were sufficient evidences to support the said allegations to be discussed in the Board meeting. The company secretary of the Company also responded on the same day including (i) notifying the members of the Board via email; (ii) forwarding subsequent correspondence among the members of the Board; (iii) requesting for the supporting documents and evidence within a specified time; and (iv) arranging alternative feasible meeting dates.

The chairman of the Board, referencing the preliminary analysis of the legal advice, concluded that there was insufficient evidence to support the allegations proposed to be discussed in the meeting. Accordingly, the Board meeting originally scheduled for 19 April 2023 was not held. The meeting was expected to be postponed until sufficient supporting document and evidence were gathered.

Meanwhile, Mr. Zhou stated that he had received the email attaching the preliminary legal advice but had not read its content at the time, and therefore was unaware of the relevant legal opinion.

The first Board meeting was held on the day after the meeting date proposed and justifiable corresponding actions were taken, including obtaining preliminary legal advice for the second Board meeting but the meeting was not held as a result that Mr. Zhou was unaware of the relevant preliminary legal opinion and did not provide the additional supporting document and evidence as requested by the chairman of the Board and as per the preliminary legal advice. Based on the above findings, excluding the inconsistent statements from interviewees and the Limitations outlined in the section headed “Key limitations on the Investigations”, the Independent Investigator did not find evidence that the chairman of the Company or the company secretary of the Company had intentionally delayed the convening of any Board meetings.

Internal control deficiencies

In respect of convening Board meetings, the Independent Investigator identified and summarized the following internal control deficiencies.

Findings	Details
The Company’s article of association did not clearly specify the required notice period for convening Board’s meetings or the arrangements for postponing meetings	– according to the Company’s article of association and the relevant provisions regarding the convening of Board’s meetings, it was noted that there was (i) no specified notice period required for convening Board meetings; (ii) no arrangements mentioned for postponing Board’s meetings; and (iii) no details on specific procedures for adjourning meetings

Issue 5

With reference to the announcement of the Company dated 15 January 2024, the Board came to attention of the completion of the Disposal, but without the authorization and/or approval from the Board at the material time.

On 20 October 2023, Mr. Zhou on behalf of Happy HK in his capacity as a shareholder, proceeded, and the company seal of Happy HK was affixed, an equity transfer agreement by transferring Happy HK's capital contribution of RMB14.7 million in Zhuhai Mayer HuaFeng Development Co., Limited ("**Zhuhai HuaFeng**"), an indirect wholly-owned subsidiary of Happy BVI prior to the Disposal, to 珠海豐社房地產策劃有限公司 ("**Zhuhai FengShe**") that resulted in a decrease of Happy BVI's indirect shareholding in Zhuhai HuaFeng from 100% to 51%. The Company did not convene a shareholders' meeting to discuss or pass any resolution regarding this transfer.

Subsequently, on 23 October 2023, Zhuhai HuaFeng transferred 49% of its equity in Zhuhai Zhongle City Renewal Co, Limited to 珠海雷志房地產服務有限公司 ("**Zhuhai Leizhi**"). The Company did not convene a shareholders' meeting to discuss or pass any resolution regarding this transfer.

Suspension and removal of the duties and roles of Mr. Zhou and Mr. Chen

On 5 October 2023, the Company filed a lawsuit and issued a writ of summons against Mr. Zhou and Mr. Chen for their failure, as directors of Happy BVI, to provide the Company with the relevant accounting documents of Happy BVI.

On 6 October 2023, the Company passed a resolution during a Board meeting to suspend all administrative, executive duties and powers of Mr. Zhou and Mr. Chen as directors of the Company. On the same day, the Company issued an announcement regarding the suspension of Mr. Zhou and Mr. Chen from their roles as directors and the legal action taken against them.

An extraordinary shareholders general meeting was also held on 8 November 2023 and the resolution to remove Mr. Zhou and Mr. Chen from their roles as directors was passed.

Board meetings of Happy BVI and Happy HK

Based on findings obtained, the Independent Investigator discovered that on 13 October 2023, Mr. Zhou and Mr. Chen issued a notice to Mr. Lee to convene board meetings for Happy BVI and Happy HK. The meetings were scheduled to be held on 14 October 2023. Mr. Lee, who was an executive Director and one of the three board members of Happy BVI and Happy HK at the material time, did not attend the relevant meetings. During the board meeting of Happy HK, a resolution was passed by Mr. Zhou and Mr. Chen to suspend Mr. Lee from his role as a director of Happy HK.

A legal opinion was also provided to the Independent Investigator by the Company setting out that the validity of the board meetings and its resolutions convened by Mr. Zhou and Mr. Chen on 14 October 2023 remained questionable.

Reasons for the Disposal according to the former Director

Based on interview results with the relevant interviewees, including but not limited to, the current and former directors, (i) none of the directors was aware of the matter and could not provide a definitive explanation; and (ii) Mr. Chen stated that both of the equity transfers were a form of debt settlement through equity pledge to settle the outstanding service fees as mentioned in Issue 2B payable to each of Zhuhai FengShe and Zhuhai Leizhi in order to avoid potential litigations.

Conclusion of the Independent Investigator

Based on the findings of the Investigation, through multiple discovery and inquiry procedures, the Independent Investigator did not find any evidence that the Board reviewed the subject transactions of Issue 5 in relation to the equity transfers of subsidiaries of Happy BVI or convened any shareholders' meetings to pass such resolutions.

However, after conducting the relevant procedures for the Investigation, excluding the non-supported and non-verifiable statements from interviewees and the Limitations outlined in the section headed "*Key limitations on the Investigations*", the Independent Investigator had the following observations regarding Issue 5,

- (i) The Company has filed a lawsuit and issued a writ of summons against Mr. Zhou and Mr. Chen on 5 October 2023, for their failures, as directors of Happy BVI, to provide the relevant accounting documents of Happy BVI to the Company before Mr. Zhou approved the equity transfer agreement with Zhuhai FengShe on 20 October 2023.
- (ii) On 6 October 2023, the Company passed a resolution in a Board meeting to suspend all administrative, executive duties and powers of Mr. Zhou and Mr. Chen as directors of the Company.

- (iii) On 14 October 2023, Mr. Zhou and Mr. Chen convened board meetings for Happy BVI and Happy HK and they passed a resolution to suspend Mr. Lee from his role as a director of Happy HK, which, according to a legal opinion provided by the Company, the validity of these meetings was questionable which may result in the passed resolutions to be deemed invalid.
- (iv) The Board did not conduct any review regarding the transfer of equities nor convened any relevant shareholders' meetings to vote for such transactions.

Internal control deficiencies

In respect of the transactions contemplated under Issue 5, the Independent Investigator identified and summarized the following internal control deficiencies.

Findings	Details
The Company has not established a written management systems or procedures for the process of disposing equities in its subsidiaries	– the Company has currently established “Discloseable Transaction Management System” and the “Compliance Guide for Hong Kong Listed Companies” to regulate the final approvers for transactions of a certain size. However, the Company has not formulated any written systems or procedures at the corporate level for the process of disposing equities in its subsidiaries. Additionally, it appeared that the directors of the Company did not have sufficient understanding of the Company’s acquisition and merger processes.

Integrity, character and competence of the Directors of the Company and management of GZ Mayer

As part of the scope of the Investigation, the Independent Investigator assessed the integrity and competency of the executive Directors (at the material time of the engagement of the Investigation) and the involved management personnel of GZ Mayer (at the material time of the engagement of the Investigation) (the “**Inspection Targets**”), ensuring that any potential issues are identified and addressed properly. The Inspection Targets and their respective key roles within the Group were as follows,

Inspection Targets	Key roles within the Group
Mr. Ip Yun Kit	current executive Director and chairman of the Company (effective on 12 June 2024)
Mr. Cheung Ka Yue	current executive Director (effective on 26 April 2022) and chief executive officer of the Company (effective on 27 September 2024)
Ms. Zhang Yana	current executive Director (effective on 21 March 2024)
Mr. Lee	executive Director and chairman of GZ Mayer at the material time of the Issues, who has resigned from his roles since 10 February 2025
Mr. Lin Jinhe	deputy general manager of GZ Mayer at the material time of the Issues, who has resigned from his roles since 15 January 2025
The Alleged Controller	current chairman of the general management and control committee of GZ Mayer (effective on 4 July 2022)

Based on relevant findings of the Investigation, the Independent Investigator noted evidence suggesting that although there were no concerns on the integrity and character of Mr. Lee and Mr. Lin Jinhe, they were considered incompetent for their respective roles in the Group.

Mr. Lee, at the material time as an executive Director and chairman of GZ Mayer, (i) was not aware of the business operations of other departments within the Group, including GZ Mayer; (ii) failed to thoroughly understand the transactions and failed to conduct proper due diligence and/or background checks before executing cheques; and (iii) placed undue reliance on the opinions and analysis of other members of the management of the Company.

Mr. Lin Jinhe, at the material time as the deputy general manager of GZ Mayer, (i) was not aware of the business operations of other departments within GZ Mayer; (ii) failed to understand the business of GZ Mayer as its director; (iii) approved the Purported Master Purchase Agreement under Issue 2 without understanding the details; and (iv) failed to fully cooperate to provide the requested information in the Investigation. He also did not disclose the matter related to a company held by him obtaining funds from Well Success Limited.

As at the date of this announcement, both Mr. Lee and Mr. Lin Jinhe had resigned from all their respective positions within the Group and the Company has reserved its legal rights for further actions.

Other than Mr. Lee and Mr. Lin Jinhe, the Independent Investigator was of the view that there were no evidence suggesting that there were any concerns about the integrity and competency in regards of the other members of the Inspection Targets.

OVERALL RESPONSES BY THE BOARD

The Board (including the II Committee) has reviewed the contents of the Investigation Report and the Independent Investigator had performed appropriate procedures in respect of the Investigation. Having constrained by certain relevant parties who were significantly involved in each of the Issues but had been demonstrating non-cooperative manners to the Independent Investigator that resulted in the limitations as set out under “Key limitations on the Investigation” in this announcement throughout the process of the Investigation, it is considered that the Investigation Report has adequately addressed each of the Issues based on best-available information that were provided.

The results of the Investigation concluded that there are no (or sufficient) evidences to support that each of the Issue 1, Issue 2, Issue 3 and Issue 4 to be true. However, in arriving the results of the Investigation, the Independent Investigator suspected that there had been a potential round-robin fund issue revolving mainly around Issues 2 and 3 but such matters could not be completely verified as there were insufficient direct evidences to be obtained and reviewed.

Given the circumstance and having taken into account of the results of the Investigation, the Board has taken the following remedial actions,

- (i) suspended the responsibilities and duties of the relevant then Directors and the relevant directors of the members of the Happy Group including Mr. Zhou and Mr. Chen, while new qualified members not involved in any of the Issues are identified and appointed to form the current Board to manage the operations of the Group and that addressed concerns relating to management integrity, characteristic and competence of the Group.;
- (ii) both Mr. Lee and Mr. Lin Jinhe had resigned from all their respective positions within the Group;
- (iii) in respect of the findings from the Independent Investigation on potential round-robin funds and misappropriation of funds, (i) the Company obtained a legal opinion from its PRC legal adviser to evaluate the potential consequences and likelihood of recovering its prepayments through legal actions; and (ii) after discussions with the Auditor, the Company has fully impaired the other receivables of HK\$5 million (from ZHLT) and the prepayment for consultancy services of HK\$108 million (to the Service Providers) during the year ended 30 June 2023;
- (iv) the Company has failed a lawsuit against ZHLT in Guangzhou to recover for the repayment of the outstanding HK\$5 million prepayment of steel purchase in relation to the Purported Master Purchase Agreement;
- (v) the Company has taken appropriate legal actions, including but not limited to, a writ of summon with the High Court of the Hong Kong Special Administrative Region with an indorsement of claim against Mr. Zhou and Mr. Chen in respect of Issue 5 as well as matters related to the Happy Group for not providing the relevant accounting documents to the Group, not meeting the target profit and/or performance obligations as stipulated under the terms of the 2019 SPA as well as a breach of their/his directors' duties owed to the Company as at the material time;
- (vi) in light of the internal control deficiencies identified by the Independent Investigator in the Investigation for the Issues, the Company has also appointed an IC Advisor to enhance the Group's overall internal control to prevent the recurrence of similar issues;

- (vii) considering that members of the Happy Group have demonstrated material internal control deficiencies that will potentially affect the development of the Group, the Group has completed the disposal of the Happy Group and no longer having concerns that the Company will not be able to safeguard its interests in the Happy Group nor procure the Happy Group to comply with the Listing Rules in light of the non-cooperative manner of Mr. Zhou and Mr. Chen; and
- (viii) based on the completion of the findings of the Investigation, after discussing with the Auditors, the Board is given to understand that the results of the Investigation are adequate for the Auditors to complete the audit works of the consolidated financial statements of the Group and thus, the Company will be able to publish its outstanding financial results and annual/interim reports to fulfil one of the resumption guidance of the Stock Exchange. The Board has also been discussing with the Auditor actively on the actions to be taken by the Company (for instance, the disposal of the Happy Group) to remove the relevant qualified opinions arising from Issue 2, Issue 3 and Issue 5.

Further announcement(s) in relation to the above matters, including the issuing of the outstanding financial results and annual/interim reports, the results of the IC Review, the subsequent procedures and results from the legal actions taken by the Group, the fulfillment of other resumption guidance of the Stock Exchange will be made by the Company as and when appropriate.

In light of the above, the Board is of the view that the operations of the Group remain normal and the Issues have no material impacts on the operation and financial position of the Group as the core business operations of the subsidiaries of the Group is still on-going and have not been interrupted by the Issues.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 29 September 2023 and will remain suspended until further notice.

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

By order of the Board
Mayer Holdings Limited
Ip Yun Kit
Chairman and Executive Director

Hong Kong, 27 March 2025

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Ip Yun Kit (Chairman), Mr. Cheung Ka Yue (Chief Executive Officer) and Ms. Zhang Yana; and three Independent Non-Executive Directors, namely Mr. Lau Kwok Hung, Mr. Lu Jianping and Mr. Du Ning.