CLARITY MEDICAL GROUP HOLDING LIMITED
清晰醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1406)

KEY FINDINGS OF INDEPENDENT INTERNAL CONTROL REVIEW AND CONTINUED SUSPENSION OF TRADING

This announcement is made by Clarity Medical Group Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 announcement of the Company dated 30 May 2025 in relation to the Resumption Guidance issued by the Stock Exchange (the "**First Resumption Guidance**"); (ii) the announcement of the Company dated 30 June 2025 in relation to the additional Resumption Guidance given by the Stock Exchange (together with the First Resumption Guidance, the "**Resumption Guidance**"); and (iii) the announcements of the Company dated 14 July 2025, 14 October 2025, 14 January 2026 and 14 April 2026 and 14 July 2026 providing quarterly updates on its business operations and resumption status; and (iv) the announcements of the Company dated 11 November 2025, 12 November 2025, 6 January 2026, 13 January 2026, 5 March 2026, 2 April 2026, 7 April 2026, 11 May 2026, 15 May 2026 and 11 September 2026. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the above-mentioned announcements.

BACKGROUND

As disclosed in the announcements of the Company dated 30 May 2025 and 30 June 2025, the Company received Resumption Guidance issued by the Stock Exchange. Accordingly, the Company is required to conduct an independent internal control review and demonstrate that the Company has in place adequate internal control systems and procedures that comply with the Listing Rules (the "**Internal Control Review**").

References are made to the announcements of the Company dated 7 April 2026 and 11 September 2026 respectively in relation to the key findings of independent investigation conducted by FTI Consulting on Corporate Governance Allegations (the "**FTI Investigation**") and the key findings of independent investigation conducted by GT Advisory on IPO Allegations (the "**GT Investigation**").

The Company appointed one of the Big Four advisory firms as its internal control adviser (the "**IC Adviser**") to review the internal control policies and systems of the Group on 26 March 2026.

The IC Adviser submitted an internal control review report (the "**Internal Control Report**") to the Board on 11 September 2026, which contains, among others, the findings of the Internal Control Review, its recommendations and its follow-up review results of the implementation status of the remedial actions by the Company and relevant entities in response to the recommendations made.

This announcement outlines the key findings of the Internal Control Review, recommendations by the IC Adviser and response from and remedial actions taken by the Group.

SCOPE AND METHODOLOGY OF THE INTERNAL CONTROL REVIEW

The scope of the Internal Control Review covers reviewing of the following agreed internal control areas: (i) board governance and decision making; (ii) connected-party transactions; (iii) management of integrity and conflict of interests; (iv) regulatory compliance, disclosure and whistleblowing; (v) treasury management; (vi) procurement management; (vii) contract management; (viii) human resources and employment compliance; and (ix) financial reporting management. The agreed scope was discussed between the Company and the IC Adviser to determine the control areas, the relevant matters identified in the FTI Investigation and the GT Investigation are also considered.

The Internal Control Review covers the period from (i) 1 April 2025 to 31 March 2026 (the "**Review Period**"), (ii) 1 April 2026 to 30 June 2026 (the "**Follow-up Period**") and (iii) 1 July 2026 to 31 August 2026 (the "**Additional Follow-up Period**"). The review covering both the Follow-up Period and the Additional Follow-up Period is referred to as the "**Follow-up Review**". A risk-based sampling approach was adopted by the IC Adviser, where a risk assessment (taking into account factors including nature of the transactions; frequency of performance of the control; significance of the process to the Group and to the Company's obligations under the Listing Rules; historical control failures; and historical deficiencies of the controls) determined which controls were selected for testing of operation effectiveness and depth of testing applied.

Samples were selected to cover the Review Period, the Follow-up Period and the Additional Follow-up Period, and across all applicable entities, with deliberate inclusion of higher-value items and items involving related parties. Where an exception was identified, the IC Adviser investigated the cause and relevant process owner, and assessed whether such exception was an isolated or indicative of systemic condition. Where certain controls operate only upon occurrence of a particular kind of transaction, and where no such transaction arose during the Internal Control Review, the design and implementation of the control was assessed by a walk-through process and the sampling population was obtained from independent sources to satisfy the completeness of the review.

The Internal Control Review covers the Company and its key operating subsidiaries i.e. Saintford Limited ("**Saintford**") and Clarity Ophthalmology (Shenzhen) Limited (清晰眼科(深圳)有限公司) ("**Clarity SZ**", together with Saintford, the "**Key Subsidiaries**"). Since the commencement of the Review Period through to the Additional Follow-up Period, the other subsidiaries of the Company, namely, Clarity Medical Group International Limited, Clarity Medical China Investment Limited and Clarity Pharmacal Company Limited has not had any business operations or material transactions, and therefore no test samples were selected from those subsidiaries.

The Internal Control Review is conducted with reference to the global standard "Internal Control – Integrated Framework" released in 2013 COSO, and the procedures performed by the IC Adviser are: (a) understanding how a control procedure is undertaken through discussions with management and reviewing relevant policies and procedures; (b) considering and commenting on the design, implementation and, for controls selected for sample testing, operating effectiveness of the control procedures in the agreed areas; (c) reporting to the Company any material or other internal control deficiencies based on the agreed procedures performed; (d) providing recommendations to the Company to address the identified internal control deficiencies; and (e) performing follow-up review on the implementation of the recommendations.

KEY FINDINGS AND RESULTS OF THE INTERNAL CONTROL REVIEW

During the Internal Control Review, the IC Adviser identified a number of internal control deficiencies in its Internal Control Report. The IC Adviser also took into account the findings and observations of the FTI Investigation and GT Investigation during its review of the internal control systems and procedures of the Group.

The IC Adviser assigned a risk level category to each of the observations and the categories are defined as follows:

Material Control Observations	any deficiency observed which would reasonably be expected to affect the consideration of the Company's suitability for resumption of trading by the regulators or which, if disclosed, would reasonably be expected to materially and adversely affect an investor's decision
Other Control Observations	any deficiency, or a combination of deficiencies observed, that is less severe than a material deficiency yet important enough to merit attention by those responsible for operations, structure, procedures and systems, Directors and key senior managers, and oversight of the company's financial reporting
Observations For Improvement	any observation that would not result in a control weakness, but if remedied, may improve the efficiency of processes

Set out below is a summary of the key findings, recommendations and rectification measures identified by the IC Adviser. The Group's management has responded to and taken appropriate measures in accordance with the IC Adviser's recommendations. Following subsequent review by the IC Adviser, all recommended remedial measures proposed have been adopted and implemented by the Company and (where applicable) the Key Subsidiaries.

Observation 1: certain required governance policies not yet established or fully developed

Risk level: Material control observations

Root causes and observations

The Company had not established or systematically updated its corporate governance framework with the relevant policies to keep track of the latest developments of the Listing Rules and the Corporate Governance Code (Appendix C1 of the Listing Rules) ("**CG Code**"), and had historically failed to manage its operating entities by not formalising comprehensive, group-level escalation protocols and board approval procedures for material subsidiary transactions.

Details of deficiencies identified by the IC Adviser included:

1. some formal policies to govern certain key areas addressed under the Listing Rules and the CG Code, namely the policies on shareholder communication, notifiable transactions, board diversity and conflict of interest (the "**Outstanding Policies**") were not established;

2. the dividend policy and whistleblowing policy both required enhancement; and

3. certain of the Company's policies did not fully address the Company's monitoring, approval and reporting procedures for subsidiary-level activities and transactions.

Recommendations

The IC Adviser recommended the Company to:

(1) establish the Outstanding Policies in order to align with the requirements under the CG Code and the Listing Rules;

(2) enhance the dividend policy and the whistleblowing policy by including (a) in the dividend policy more clear objectives, decision-making factors, circumstances which dividends may be reduced or suspended, defined roles and approval processes and annual review; and (b) in the whistleblowing policy anti-retaliation safeguard to protect whistleblowers;

(3) establish a subsidiary-oversight policy which sets out the approval threshold and reporting procedures for material subsidiary-level activities and transactions including mergers and acquisitions, borrowings and loans (including the financing arrangements with the controlling shareholders), security and guarantees over assets and transactions with an interested or related party, so that the policy conforms with the Listing Rules requirements, and shall be applicable to all subsidiaries of the Group; and

(4) communicate these newly established and updated policies to relevant stakeholders, and to ensure periodic reviews are performed.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has established the Outstanding Policies to address the identified deficiencies.

(2) The Company has enhanced its dividend policy and whistleblowing policy as recommended.

(3) Additional policies were also established to fully address the requirements under the Listing Rules and the CG Code. A "Group Transactions and Governance Policy" was also established to oversee subsidiary-level activities, setting out escalation triggers, approval and reporting requirements as recommended.

(4) The above policies have all been communicated to the relevant stakeholders.

Observation 2: articles of association of Key Subsidiaries are not fully aligned with current legislation

Risk level: Other control observations

Root causes and observation

The Key Subsidiaries had not systematically updated nor conducted a regular review to align their constitutional documents with the latest applicable laws.

The IC Adviser noted that the respective articles of association ("**Articles**") of the Key Subsidiaries had not been updated since adoption, and both Articles did not reflect certain current legal requirements in the Companies Ordinance (Cap. 622) and in the PRC Company Law (2023 Revision, effect from 1 July 2024) respectively, resulting in outdated statutory references and provisions: such as missing of the elements of conflict of interest disclosure, provisions on guarantees and security, related-party transactions, and corporate opportunity and non-competition.

Recommendations

The IC Adviser recommended the Key Subsidiaries to either update its Articles' provisions or to adopt a new one to conform with the latest applicable laws and regulations. The amended Articles shall then be communicated to the Directors and senior management of the Key Subsidiaries, and periodic review shall be performed to ensure ongoing compliance with regulatory developments.

Remedial measures taken by the Company and Follow-up Review

(1) Saintford has adopted the Model Articles prescribed under the Companies (Model Articles) Notice (Cap. 622H) as its new Articles to replace its then Articles, and therefore the conflict of interest disclosure issue has been addressed.

(2) Clarity SZ has updated its Articles to conform the latest PRC Company Law.

(3) The relevant minutes and resolutions for the above adoption and updates were formally documented.

Observation 3: Director training and succession planning arrangements not fully established

Risk level: Other control observations

Root causes and observation

Since trading in the shares of the Company on the Stock Exchange was suspended on 15 April 2025, there were significant changes in the Board composition and the management due to the Corporate Governance Allegations and IPO Allegations. The IC Adviser observed that certain long-term governance mechanisms for Directors were not established:

1. No monitoring mechanism or register log was maintained to track continuous professional development ("**CPD**") or onboarding trainings of the Directors, or to record the training topics.

2. No formal succession plan or mechanism was established for Directors and management positions.

Recommendations

The IC Adviser recommended the Company to (i) maintain a CPD register log to track Directors' attendance of CPD training (which shall cover prescribed topics) and ensure ongoing compliance with the Listing Rules; and (ii) establish a written succession plan for Directors, in particular for chairman and the chief executive.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has provided training plan and arranged for its legal adviser to provide CPD trainings to its Directors in July 2026. The Company has established a training log as recommended to record the training hours of each Director and to monitor compliance to requirements of the Listing Rules.

(2) A board succession policy has also been established to govern the succession procedures as recommended.

Observation 4: delegation of authority ("DOA") and responsibility descriptions are not formalised

Risk level: Other control observations

Root causes and observation

The Company had not formalised a more comprehensive, enterprise-wide DOA framework, or provided any detailed descriptions for the approval process in respect of different nature of the transactions.

The IC Adviser identified the following areas that require improvements under the current DOA framework to govern payment and contract management:

1. There were no documented descriptions that set out the roles, responsibilities, accountabilities and reporting lines for each department and position for the Company's approval process.

2. Certain key elements were missing from the DOA framework, such as the approval authority limits, the full range of material transaction types that are subject to DOA, sub-DOA and acting arrangements, dual approval requirements, matters reserved for the Board and periodic review cycle on DOA.

Recommendations

The IC Adviser recommended the Company to:

(1) document and approve the responsibility descriptions for each department and position, including clarifying the roles, responsibilities and reporting lines, and communicate these procedures to relevant personnel for implementation; and

(2) enhance the DOA framework to address the key elements identified in the review, ensure that this updated DOA framework is formally approved and communicated to relevant personnel and to be reviewed periodically.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has established the responsibility descriptions for key positions from all departments, job duties, requirements and number of staff.

(2) It has also established a DOA matrix that covers approval process for different types of Company's transactions, payments and contract management.

Observation 5: centralised meeting register to be strengthened

Risk level: Observations for improvement

Root causes and observation

The IC Adviser noted that the Company had not established a consolidated tracking register of the Board and committee meetings.

Recommendations

The IC Adviser recommended the Company to maintain a centralised list of all board and committee meetings with key details such as meeting dates, meeting types, convening method, notice periods and attendance, to ensure ongoing compliance with the Listing Rules.

Remedial measures taken by the Company and Follow-up Review

The Company has established a centralised list of meetings as recommended, which also includes additional details on agenda, resolutions, and voting results of the relevant meetings.

Observation 6: Director background-check process to be formalised and better documented

Risk level: Observations for improvement

Root causes and observation

The Company had not established a background check policy or formalised a standard approval process and oversight mechanisms to execute the background check for newly appointed Director.

The IC Adviser observed that, in respect of Directors' onboarding procedure, the Company verifies the prospective Directors' backgrounds through Directors' self-declarations together with certain searches and checks, but these were not conducted under a formalised policy or procedure and supporting documentation were not retained.

Recommendations

The IC Adviser recommended the Company to formalise the background-check process for all Director-level appointments by a written policy setting out procedure to verify key information of the prospective Directors prior to his/her appointment. The background searches and checks performed should be documented and properly recorded, and the self-declarations made should also be retained as complementary measure.

Remedial measures taken by the Company and Follow-up Review

The Company has established a Director background-check policy as recommended.

Observation 7: conflict-of-interest ("COI") declarations by Directors are not properly retained

Risk level: Other control observations

Root causes and observation

The Company had not established a formal, documented COI policy to govern the identification, assessment, and management of actual or potential conflicts, which is important in avoiding compliance breaches and upholding governance integrity.

The IC Adviser noted that although the Company did require its Directors to complete a COI declaration upon their appointments, 6 out of the 8 current Directors completed and signed declaration forms could not be located, which reflected a gap in documentation and record-keeping process.

Recommendations

The IC Adviser recommended the Company to set out clear guidelines on the disclosure scope and threshold for declaration of COI, and make it a requirement for all Directors to complete a formal COI declaration form upon onboarding. All completed and signed COI declaration forms should be properly retained. Periodic review shall be performed by each of the Directors to ensure timely disclosure of any changes in his/her professional or business affiliation and compliance with applicable laws and regulations (including the Listing Rules).

Remedial measures taken by the Company and Follow-up Review

(1) The Company has established a COI policy and also developed a formal COI declaration form for onboarding Directors as recommended. The policy sets out disclosure threshold, requirement of Director's periodical review and updates, and the procedures for disclosing and handling COI when they arise.

(2) Directors will now be required to review and update the COI declaration form periodically and upon any significant changes in their affiliations.

(3) As post-remediated sample testing, the IC Adviser noted that all 8 current Directors have completed and signed the COI declarations for Company's record-keeping.

Observation 8: payment authorisation workflow and consultancy fee adjustments not being consistently documented

Risk level: Other control observations

Root causes and observation

The Company did not establish a centralised recording mechanism or conduct periodic review to ensure the consultancy agreement terms remain relevant and aligned with current operational practices. Such absence had resulted in unstructured approval workflows, and adjusted rates were being managed through decentralised communication channels without being systematically archived prior to disbursement.

The Company already has policies that set out standardised authorisation workflow for disbursement payments (where review and approvals at department-level and group-level are both required) which are also applicable to the Key Subsidiaries. However, based on the sampling performed by the IC Adviser, it was noted that:

1. for group-level payments: supporting documents retained in the accounting system were not standardised and did not evidence the authorisation workflow as prescribed in the relevant policies, some payments lacked relevant evidence of proper authorisation;

2. for clinic-level payments: supporting documents were incomplete, and no evidence of final authorisation by designated approvers; and

3. for consultancy fee payments: some payments made were deviated from the terms in original consultancy agreement, indicating lack of approval records or supplemental agreements that support the revised computations.

Recommendations

The following measures are recommended by the IC Adviser:

1. ensure payment approval records are systematically retained in a centralised repository together with the relevant executed agreements, in accordance with the payment authorisation matrix;

2. implement a pre-payment matching control whereby payment should be blocked when deviation is recognised and until authorised written addendums or formal rate confirmations are provided to support such payment; and

3. the consultancy fee arrangements shall be reviewed, and any revised terms or price calculations shall be recorded through supplemental agreements or written addendums, and be documented and approved before any payment is made.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has established a centralised repository to archive payment approval records with executed agreements and supporting documents to address the findings by the IC Adviser. Post-remediated samples were selected from each of the payment categories identified in the observation section above, and no exception was noted during the Follow-up Review.

(2) A pre-payment matching control mechanism has been introduced which the payment approver reconcile the fee calculations against the baseline contract terms, and block payments that deviate from the latest agreement terms as documented, unless there are supporting authorisation and relevant documents.

(3) The Company has established a "Doctor Fee Calculation Guideline", which the finance department is required to follow strictly in calculating and processing future consultancy fee payments.

(4) In addition, the management has performed an overall review on all consultancy agreements fee processing and developed a mapping matrix to centralise and document the latest agreed terms of each consultancy agreements. Accordingly, any subsequent contract amendments shall follow the approval procedures set out under the relevant policies and guidelines.

Observation 9: supplier performance monitoring, competitive sourcing requirements and procurement documentation are not fully established

Risk level: Other control observations

Root causes and observation

Although the Company already has a procurement policy with procedures that governs procurement process and addresses key procurement controls which also applies to the Key Subsidiaries, the IC Adviser observed that those policies and procedure did not cover the following specific areas:

1. the policy lacked a standardised process for ongoing monitoring and performance evaluation on existing active suppliers;

2. the policy also lacked bidding process, no requirement to obtain a minimum number of quotations, and no requirement of specific justification/rationale for vendor selection; and

3. based on sampling, some procurement requisition and approval procedure were inconsistent with the authorisation workflow, some lacked supporting documents and formal approval records under the accounting and/or the email system.

Recommendations

It is recommended that supplier evaluation and procurement policy and procedures should include:

1. perform supplier evaluation at least annually using a standardised supplier evaluation form that should be reviewed and approved as evidence of evaluation;

2. update the procurement policy to require obtaining a specified number of quotations when it reaches a certain amount threshold and a written selection justification should also be documented when multiple biddings are not available, and rationale for selecting particular vendor should be stated; and

3. enforce standardised documentation and data retention rules for all procurement requisitions, including a mandatory control within the accounting system to ensure that no transaction can be finalised or recorded without supporting documents, all approvals and supporting documents provided by emails should also be documented.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has now established a standardised annual supplier evaluation form for annual supplier evaluation.

(2) The Company has also enhanced the procurement policy to mandate competitive bidding and multiple quotations for procurement, and a formal "selection justification" protocol has been instituted to require documented rationale for selection.

(3) The management has enforced standardised documentation and retention rules for all procurement activities.

(4) Post-remediation samples of procurement transactions were selected and reviewed; no exception was noted during the Follow-up Review and requisite supporting documents were all retained.

Observation 10: legal review criteria, contract approval records and contract register are not fully established

Risk level: Other control observations

Root causes and observation

The Company already has contract management policy and procedures that governs review, approval, execution and record-keeping of contractual agreements that also applied to Key Subsidiaries. but the IC Adviser observed that the relevant policies and procedures did not cover the following specific areas:

1. such policy did not define objective criteria to determine when a legal review or oversight becomes mandatory, nor did it set out formal retention requirement on legal review and sign-off;

2. approval procedures were not standardised and not properly recorded;

3. the contract register omitted certain important details; and

4. there was no formalised procedure for documenting and authorising changes to the contractual terms. This gap is also relevant to the deviations noted in Observation 8, where certain consultancy fee calculations, departed from the rate structures or terms in the original executed contracts without documentation evidencing that both parties had formally agreed to the changes.

Recommendations

It is recommended that the contract management policy and procedures should:

1. update the policy to define objective, risk-based criteria that trigger mandatory legal review, and to include formal requirement for retaining legal review and/or sign-off related documents;

2. establish standardised documentation and retention requirements for contract approval records to ensure approval are properly recorded and retained;

3. enhance the contract register to include important contractual details; and

4. set up a protocol to formalise contract amendments.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has updated the contract management policy to mandate documentation of legal review records.

(2) The Company has enforced standardised documentation and data retention rules across contract management activities to ensure approval records are retained. Post-remediated samples regarding contract approval records were selected and reviewed with no exception observed during the Follow-up Review.

(3) The Company has updated the contract register to capture critical information such as expiry dates, renewal notice periods and designated business owners who manage the contractual relationship.

(4) The Company has established a formal contract amendment protocol in contract management policy, under which any change to contractual terms shall follow the prescribed approval and documentation procedures.

Observation 11: human resources policy ("HR Policy") framework not up-to-date and jurisdiction-specific requirements not being fully addressed

Risk level: Other control observations

Root causes and observation

The Company had not systematically updated its HR Policy guidelines and procedures, with no periodic review being conducted to ensure they remain relevant and effective or aligned with the current operational practices.

The Company's HR Policy is also applicable to the Key Subsidiaries, such policy provides procedures and guidelines for recruitment, compensation and staff training. The IC Adviser however observed that:

1. such policy had limited or no guidance on background checks, probation management and secondment arrangements;

2. such Policy did not include certain specific statutory requirements in Mainland China (e.g. social insurance and housing provident fund contributions) which is applicable to Clarity SZ; and

3. background checks procedures require further clarification on timeline, scope of applicability, responsible party and enforcement mechanism.

Recommendations

It is recommended that the Company and the Key Subsidiaries should:

1. establish separate policies for entities of Hong Kong and of Mainland China respectively, and each of the policy should set out standardised procedures for recruitment, background checks, probation management and other jurisdiction-specific requirements;

2. ensure background checks procedures are standardised to cover the observations made by the IC Adviser; and

3. implement a periodic review cycle to ensure the HR Policies align with latest operational and regulatory requirements.

Remedial measures taken by the Company and Follow-up Review

The Company's human resources department has formalised its HR Policy and developed further policies to address the issues observed and recommended.

Observation 12: recruitment, resignation and payroll procedures are not consistently followed

Risk level: Other control observations

Root causes and observation

As mentioned in Observation 11, the Company had not systematically updated its HR Policy guidelines and procedures to govern the relevant HR process, and established procedures were not consistently being followed. The IC Adviser identified certain gaps in the HR Policy established, and for the Key Subsidiaries, further findings are summarised as follows:

1. recruitment and probation related documents and records were not properly retained;

2. some employment agreements had not been executed which affected employment termination; formal resignation procedures were not performed upon employee's departure, and relevant procedures or documents were not properly documented or retained; and

3. review, approval and processing of payroll were not being documented consistently, certain payments (such as overtime compensations and final payment) and related supporting documents were not properly documented or maintained.

Recommendations

The following measures are recommended by the IC Adviser:

1. implement mandatory checklist to ensure recruitment procedures are being followed and documented, that related documents are properly retained, together with required approvals being obtained and documented;

2. ensure resignations are supported by respective executed employment agreement, guidelines should be established to handle non-standard cases, documentation and approvals should be properly obtained and retained; and

3. require all payroll reports and payment instructions to be verified and approved with supporting documents prior to processing, payment processing should be reconciled with relevant executed agreements, and be prepared and reviewed independently by separate personnel and with supporting documents.

Remedial measures taken by the Company and Follow-up Review

(1) The Company has established and updated the relevant policies as recommended, where the missing elements, clear guidelines and procedures identified by the IC Adviser in respect of recruitment, probation arrangement, background check of employees, promotion procedure, resignation and payroll are now properly implemented, enforced, documented and retained.

(2) Based on the samples selected in respect of major deficiencies identified above, namely, resignation of employees, payrolls verification and approval for overtime compensation and final payment, no exception was observed by the IC Adviser.

Observation 13: formal budgeting and variance analysis to be established

Risk level: Observations for improvement

Root causes and observation

The management had not established budgeting policy or formalised a structured, group-wide framework for annual budget formulation and did not perform variance analysis for its operations, revenue, expenses and capital expenditures.

Recommendations

It is recommended that the Company should:

1. establish a formal annual budget planning that covers revenue, operating expenses and capital expenditure for the Group, with approval from senior management or the Board prior to the commencement of each financial year;

2. implement variance analysis on monthly basis that compares actual financial results against the budgeting plan with explanations and follow-up actions where required; and

3. define reporting responsibilities and escalation threshold to ensure material variances are being attended to timely.

Remedial measures taken by the Company and Follow-up Review

(1) The Company's CFO has set up plan for annual budgeting covering revenue, frontline costs, supporting back-office costs, and headquarters costs such as professional fees, staff costs, director fees, rent, other expenses etc. The CFO will be responsible for preparing the annual budget and CEO is responsible for approving the same.

(2) Variance analysis will be prepared monthly in accordance with the established approval procedure.

(3) It is expected that such plan and analysis will continue to be prepared and approved in accordance with the established procedures and be regularly reviewed and assessed when financial year-end approaches.

FOLLOW-UP REVIEW OF THE IC ADVISER

The purpose of the Follow-up Review was to assess whether: (i) the internal control weaknesses identified in the Internal Control Review had been rectified and the necessary remedial measures duly implemented; and (ii) the Company's relevant internal controls, following remediation, had been effectively designed and implemented to serve their purpose and to enable the Company to comply with the relevant Listing Rules.

For this purpose, the IC Adviser examined the newly established or enhanced policies and procedures of the Company and the Key Subsidiaries (where applicable), and reviewed the status of their implementation. Interviews were also conducted with the Company's management and the relevant process owners. Where transactions had arisen, samples were selected and were assessed to determine whether remediated controls are properly implemented and that deficiencies are remediated. Where the sampling population was nil, the IC Adviser assessed whether the relevant policies and procedures had been put in place to support the corresponding controls.

The IC Adviser completed the Follow-up Review and no exception was noted.

INTERNAL CONTROL MATTERS IDENTIFIED FROM THE FTI INVESTIGATION

While FTI Consulting conducted the investigation in the Corporate Governance Allegations, certain weaknesses of the Group's internal control systems or procedures were identified. The Group subsequently conducted an internal control review covering the relevant areas and implemented remedial measures to enhance its internal controls. This section sets out the remedial measures implemented by the Group to rectify such weaknesses.

(i) Alleged unauthorised establishment of Clarity Pharmacal Company Limited (Corporate Governance Allegation (1)(a))

The FTI Investigation revealed the Group's prior absence of defined procedures and inadequate mechanism to document and monitor compliance of the established approval requirements for the establishment of subsidiary entities.

The Company has enhanced its policies and procedures governing the establishment of subsidiary entities, including the relevant approval, documentation, record-retention and compliance-monitoring requirements. Such exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 1 and 2 of the Internal Control Review above.

(ii) Alleged unauthorised application to change Company bank signatories (Corporate Governance Allegation (4)(c))

The FTI Investigation revealed the Group's prior absence of defined procedures and inadequate mechanism to document and monitor compliance of the established authorisation requirements for changes to bank mandates and signatories.

The Company has enhanced its policies and procedures governing the changes to bank mandates and signatories, including the relevant approval, documentation and compliance-monitoring requirements. Such exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 8 of the Internal Control Review above.

(iii) Alleged appointment of a director of Saintford without three-quarters majority written approval (Corporate Governance Allegation (4)(d))

The FTI Investigation revealed the Group's prior absence of defined procedures and inadequate mechanisms to document and monitor compliance with the approval requirements for subsidiary directorship appointments.

The Company has amended its articles of association in relation to the approval requirements for subsidiary directorship appointments to align the approval requirements for subsidiary directorship appointments with prevailing governance practices, as announced by the Company on 6 January 2026. It has also enhanced its policies and procedures governing the subsidiary directorship appointments, including the relevant approval, documentation and compliance-monitoring requirements; and such exercise has been reviewed by the IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 3 and 6 of the Internal Control Review above.

(iv) Alleged channelling of Group funds to Dr. Tse/related entities (incl. WIT Limited) via consultancy agreements and renovation contracts (Corporate Governance Allegation (1)(b))

The FTI Investigation revealed the Group's prior (i) absence of defined procedures for documenting procurement rationale and for escalating and verifying conflicted or related-party payments; and (ii) inadequate mechanisms to identify, record and monitor COI.

The Company has enhanced its guidelines and procedures governing procurement, the identifying, documenting and monitoring COI, and the authorisation and verification of payments. This exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 7, 8, 9 and 12 of the Internal Control Review above.

(v) Alleged advancing of proposals for personal benefit via undisclosed concert party/guarantee arrangements (Corporate Governance Allegation (2))

The FTI Investigation revealed the Group's prior deficiencies in mechanisms to monitor and require disclosure of prospective shareholders' private collateral, share subscription or guarantee arrangements which might affect the interest of the Group.

The Company has enhanced its policy and mechanisms for governing transactions and guarantee arrangements with concert parties, as well as for dealing with COI matters. Such exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 1 and 7 of the Internal Control Review above.

(vi) Alleged unauthorised consultancy agreements and the Settlement Agreement with Dr. Lau (Corporate Governance Allegations (4)(a) and (4)(e))

The FTI Investigation revealed the Group's prior deficiencies in the documentation of the vendor-selection rationale, negotiation and approval of advisory engagements and settlement agreements.

The Company has enhanced its policies and guidelines for contract management, including adequate documentation and approval, and the related payment authorisation workflow. This exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 8 and 10 of the Internal Control Review above.

(vii) Alleged concealed board representation of Innovative Vision and undisclosed funding of the share acquisition from 3W Partners (Corporate Governance Allegation (3))

The FTI Investigation revealed the Group's prior deficiencies in procedures to verify disclosure accuracy and to conduct background checks for Directors' COI declarations.

The Company has enhanced its guidelines and procedures for disclosure and background checks on Directors' COI. This exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 6 and 7 of the Internal Control Review above.

(viii) Alleged fiduciary duty and investigative conduct breaches (in respect to handling of allegations; Special Committee investigation and whistleblowing policy) (Corporate Governance Allegations (6), (7) and (8))

The FTI Investigation revealed the Group's prior deficiencies in the documentation of (i) whistleblower protection safeguards; and (ii) the procedural independence of internal investigations.

The Company has enhanced its whistleblowing policy and revised procedures for investigation on whistleblowing matters. This exercise has reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observations 1, 2 and 3 of the Internal Control Review above.

(ix) Alleged external enquiries by law enforcement and immigration authorities; alleged employment without a valid Hong Kong working visa (Corporate Governance Allegations (4)(b) and (5))

The FTI Investigation revealed the Group's prior deficiencies in the procedures for logging, managing and reporting external regulatory or law enforcement enquiries to the Board.

The Company has enhanced the procedures and guidelines for external regulatory or law enforcement enquiries. This exercise has been reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 11 of the Internal Control Review above.

INTERNAL CONTROL MATTERS IDENTIFIED FROM THE GT INVESTIGATION

While GT Advisory conducted the investigation in the IPO Allegations, certain weaknesses of the Group's internal control systems or procedures were identified. The Group subsequently conducted an internal control review covering the relevant areas and implemented remedial measures to enhance its internal controls. This section sets out the remedial measures implemented by the Group to rectify such weaknesses.

(i) Adjustment of remuneration from variable to fixed monthly fees (IPO Allegation (1))

The GT Investigation revealed the Group's prior deficiencies in documentation and retention of the rationale for, and execution of, remuneration/consultancy fee adjustments, resulting in incomplete records and audit trails.

The Company has enhanced its policies and guidelines on documentation, authorisation and retention of consultancy agreements, business rationale and relevant adjustments (if applicable). This exercise has reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 8 of the Internal Control Review above.

(ii) Undisclosed loans used to compensate shortfall in consultancy fees (IPO Allegation (2))

The GT Investigation revealed the Group's prior deficiencies in the documentation supporting intercompany fund flows and related-party payments.

The Company has enhanced its policies and guidelines on documentation and authorisation records for payment arrangements. This exercise has reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 8 of the Internal Control Review above.

(iii) Dividend distribution and subsequent set-off against outstanding loans (IPO Allegation (3))

The GT Investigation revealed the Group's prior deficiencies in the documentation of the business rationale for related-party dividend set-off arrangements.

The Company has enhanced its dividend policy and a "Group Transactions and Governance Policy" was established to monitor transactions and reporting procedures which cover borrowings and loans, and transactions with interested or connected party. This exercise has reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 1 of the Internal Control Review above.

(iv) Termination of consultancy agreements post-IPO due to regulatory restrictions (IPO Allegation (4))

The GT Investigation revealed the Group's prior deficiencies in the documentation of the rationale for the termination and renegotiation of consultancy agreements.

The Company has enhanced its policies and guidelines on documentation and retention of consultancy agreements, business rationale and relevant adjustments (if applicable). This exercise has reviewed by IC Adviser. The corresponding recommendations and remedial measures are covered under Observation 8 of the Internal Control Review above.

Please refer to the sections headed "Recommendations" and "Remedial Measures Taken by the Company and Follow-up Review" under each of the relevant observations in this announcement for further details.

VIEWS OF THE BOARD

The Board (including the Audit Committee) has reviewed the contents, findings and results of the Internal Control Review, the remedial actions taken and the Follow-up Review conducted by the IC Adviser, arranged and participated in the discussions with the IC Adviser and its auditors regarding the identified internal control deficiencies and the Internal Control Review, and has agreed and accepted the findings and recommendations of the Internal Control Review.

As at the date of this announcement, the Company and the Key Subsidiaries have adopted all advice and recommendations made by the IC Adviser, and have adopted, revised, implemented and/or strengthened the relevant policies, procedures and systems, where applicable. The IC Adviser has also performed a Follow-up Review after relevant remedial actions were taken by the Company and the Key Subsidiaries.

Having considered the Internal Control Report and the remedial actions taken and implemented and that Follow-up Review by the IC Adviser has been performed, the Board (including the Audit Committee) is satisfied that the adoption and/or implementation of remedial measures by the Company and the Key Subsidiaries (where applicable), as recommended by the IC Adviser in the Internal Control Review, are adequate and sufficient to address the deficiencies identified in the internal control systems, policies, practices and/or procedures of the relevant entities. The Board is also of the view that the current internal control systems are adequate to identify and to prevent recurrence of events similar to the relevant matters covered in the FTI Investigation Report, the GT Investigation Report and the Internal Control Report.

By reasons of the above, the Board (including the Audit Committee) is of the view that: (a) the material deficiencies identified in the in the FTI Investigation Report and the GT Investigation Report have been rectified and all necessary remedial measures have been properly implemented; (b) those internal control weaknesses identified by the IC Adviser in the Internal Control Report have been adequately addressed; (c) the remedial measures taken by the Company and the Key Subsidiaries are sufficient and adequate; and (d) the Group has established sufficient and reliable governance, adequate internal controls and procedures to meet its obligations with the applicable laws and regulations and the Listing Rules. The Board and the Audit Committee will continue to monitor the effectiveness and adequacy of the internal control system and procedures of the Group to ensure compliance with obligations under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 15 April 2025 and will remain suspended until further notice.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares or other securities of the Company, and if they are in any doubt about their position, they should consult their independent professional advisor(s).

By order of the Board
CLARITY MEDICAL GROUP HOLDING LIMITED
JIANG Bo
Executive Director and Chief Executive Officer

Hong Kong, 13 September 2026

As at the date of this announcement, the Board comprises Mr. JIANG Bo as executive Director, Mr. CHEN Jiarong, Professor WANG Qinmei and Mr. SUN Peng as non-executive Directors, and Mr. WANG Can, Ms. CI Ying, Dr. CHEN Poujian and Mr. XU Anliang as independent non-executive Directors.