

*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 or in reliance upon the whole or any part of the contents of this announcement.*

## **WELIFE TECHNOLOGY LIMITED**

### **維力生活科技有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1703)**

## **KEY FINDINGS OF THE INTERNAL CONTROL REVIEW AND CONTINUED SUSPENSION OF TRADING**

### **INTRODUCTION**

This announcement is made by Welif Technology Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to: (i) the announcements of the Company dated 4 June 2024 and 16 March 2025, in relation to, inter alia, the Resumption Guidance and Additional Resumption Guidance; (ii) the announcements of the Company dated 27 August 2024, 27 November 2024, 5 December 2024, 27 February 2025 and 9 June 2025, in relation to, inter alia, the quarterly update on the resumption progress; (iii) the announcement of the Company dated 3 July 2025, in relation to, inter alia, the business update of the Company; and (iv) the announcement of the Company dated 15 July 2025, in relation to, inter alia, (a) decision of the Listing Committee on cancellation of listing (the “**Decision**”); and (b) the Company’s request to the Listing Review Committee to review the Decision (the “**Previously Published Documents**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Previously Published Documents.

### **BACKGROUND**

As disclosed in the announcements of the Company dated 4 June 2024 and 16 March 2025, on 23 February 2024, the Company received a letter from the Stock Exchange setting out the Resumption Guidance for the resumption of trading in the shares of the Company on the Stock Exchange. On 11 March 2025, the Company received a letter from the Stock Exchange setting out the Additional Resumption Guidance. Pursuant to the Additional Resumption Guidance, the Company shall conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

As disclosed in the announcement of the Company dated 9 June 2025, the Company has commissioned an internal control consultant (the “**IC Consultant**”) to carry out the internal control review of the Company (the “**IC Review**”). The IC Review covers the review period from 1 June 2024 to 28 February 2025 (the “**Review Period**”), with the key findings of the IC Review, recommendations for rectifications of the Company’s internal control deficiencies (the “**Recommendation(s)**”) and the responses from the management of the Company (the “**Management**”) set out in the internal control report (the “**IC Report**”). Following completion of the IC Review, the IC Consultant conducted a follow-up review (the “**Follow Up Review**”) for the period from 1 May 2025 to 11 May 2025 (the “**Follow Up Review Period**”), on the Company’s implementation of the Recommendations.

## **SCOPE OF THE IC REVIEW AND KEY REVIEW PROCEDURES**

Set out below the scope of the IC Review:

- (a) with regard to top management of the Company, the scope covers the entity level control by the top management including control environment, control activities, monitoring, risk assessment and information and communication;
- (b) with regard to administrative team of the Company, the scope covers financial reporting, human resources management, treasury operation, fixed assets management, tax management, information technology, insurance management and trademarks and intellectual properties management.

In the IC Review, the IC Consultant has performed the following review procedures during the Review Period:

### **First stage Review**

- (i) performed walk-through of processes and systems relating to the internal controls and conducted interviews with relevant Management and staff and reviewed relevant documentation such as manuals, policies and procedures relating to the internal controls;
- (ii) interviewed with the Management to understand their assessment on control risks and key controls, identified any design deficiency;
- (iii) performed compliance tests on key controls which are evaluated as efficient during step (ii) above, identified any compliance deficiency;
- (iv) summarised all deficiencies identified and developed Recommendations for improvement, where appropriate;

- (v) prepared the first draft IC Report and delivered it to the Management for comments and responses;
- (vi) obtained the Management's responses to the Recommendations and revised the first draft IC Report;

### **Follow up Review**

- (vii) followed up the Recommendation(s) developed in step (iv) above. The review procedures have been performed during the Follow Up Review Period;
- (viii) performed compliance tests on key internal controls which have been strengthened or improved; and
- (ix) Updated and issued the final IC Report for the delivery to the Management.

## **SUMMARY OF THE KEY FINDINGS OF THE IC REVIEW**

The key findings of the IC Review with risk level reaching "Medium" or "High", the corresponding Recommendations, Management's responses and Follow Up Review are summarized as follows:

### **1. Board composition was in violation of Listing Rules**

#### ***Key Findings***

From 29 November 2024 to 28 February 2025, the Company was non-compliant with Rules 3.10 and 3.10A of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") due to the resignation of an independent non-executive director ("**INED**") for personal reasons, leaving the board of directors of the Company (the "**Board**") with fewer than the required three INEDs. Consequently, the INEDs did not constitute at least one-third of the Board, and none of the remaining INEDs had the necessary professional qualifications or expertise in the field of accounting or finance. The delay in appointing a replacement INED, as the Company sought a suitable female candidate, further prolonged the period of non-compliance.

## ***Recommendation***

It is recommended that under the Listing Rules, the Company is required to appoint at least three INEDs, who collectively must represent at least one-third of the Board. Furthermore, at least one of these INEDs must possess appropriate professional qualifications, such as a Certified Public Accountant or Chartered Financial Analyst designation, or have relevant expertise in accounting or financial management. To ensure compliance, the Company should establish a robust recruitment process for identifying suitable candidates, verify their independence in accordance with regulatory standards, and regularly monitor Board composition to meet proportional representation requirements.

## ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

On 10 March 2025 and 14 May 2025, the Company appointed two INEDs, addressing its obligation to meet the requirements under the Listing Rules. One of the appointed INEDs, who is a fellow member of the Association of Chartered Certified Accountants, has also been designated as the chairlady of the Audit Committee, ensuring the Board has the requisite financial expertise.

Upon inspection of the letters of appointment for both INEDs, the IC Consultant confirmed that the documents were properly signed, indicating compliance with procedural and governance standards.

## **2. Lack of directors and officers liability insurance**

### ***Key Findings***

During the Review Period, the Company did not secure directors and officers liability insurance or employees' compensation insurance. This was primarily due to the challenges posed by the trading suspension and an ongoing winding-up case, which limited the number of insurance providers willing or able to offer coverage.

### ***Recommendation***

It is recommended that the Company should evaluate the necessity of obtaining insurance coverage to mitigate risks associated with potential litigation against its directors and officers. Management should thoroughly assess the adequacy of existing insurance coverage, considering the potential exposure to legal action and the financial impact of uninsured risks.

If the decision is made not to procure such insurance, it should be supported by a comprehensive risk analysis, objectively considered, and formally approved by the Board. Furthermore, this decision and the circumstances influencing it should be reviewed periodically. Any significant changes in the Company's risk profile, legal environment, or operational activities should prompt a reassessment of the insurance requirements, with adjustments to coverage discussed and implemented as necessary to maintain appropriate risk management practices.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

### ***Follow Up Review***

The Company has committed to purchasing appropriate directors and officers insurance upon the successful resumption of trading. The Company is actively engaging with insurance providers and is in the process of obtaining quotations to secure comprehensive coverage that aligns with its risk management strategy and regulatory obligations. This proactive step reflects the Company's commitment to safeguarding its directors and officers against potential liabilities and ensuring robust governance practices.

## **3. Budget was not properly prepared or maintained**

### ***Key Findings***

The Company has implemented policies for the preparation of an annual budget and corresponding actual budget variance analysis. However, during the Review Period, no budget or variance analysis was properly prepared or maintained. This was due to delays in obtaining all the necessary bank statements and accounting records required for budget preparation.

### ***Recommendation***

It is recommended that the Company should implement a structured procedure to prepare an annual budget at the end of each financial year. This budget should comprehensively cover income and expenses, capital expenditure, staff headcount, the number of projects, borrowings, investments (if any), and cash flow projections. It should be developed based on the Company's business objectives, strategic plans, past performance and current market conditions. Once prepared, the budget should be submitted for approval by the Board and communicated to all relevant Management and employees to ensure alignment with the Company's strategic goals.

Additionally, at least on a semi-annual basis, the Company should conduct a budget-to-actual variance analysis. This analysis will compare the budgeted figures against actual performance to serve the following purposes: (i) assessing the effectiveness of financial and operational activities in achieving the business objectives and strategic plans; (ii) identifying the need to update the budget and business plans based on deviations or new insights; and (iii) evaluating the performance of Management. The findings from this analysis should be submitted to the Board for thorough discussion and approval, enabling informed decision-making and continuous improvement in governance and operational efficiency.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

### ***Follow Up Review***

The financial controller plays a critical role in the Company's financial planning and control process by preparing the annual budget between January and March each year. This involves gathering and consolidating inputs from various departments to develop a comprehensive financial plan that aligns with the Company's strategic goals. The completed budget is submitted to the Board for review and formal approval, which must be finalised by the end of March. This ensures that the financial framework for the upcoming year is well-structured and endorsed by key stakeholders.

In addition to budget preparation, the financial controller is responsible for preparing a variance analysis on a semi-annual basis. This analysis compares the actual financial and operational performance against the approved budget. The findings are submitted to the Board for review, enabling the Board to assess the effectiveness of the Company's financial and operational activities, identify deviations, and determine the necessity for updates to the budget or business strategies. This process fosters accountability and continuous improvement in performance management.

For the financial year ending 31 March 2026, the IC Consultant obtained and inspected the approved budget and noted that it was duly signed by the Board. These signatures serve as evidence of their review and approval, reflecting adherence to governance procedures and validating the Company's commitment to sound financial oversight.

#### **4. Risk assessment report was not properly prepared or maintained**

##### ***Key Findings***

The Company has established policies for risk assessment and management processes, demonstrating an understanding of the importance of identifying and mitigating risks to ensure operational and financial stability. However, during the Review Period, no risk assessment reports were properly prepared or maintained, resulting in a critical gap in the documentation and execution of the risk management framework.

Without properly prepared and maintained risk assessment reports, the Company lacks a formal record of identified risks, their potential impact, and the measures taken to address them. This absence undermines the Company's ability to monitor risks effectively, respond to evolving threats, and provide assurance to stakeholders about the robustness of its risk management practices.

##### ***Recommendation***

It is recommended that the Company should establish a systematic process to prepare a comprehensive risk assessment report periodically, with a minimum frequency of once per year. This report should be developed in accordance with the Company's established policies and procedures for risk assessment and management. It should include an evaluation of the Company's current risk exposures, the effectiveness of existing controls, and any emerging risks that may impact operations or strategies.

The risk assessment report should detail the key risks identified across various categories, such as operational, financial, compliance, strategic and external risks. It should also outline mitigation strategies, including any planned enhancements to risk controls and the timeline for their implementation. The process of compiling the report should involve input from all relevant departments to ensure a holistic view of the Company's risk landscape.

Once prepared, the report must be discussed with and reviewed by senior management to ensure alignment with the Company's strategic objectives and risk appetite. Following this, it should be presented to the audit committee for further review and formal approval. The audit committee's feedback and recommendations should be documented and integrated into the final report.

This periodic review process ensures that risk management practices remain proactive, comprehensive, and aligned with the Company's goals. Additionally, the report provides a structured framework for decision-making and fosters accountability at all organisational levels. Regular updates to the audit committee also enhance transparency and oversight in the risk management process.

## ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

The financial controller is tasked with preparing an annual risk assessment report in March each year, in alignment with the Company's risk management policies and procedures. This report evaluates key risk exposures, assesses the effectiveness of current risk controls, and identifies any emerging risks that may impact the Company's operations or strategic objectives. The completed report is submitted to the audit committee for review and formal approval, ensuring alignment with the Company's governance framework and risk appetite.

For the financial year ended 31 March 2025, we obtained and inspected the risk assessment report and noted that it was duly signed by the Board as evidence of their review and approval. This demonstrates adherence to the Company's risk management protocols and reflects a commitment to maintaining effective oversight of the risk management process.

## **5. The accounting software in use did not contain sufficient functionalities**

### ***Key Findings***

The Company utilised Microsoft Excel as its accounting software during the Review Period, primarily because there were relatively few accounting entries incurred. However, the functionality of Microsoft Excel may be inadequate to meet the comprehensive financial reporting requirements of a listed company, potentially necessitating a transition to more robust accounting software to ensure compliance and efficiency.

### ***Recommendation***

It is recommended that the Company should replace Microsoft Excel with a dedicated accounting software platform that better supports its operational needs, particularly in terms of user account management and security. Modern accounting software provides robust features such as the ability to create distinct user accounts and assign specific access rights and permissions based on individual roles and responsibilities. This functionality enhances internal controls by ensuring that only authorised personnel can access or modify sensitive financial data.

The Company should identify and evaluate software solutions that align with its size, complexity, and specific requirements.

The implementation process should involve stakeholder engagement, data migration planning, user training, and testing to ensure a smooth transition.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

### ***Follow Up Review***

The Company acquired license rights to ABSS in mid-April 2025, signifying its commitment to upgrading its accounting processes. ABSS, a more robust and feature-rich accounting software, is being implemented to replace Microsoft Excel. This transition will provide advanced functionalities such as user account management, rolebased access controls, and comprehensive audit trails, thereby enhancing the Company's internal controls and data security.

The Company has completed the migration of its financial data to ABSS. This migration involves transferring historical and current accounting records, ensuring data integrity, and setting up user roles and permissions based on individual responsibilities. ABSS is now concurrently in use along with Microsoft Excel to ensure smooth transition. The adoption of ABSS is expected to streamline financial management processes, improve accuracy, and support compliance with accounting standards and regulatory requirements.

## **6. No review evidence was maintained for vouchers**

### ***Key Findings***

Vouchers were prepared by the accounting and admin assistant and submitted to the financial controller for review. However, no evidence was maintained to confirm that the review process was conducted, as the discussions regarding the vouchers typically occurred face-to-face, leaving no documented trail of the review.

### ***Recommendation***

It is recommended that the Company should establish a policy requiring personnel with appropriate accounting knowledge to review all vouchers to ensure accuracy, completeness, and compliance with financial reporting standards. This review process must include documented evidence, such as a reviewer's signature or an electronic approval record, to provide accountability and a clear audit trail. By implementing these measures, the Company can maintain high standards of financial documentation and governance, ensuring reliability and compliance in its financial operations.

## ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

Since 1 May 2025, the Company has implemented enhanced procedures for voucher preparation and review to ensure accuracy, accountability, and compliance with financial controls. These procedures require vouchers to be prepared by authorised personnel, reviewed by a knowledgeable accounting professional, and approved by an appropriate executive, with each step evidenced by signatures.

During the period from 1 May 2025 to 26 May 2025, there were four vouchers prepared and the IC Consultant inspected those vouchers and noted that they adhered to the newly established process. Specifically:

- (i) Preparation: the voucher was prepared by the accounting and admin assistant, who ensured that the necessary details and supporting documents were included, and signed on the voucher as evidence of verification of the supporting documents.
- (ii) Review: the financial controller reviewed the voucher for accuracy and compliance, as evidenced by his signature.
- (iii) Approval: the executive director of the Company (the “**ED**”) provided final approval, further evidenced by his signature.

This demonstrates the Company’s commitment to robust financial governance by effectively implementing the recommended procedures.

## **7. Management accounts and consolidated management accounts were not properly prepared or maintained**

### ***Key Findings***

During the Review Period, the Company did not prepare or adequately maintain monthly management accounts, a critical tool for effective financial monitoring and decision-making. This lapse created significant gaps in the Company’s ability to track its financial performance and assess operational efficiency on a timely basis. More critically, the Company was unable to produce complete consolidated management accounts, an essential requirement for a listed entity to present a clear and accurate picture of its overall financial position.

The inability to consolidate management accounts was largely due to the loss of books, records, and supporting documents for two subsidiaries: Eternal Grand Developments Limited (including its subsidiaries) and Global Gourmet Catering Services Management Limited (including its subsidiary). These records were lost following the resignation of two former directors, who had retained possession of the relevant documentation. The absence of a structured handover process or a formal policy for safeguarding financial records exacerbated the situation, leaving the Company unable to retrieve these essential documents.

### ***Recommendation***

It is recommended that the Company should ensure it is in compliance with the Listing Rules and strengthen financial reporting practices, the Company must implement a structured approach to preparing and reviewing management accounts. Monthly management accounts should be prepared in accordance with Code Provision D.1.2 of Appendix C1 to the Listing Rules. These accounts must be reviewed by directors and relevant Management, with proper documentation, such as dated signatures and review notes, maintained as evidence of the review. Reviewed management accounts should be securely archived in both physical and electronic formats for future reference and audits.

Additionally, consolidated management accounts must be prepared at least semi-annually, as required by Rule 13.48 and Appendix D2 to the Listing Rules. These accounts should be reviewed by the Board and relevant Management, with discussions and approvals properly documented in meeting minutes. The consolidated accounts should also be securely stored with access restricted to authorised personnel.

To enhance internal controls and reduce the risk of lost books and records, the Company should implement a fully integrated, cloudbased ERP system to centralise accounting across all subsidiaries, ensuring real-time data consolidation and standardised reporting. Automated, encrypted cloud backups should be configured for daily incremental and monthly full backups, stored in geographically dispersed servers with regular recovery testing.

To ensure continuity during employee or senior management transitions, the Company should establish a contingency mechanism that includes a thorough handover process. Departing employees must provide comprehensive handover reports detailing their responsibilities, ongoing tasks, and unresolved issues, and interim custodians should be assigned for critical functions until replacements are in place. Employees leaving the Company must also cooperate with ongoing audits and finalise outstanding matters before departure, a requirement that should be clearly stated in their employment contracts and exit procedures.

## ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

Since 1 May 2025, the Company has implemented the recommended procedures for preparing and reviewing management accounts, ensuring compliance with relevant Listing Rules. Monthly management accounts are now prepared by the accounting and admin assistant, reviewed by the financial controller and the EDs, and subsequently presented for Board approval.

Additionally, consolidated management accounts are prepared on a semi-annual basis by the accounting and admin assistant and are also reviewed by the financial controller and the EDs before submission for Board approval.

The IC Consultant inspected the management accounts and consolidated management accounts for March 2025 and noted that both sets of accounts were duly signed by the Board as evidence of their review and approval. This demonstrates the Company's commitment to robust financial oversight and adherence to governance requirements.

The implementation of the recommended procedures for preparing and reviewing management accounts on a monthly basis, and consolidated management accounts on a semi-annual basis, is a crucial step in ensuring the integrity and security of the Company's financial records. By requiring the preparation of these accounts by the accounting and admin assistant and their subsequent review by the financial controller and EDs, the process establishes multiple layers of oversight, significantly reducing the risk of errors or omissions. Furthermore, the documentation of these reviews, evidenced by the signatures of the Board, ensures that all records are systematically maintained and easily accessible.

According to the IC Report, the Board has formally approved the implementation of a new group-wide ERP system to strengthen financial controls and operational efficiency, and ensure real-time data consolidation. The project is currently in the assessment phase, where key requirements are being evaluated and the Company is expected to complete the project within a year.

Additionally, the Company has implemented an employee handover form. Resigning or dismissed employees must sign the form, which lists the tasks and status of each job duty and confirms that all company resources have been returned. The incoming employee also signs the form to acknowledge the transfer of responsibilities. The human resources department retains the signed form for record-keeping.

## **8. Lack of formal procedure on cash flow forecast**

### ***Key Findings***

The Company did not establish a procedure to maintain a cash flow forecast to estimate working capital levels and assess the need for short-term financing. This lack of forecasting could lead to insufficient cash flow for daily operations. The absence of a cash flow forecast was attributed to the minimal cash inflows and outflows during the Review Period.

### ***Recommendation***

The Company should establish a practice of preparing cash flow forecasts at regular intervals, such as bi-weekly or monthly, to maintain a clear understanding of its liquidity position and working capital levels. These forecasts should be reviewed by appropriate management, alongside the budget forecast, to identify potential cash shortages, assess short-term financing needs, and implement necessary actions to ensure financial stability.

The cash flow forecast should include detailed projections of cash inflows and outflows, covering key components such as revenue collections, operating expenses, debt obligations, and capital expenditures. Management should analyse these forecasts to ensure alignment with the Company's operational and strategic goals. Any adjustments or actions arising from these reviews, such as securing financing or optimising cash management practices, should be documented.

To strengthen accountability and compliance, the approved cash flow forecasts should be signed by the reviewing authorities as evidence of their review and approval. These forecasts should then be properly filed, either electronically or physically, in a secure and organised manner to facilitate future reference and audits. This systematic approach will enhance the Company's ability to proactively manage liquidity risks and maintain operational resilience.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

### ***Follow Up Review***

Since 1 May 2025, the Company has implemented enhanced procedures for cash flow management to strengthen its liquidity oversight. The financial controller is now responsible for preparing, monitoring, and updating the cash flow forecast at regular intervals. These forecasts are reviewed by the Board to ensure alignment with the Company's financial needs and operational plans. Any necessary actions to address cash requirements, such as securing financing or optimising payment schedules, are carried out by the financial controller.

The IC Consultant inspected the cash flow forecast for June 2025 and noted that it was signed by the Board, serving as evidence of their review and approval. This systematic process not only ensures timely identification and resolution of cash flow issues but also provides a documented audit trail. By maintaining regular reviews and proper documentation, the Company significantly mitigates the risk of liquidity challenges and enhances its financial stability.

## **9. Lack of formal procedure on internal fund transfer**

### ***Key Findings***

The Company has not established a formal mechanism for the requisition and approval of internal fund transfers, as there were few such transfers during the Review Period, and each transfer was approved directly by the directors of the Company. Additionally, supporting documents detailing the purpose and use of transferred funds, along with relevant books and records, were not properly maintained, potentially impacting transparency and accountability.

### ***Recommendation***

The Company should formalise its internal fund transfer process by establishing a written fund transfer request form. This form should clearly outline key details, including the purpose of the transfer, intended use of the funds, and a justification for the transfer. To enhance oversight, the form must be reviewed and approved by designated personnel, with evidence of approval, such as signatures or digital authorisations, properly documented and securely maintained for future reference.

In addition, the Company should implement a payment authorisation framework tailored to internal fund transfers. This framework should include tiered approval levels based on the transfer amount to ensure proportional oversight. For example, fund transfers exceeding HK\$500,000 should require concurrent approval from two appropriate personnel, such as the financial controller and a member of the Board, to enhance accountability and prevent unauthorised transactions. The framework should be supported by robust record-keeping practices, securely maintaining approved transfer forms and authorisation records to facilitate audits and ensure compliance with internal control policies.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

Since 1 May 2025, the Company has implemented enhanced procedures for internal fund transfers to improve oversight and accountability. Staff initiating fund transfers must complete a fund transfer request form, which specifies the purpose, intended use, and reason for the transfer. The form is first reviewed by the relevant department head, then approved by the financial controller and the EDs, with each step evidenced by signatures.

The IC Consultant inspected a fund transfer request form corresponding to an internal fund transfer in May 2025. The form was prepared by the accounting and admin assistant, reviewed by the financial controller, and subsequently approved by the ED, as evidenced by their signatures. This implementation demonstrates the Company's commitment to maintaining strong internal controls by ensuring thorough review and documentation of fund transfers. The established process not only enhances accountability but also reduces the risk of fund mismanagement and provides a clear audit trail for future reference.

### **10. Income tax calculation and deferred tax assessment were only conducted annually**

#### ***Key Findings***

As a holding company, the Company does not operate a restaurant business directly. It engages an auditor annually to act as its tax representative for tax computation and submissions. With tax losses carried forward and no substantial long-term assets or liabilities likely to result in deferred tax implications, the Company's tax exposure was assumed to be low. Consequently, provisions for income tax were recorded annually based on the tax computation reviewed by the financial controller before being handed over to the accounting and admin assistant for voucher preparation. However, the frequency of tax provision assessments was insufficient for a listed company. Additionally, no assessment of the deferred tax position was conducted during the Review Period, highlighting a gap in the Company's tax management practices.

#### ***Recommendation***

The Company should establish a structured process for periodically estimating income tax and its corresponding provisions. At a minimum, these estimates should be prepared at the end of each half-year period. The accounting staff should calculate the current income tax based on taxable income and applicable tax rates, ensuring that all deductions, credits, and allowances are considered. These calculations should then be reviewed by appropriate personnel, such as the financial controller, to validate accuracy and compliance with tax regulations before recording any tax provision.

Similarly, the Company should periodically assess its deferred tax position at least at the end of each half-year period. This assessment should account for temporary differences between the accounting base and tax base of assets and liabilities, unused tax losses, and credits. The deferred tax calculations should be thoroughly reviewed by qualified personnel to ensure proper recognition of deferred tax assets and liabilities in accordance with applicable accounting standards.

Proper documentation of both the income tax and deferred tax calculations, including supporting schedules and review evidence (e.g., reviewer signatures or approval notes), should be maintained. This approach ensures that the tax provisions and deferred tax assessments are accurate, transparent, and in compliance with accounting and tax standards, reducing the risk of errors or misstatements in the Company's financial records.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

### ***Follow Up Review***

Since 1 May 2025, the Company has implemented procedures to enhance the accuracy and oversight of income tax and deferred tax reporting. The accounting and admin assistant is responsible for preparing the semi-annual income tax calculation and deferred tax assessment. These calculations and assessments are then reviewed by the financial controller to ensure accuracy and compliance with tax regulations before any tax provisions or deferred tax assets or liabilities are recorded.

The IC Consultant inspected the income tax calculation and deferred tax assessment for March 2025 and observed that they were duly signed by the Board as evidence of their review. This implementation demonstrates the Company's commitment to maintaining rigorous internal controls over tax reporting. The documented review process ensures that tax provisions and deferred tax positions are accurately calculated and transparently recorded, reducing the risk of misstatements and enhancing compliance with applicable tax and accounting standards.

## **11. Lack of offsite backup and backup restoration testing**

### ***Key Findings***

The Company conducts backup of its server data monthly to a portable hard disk, a process handled by the company secretary. The hard disk is then stored in a locked cabinet beside the company secretary's desk. However, this approach poses significant risks to data security and business continuity considering no offsite backup is maintained, leaving the data vulnerable to physical threats such as fire, theft or natural disasters. Furthermore, the absence of regular restoration testing undermines the reliability of the backup process, as there is no assurance that the backed-up data can be successfully recovered in the event of a system failure or data loss.

### ***Recommendation***

To enhance data security and ensure business continuity, the Company should implement a robust backup and restoration policy. Backup files should be encrypted to protect sensitive information and stored in a secure, remote location separate from the original data. This separation minimises the risk of data loss in the event of physical or cyber threats, such as fire, theft or ransomware attacks.

Additionally, periodic restoration tests should be conducted to verify the integrity of the backup data and ensure successful recovery when needed. These tests help identify and address any issues with backup processes before an actual data recovery situation arises. A detailed restoration report should be prepared after each test, documenting the results, including any errors or discrepancies encountered during the restoration process. This report should also outline any follow-up actions required to resolve issues and enhance the reliability of future backups.

The restoration report should be signed by the personnel performing the restoration as evidence of completion and accountability. A summary of the restoration results and follow-up actions should then be submitted to appropriate management for review and approval. This systematic approach not only safeguards critical business data but also ensures operational resilience and compliance with governance standards.

### ***Management Response***

Agreed with the finding and will follow the Recommendation for remedial action.

## ***Follow Up Review***

Since 1 May 2025, the Company has implemented enhanced data backup and restoration procedures to strengthen data security and ensure recoverability. Server data is now backed up monthly onto two encrypted portable hard disks, which are securely maintained at the residences of an ED and the company secretary, ensuring geographical separation from the primary data source.

During the backup process, usability checks are conducted to verify the integrity and accessibility of the backup files. The results of these checks are documented in a backup restoration review record, providing evidence of successful backup creation and restoration capabilities.

The IC Consultant inspected the backup restoration review record for April 2025 and confirmed that it was properly prepared, demonstrating adherence to the established procedures. This structured approach ensures that the Company's critical data is protected against potential loss and can be effectively restored if required, thereby enhancing business continuity and minimising risks associated with data breaches or system failures.

## **OPINIONS OF THE AUDIT COMMITTEE AND THE BOARD**

The IC Review Report has since been finalised, reviewed by the audit committee of the Company and adopted by the Company on 26 May 2025, with its findings forming part of the Group's compliance framework. After the discussion between the audit committee and the IC Consultant, the audit committee is of the opinion that the IC Review Report has appropriately reviewed the internal control of the Group.

Having considered the IC Review Report and the remedial actions taken by the Company as set out above, the Board concurs with the audit committee and is of the view that the enhanced internal control measures implemented by the Company are adequate and sufficient to address the key findings of the IC Report and the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on Tuesday, 28 November 2023.

Trading in the Shares will continue to be suspended until further notice.

By order of the Board  
**Welif Technology Limited**  
**Chu Pui Him**  
*Executive Director*

Hong Kong, 8 August 2025

*As at the date of this announcement, the executive Director is Mr. Chu Pui Him and Mr. Leung Yin Cheuk, the non-executive Director is Mr. Fok Siu Keung, and the independent non-executive Directors are Mr. Char Shik Ngor Stephen, Mr. Wong Che Sang, Ms. Zhao Ming and Ms. Yin Shilu.*