Hanhua Holding Co., Ltd.

瀚 華 控 股 股 份 有 限 公 司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3903)

(1) KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION; (2) KEY FINDINGS OF THE INTERNAL CONTROL REVIEW; AND (3) CONTINUED SUSPENSION OF TRADING

This announcement is made by Hanhua Holding Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rules 13.09 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 the Company's announcements dated: (1) 25 March 2025 (containing matters including the Incident and the resignation of the Company Secretary); (2) 26 June 2025 (in relation to, among other things, the resumption guidance (the "**Resumption Guidance**") issued by the Stock Exchange); (3) 28 August 2025 (in relation to the establishment of the Independent Investigation Committee); (4) 26 September 2025 (in relation to the quarterly update on resumption progress); (5) 24 December 2025 (in relation to the quarterly update on resumption progress); (6) 23 March 2026 (in relation to the quarterly update on resumption progress); (7) 26 June 2026 (in relation to the quarterly update of resumption progress); (8) 31 July 2026 (in relation to update on resumption progress); and (9) 4 September 2026 (in relation to update on resumption progress) (collectively referred to as the "**Previous Announcements**"). Unless otherwise defined, the terms used in this announcement shall have the same meanings as those defined in the Previous Announcements.

As disclosed in the announcement of the Company dated 26 June 2025, the Resumption Guidance includes, among others, that the Company must:-

1. conduct an appropriate independent forensic investigation in relation to the Incident; assess the impact on the Company's business operation and financial position; announce the findings; and take appropriate remedial actions; and

2. 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.

This announcement sets out the key findings of the Independent Forensic Investigation and the internal control review (the "**IC Review**").

(1) KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION

A. Background

As disclosed in the announcement of the Company dated 25 March 2025, the Incident relates to the detention of Mr. Zhang and Mr. Ren by the Shenyang Public Security Bureau ("**PSB**") in connection with an investigation involving 辽宁富安金融资产管理有限公司 (Liaoning Fu'an Financial Asset Management Co., Ltd.*) ("**Fu'an Asset**") concerning alleged misappropriation of funds.

Fu'an Asset is an indirectly non-wholly owned subsidiary of the Company, with 60% of its equity held by the Group and 20% of its equity held by a state-owned enterprise and the remaining 20% of the equity interests in Fu'an Asset were held by other three (3) private enterprises. Its principal business focuses on, among others, acquiring and consignment operating non-performing assets of financial and non-financial institutions, the management, investment and disposal of such non-performing assets, as well as debt restructuring and corporate restructuring.

Since the detention of Mr. Zhang and Mr. Ren, the Company has maintained ongoing communication with the legal teams of Mr. Zhang and Mr. Ren to obtain information regarding the cases involving them. According to the legal teams of Mr. Zhang and Mr. Ren, the case involving Mr. Zhang and Mr. Ren in relation to the Incident was instituted by 辽宁省沈阳市皇姑区人民检察院 (the Shenyang Huanggu District People's Procuratorate of Liaoning Province*) on 30 October 2025 (the "**Criminal Proceedings**"). 沈阳市皇姑区人民法院

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(the People's Court of Huanggu District of Shenyang*) (the "**Shenyang Court**") conducted the first public hearing on 30 March 2026, 31 March 2026 and 1 April 2026, and the second public hearing on 15 May 2026. Based on the information available to the Company as of the date of this announcement, no judgment has yet been handed down in this case.

Further, as disclosed in the announcement of the Company dated 23 March 2026, the Independent Investigation Committee has (i) appointed Grant Thornton Advisory Services Limited as the Independent Forensic Investigator (the "**Independent Forensic Investigator**") to conduct independent forensic investigation (the "**Independent Forensic Investigation**"); and (ii) appointed a law firm to provide guidance to the Independent Forensic Investigator and render legal advice to the Independent Investigation Committee.

On 17 September 2026, the Independent Forensic Investigator issued a report of the Independent Forensic Investigation to the Independent Investigation Committee (the "**Forensic Investigation Report**").

B. Scope of the Independent Forensic Investigation

B1. Investigation Issue 1

Following the internal review conducted by the Independent Investigation Committee, the Independent Investigation Committee identified three (3) transactions involving Fu'an Asset that are related to the Incident (the "**3 Transactions**").

The Independent Forensic Investigation primarily focused on the 3 Transactions ("**Investigation Issue 1**"), namely:

1. Acquisition of non-performing asset portfolio through seven intermediary companies (the "**Seven Distressed Asset Portfolio Transaction**");

2. Acquisition of debt receivable involving Liaoning Baishahu (as defined below) (the "**Baishahu Debt Receivable Transaction**"); and

3. Acquisition of debt receivable relating to Xinjiang Beikong (as defined below) (the "**Xinjiang Beikong Debt Receivable Transaction**").

In respect of Investigation Issue 1, the Independent Forensic Investigation covered the period from 1 January 2018 to 30 June 2025.

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B2. Investigation Issue 2

In addition, the Independent Forensic Investigator reviewed other material receivable balances and transactions involving Fu'an Asset to assess whether any other alleged misappropriation or similar arrangements existed. ("**Investigation Issue 2**") (together with Investigation Issue 1, the "**Investigation Issues**")

In respect of Investigation Issue 2, the Independent Forensic Investigation covered the period from 1 January 2023 to 30 June 2026.

C. Major Procedures Executed by the Independent Forensic Investigator

During the Independent Forensic Investigation, the Independent Forensic Investigator carried out the following procedures including but not limited to:-

1. Document review, which mainly included the Company's announcements, documents relating to the debt transfers (such as relevant agreements, bank receipts, seal usage approval documents, accounting records, etc.), and others, as well as review of the originals of key documents on site at the Company's premises, and observance of the export of the relevant accounting vouchers and approval documents from the accounting system and the office automation system by the finance personnel, in order to verify the authenticity and completeness of the documents and confirm that such documents had been prepared at the time when the relevant matters occurred;

2. Interviews with relevant personnel, which mainly included directors of the Company, senior management, key relevant personnel of the Group, and certain external parties;

3. Company searches on entities related to Investigation Issue 1 and perusing information on the directors and shareholders of the relevant companies to understand their relationship with the Investigation Issues;

4. Confirmation procedures with a total of ten (10) counterparties in respect of Investigation Issue 1 to ascertain the relationship of the relevant entities with the Group, Mr. Zhang and Mr. Ren, as well as the key terms of the relevant agreements

and transaction details, receiving replies from eight (8) entities in which all such replies confirmed that the information was accurate;

5. Targeted internal control review of the Group's internal control procedures, including the approval processes for business transactions, seal usage management, payments, and connected transactions;

6. Computer forensic procedures on the Company's computers and company email accounts of key individuals involved, with the use of forensic tools (FTK Imager) to create mirror images of the hard drives and the verification of the integrity of the data through hash value calculations, with an analysis of the mirrored data and emails using EnCase (to recover deleted files) and Intella PRO (to conduct keyword analysis). Such key individuals include:-

   (a) the individuals involved in the Incident, namely Mr. Zhang and Mr. Ren;

   (b) Mr. Yuan Guoli, Mr. Cui Weilan, Mr. He Zhonghua and Mr. Wang Junsheng, who served as members of the Business Decision Committee of Fu'an Asset (the "**Business Decision Committee**") during the execution of the 3 Transactions; and

   (c) Mr. Wang Dayong and Mr. Zhang Jun, who served as executive directors of the Company during the relevant period of Investigation Issue 1, being from 1 January 2018 to 30 June 2025.

D. Summary of the Key Findings of the Independent Forensic Investigation

D1. Investigation Issue 1

D1.1 The Seven Distressed Asset Portfolio Transaction

Background

In or around December 2022, Fu'an Asset acquired seven (7) non-performing asset portfolio through seven (7) intermediary companies, namely:-

(i) 沈阳兴智亿信息技术有限公司 (Shenyang Xingzhiyi Information Technology Co., Ltd.*) ("**Shenyang Xingzhiyi**");

(ii) 辽宁省沈抚新区安跃科技有限公司(Liaoning Shenfu New District Anyue Technology Co., Ltd.*);

(iii) 沈阳同达润实业有限公司(Shenyang Tongdarun Industrial Co., Ltd.*) ("**Shenyang Tongdarun**");

(iv) 济南正源商业保理有限公司(Jinan Zhengyuan Commercial Factoring Co., Ltd.*) ("**Jinan Zhengyuan**");

(v) 芜湖润维投资管理有限公司 (Wuhu Runwei Investment Management Co., Ltd.*) ("**Wuhu Runwei**");

(vi) 深圳博雅供应链科技有限公司(Shenzhen Boya Supply Chain Technology Co., Ltd.*) ("**Shenzhen Boya**"); and

(vii) 北京创新思成科技有限公司(Beijing Chuangxin Sicheng Technology Co., Ltd.*) ("**Chuangxin Sicheng**") (collectively, the "**Seven Companies**").

The aggregate consideration paid by Fu'an Asset for the acquisition of the seven (7) non-performing asset portfolio was approximately RMB470 million.

Set out below are the processes of the Seven Distressed Asset Portfolio Transaction.

<u>Step 1- Initial Internal Transfer of Receivables to Sichuan Zhongwei</u>

On 20 December 2022, ten (10) subsidiaries of the Group assigned a total of 2,026 receivables to 四川中微资产管理有限公司 (Sichuan Zhongwei Asset Management Co., Ltd.*) ("**Sichuan Zhongwei**"), a directly wholly-owned subsidiary of the Group. The receivables represented an aggregate outstanding balance of approximately RMB518 million and were assigned at an aggregate consideration of approximately RMB304 million.

Sichuan Zhongwei subsequently made payments of approximately RMB255 million to the transferors during the period from December 2022 to January 2023, with the remaining approximately RMB49 million being recorded as an outstanding payable in its books and an outstanding receivable in respective transferors' accounting records.

<u>Step 2- Repackaging and Transfer from Sichuan Zhongwei to the Seven Companies</u>

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Step 2A - On 20 December 2022, Sichuan Zhongwei repackaged the receivables acquired from the Group subsidiaries together with some of its own receivables, and assigned them to the Seven Companies. The transfer comprised a total of 2,101 receivables with an aggregate outstanding balance of approximately RMB925 million and was effected for an aggregate consideration of approximately RMB435 million.

During June and October 2023, Sichuan Zhongwei received cumulative payments of RMB427 million from the Seven Companies, either directly or through entities acting on their behalf.

Step 2B - Separately, four (4) companies, namely (i) 重庆东沣齐资产管理有限公司 (Chongqing Dongfengqi Asset Management Co., Ltd.*) (**"Dongfenqi"**); (ii) 重庆恒科迈资产管理有限公司 (Chongqing Hengkemai Asset Management Co., Ltd.*) ("**Hengkemai**"); (iii) 芜湖灏煜星辰投资合伙企业（有限合伙）(Wuhu Haoyu Xingchen Investment Partnership (Limited Partnership)*) (**"Wuhu Haoyu"**); and (iv) 芜湖润维投资管理有限公司(Wuhu Runwei Investment Management Co., Ltd.*) ("**Wuhu Runwei**") (collectively, the "**Four Transferor Companies**"), assigned a total of eight (8) receivables with an aggregate outstanding balance of approximately RMB51 million to Chuangxin Sicheng, one of the Seven Companies, for an aggregate consideration of approximately RMB36 million.

Chuangxin Sicheng subsequently consolidated such receivables with the portfolio of receivables acquired from Sichuan Zhongwei. Following the completion of such consolidation, the enlarged portfolio was included in the distressed asset portfolio transferred by the Seven Companies to Fu'an Asset.

Step 3 – Acquisition by Fu'an Asset from the Seven Companies

Between 21 December 2022 and 30 December 2022, the Seven Companies assigned a total of 2,109 (being 2,101 + 8) receivables to Fu'an Asset. The receivables had an aggregate outstanding balance of approximately RMB976 million (being RMB925 million + RMB51 million) and were transferred at an aggregate consideration of approximately RMB470 million ("**Seven Distressed Asset Portfolio**").

During the same period, Fu'an Asset made payments in an aggregate amount of approximately RMB470 million to the Seven Companies and/or their designated entities in settlement of the transfer consideration.

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Step 4 – Entrusted Collection and Forward Debt Assignment Arrangements

Step 4A - Following the completion of Step 3 above, Fu'an Asset entered into an 委託處置協議 (Entrusted Collection and Disposal Agreement*) with the Seven Companies, pursuant to which the management, collection and recovery of the underlying receivables were entrusted to the Seven Companies (the "**Entrusted Collection and Disposal Agreement**").

Under the Entrusted Collection and Disposal Agreement, the entrusted disposal period was two (2) years. Fu'an Asset was entitled to a target return equivalent to 16% of its acquisition cost over the two-year period, representing an annualised return of approximately 8%. In addition, where the aggregate recovery amount exceeded the target disposal amount, Fu'an Asset would be entitled to an additional return equal to 5% of the excess recovery amount.

Step 4B – In addition, following the completion of Step 3 above, Fu'an Asset entered into a 遠期債權受讓協議 (Forward Debt Assignment Agreement*) with 瀚华融资担保股份有限公司(Hanhua Financing Guarantee Co., Ltd.*) ("**Hanhua Guarantee**") in respect of the Seven Distressed Asset Portfolio (the "**Seven Portfolio Forward Agreement**").

Pursuant to the Seven Portfolio Forward Agreement, if the Seven Companies failed to achieve the agreed target disposal amount during the entrusted disposal period, Hanhua Guarantee would acquire the relevant receivables from Fu'an Asset in December 2024, at a price calculated to provide Fu'an Asset with an annual return of approximately 8%. Accordingly, the Entrusted Collection and Disposal Agreement and the Seven Portfolio Forward Agreement were structured to provide Fu'an Asset with a fixed return while also offering downside protection in respect of the recoverability of the underlying receivables.

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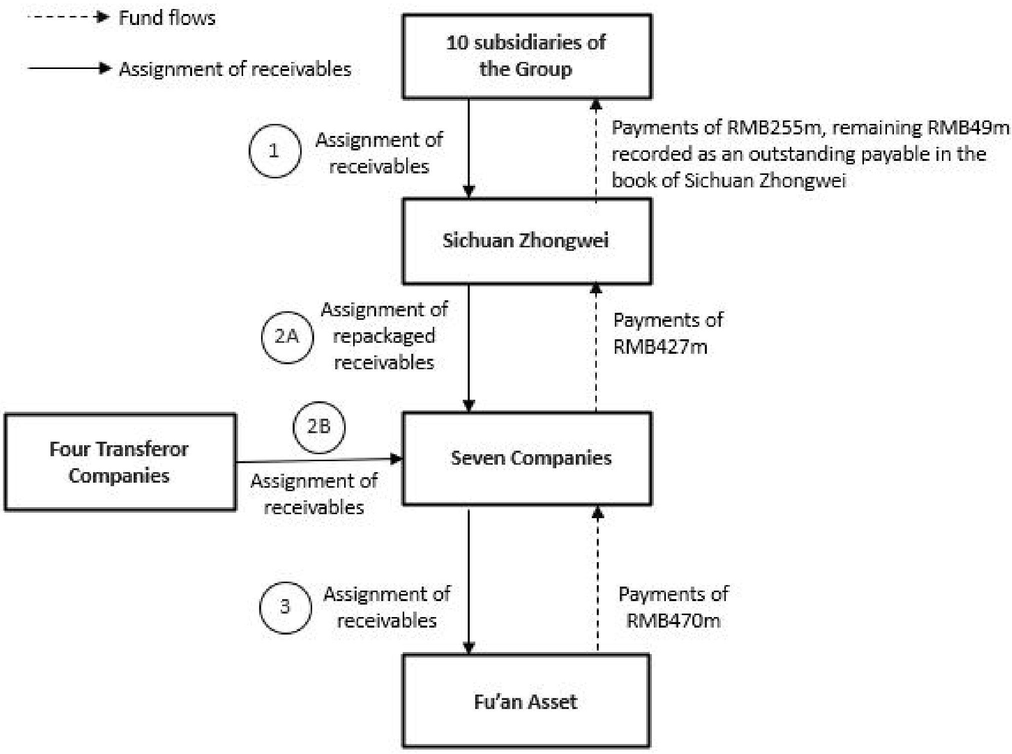
Below is the simplified flow chart of the Seven Distressed Asset Portfolio Transaction for illustrative purposes:-



The relevant number of debt accounts, debt amount, consideration, discount rate and the fund flow are summarised as follows:-

	Number of receivables transferred	Transfer debt amount (RMB million)	Consideration (RMB million)	Discount rate	Payment (RMB million)	Variance (RMB million)	Note
		[a]	[b]	[b/a]	[c]	[c-b]	
Step 1							
Group Subsidiaries → Sichuan Zhongwei	2,026	518	304	59%	255	49	1
Step 2A							
Sichuan Zhongwei → Seven Companies							
Debt arising from Step 1	*2,026*	*518*	-	-	-	-	
Debts already held by Sichuan Zhongwei before Dec 2022	*75*	*407*	-	-	-	-	
Subtotal	2,101	925	435	-	427	8	2
Step 2B							
Debts transferred by Four Transferor Companies to Chuangxin Sicheng	8	51	36	-	-	-	
Step 2 Total	**2,109**	**976**	**470**	**48%**	**-**	**-**	

Step 3							
Seven Companies → Fu'an Asset	2,109	1,002	470	47%	470	-	3

Notes:-

1. *Sichuan Zhongwei made aggregate payments of approximately RMB 255 million. The remaining approximately RMB 49 million was recorded as a payable on its books.*
2. *Sichuan Zhongwei received a total of approximately RMB 427 million from the Seven Companies, representing a shortfall of approximately RMB 8 million compared to the agreed transfer price. This shortfall primarily arose from Sichuan Zhongwei's repurchase of certain assets within the asset portfolio from Shenyang Xingzhiyi (one of the Seven Companies).*
3. *Based on the total transfer debt amount set out in the relevant debt portfolio transfer agreements, the Independent Forensic Investigator noted a discrepancy of approximately RMB 26 million (being RMB1,002 million – RMB976 million) between the total transfer debt amount of the asset portfolio in Step 3 and that in Step 2. This discrepancy primarily arose from: (i) differences in the basis for determining the underlying asset amount between the debt transfer agreements between Sichuan Zhongwei and Wuhu Runwei, (one of the Four Transferor Companies) and between Wuhu Runwei and Fu'an Asset, resulting in an aggregate discrepancy of approximately RMB 25 million; and (ii) differences in the basis for determining the underlying asset amount between the debt transfer agreements between Sichuan Zhongwei and Shenyang Tongdarun (one of the Seven Companies), and between Shenyang Tongdarun and Fu'an Asset, resulting in an aggregate discrepancy of approximately RMB 1 million. As the discrepancy amount represents only approximately 2.6% of the total transfer debt amount of the Seven Distressed Asset Portfolio Transaction, the overall impact is limited. Accordingly, the Independent Forensic Investigator was of the view that these discrepancies do not have a material impact on the conclusions of the Independent Forensic Investigation.*

Review of Accounting Treatment

Based on the Independent Forensic Investigator's review of the Company's accounting records, the Seven Distressed Asset Portfolio Transaction has been recorded in the Company's accounting records as summarized below:-

	Sichuan Zhongwei – Accounting entries for disposal of the distressed asset portfolio (RMB million)	**Sichuan Zhongwei – Proceeds received for disposal of the distressed asset portfolio (RMB million)**	**Fu'an Asset – Payment for acquisition of the Seven Distressed Asset Portfolio (RMB million)**	**Group consolidation level (RMB million)**
Loans and advances to customers	(124.6)	-	-	(124.6)
Factoring receivables	(280.3)	-	-	(280.3)
Subrogated receivables	(52.5)	-	-	(52.5)
Receivables for asset transfer – Seven companies	434.8	(427.0)	-	7.8
Net impact on income statement	22.6	-	-	22.6
Financial assets at fair value through profit or loss	-	-	470.4	470.4
Bank deposits	-	427.0	(470.4)	(43.4)

Note: Positive figures represent debit entries and negative figures represent credit entries.

The Seven Distressed Asset Portfolio Transaction would result in an estimated accounting loss of approximately RMB22.6 million at the consolidation level. As such amount represented approximately 2.3% of the aggregate transferred debt amount, the Independent Forensic Investigator did not consider the loss to have a material impact on the Group's overall financial position.

Subsequent Fund Flows and Use of Funds

In June 2023, Sichuan Zhongwei received approximately RMB126 million from the Seven Companies, of which:-

1. Approximately RMB100 million for repayment of the Group's borrowings;

2. Approximately RMB13 million for operating expenses; and

3. Approximately RMB7 million advanced as a loan to 重庆勤丰供应链有限公司 (Chongqing Qinfeng Supply Chain Co., Ltd.*) (**"Qinfeng"**).

In October 2023, Sichuan Zhongwei further received approximately RMB301 million from the Seven Companies, of which:-

1. Approximately RMB140 million was lent to Hengkemai (i.e., one of the Four Transferor Companies);

2. Approximately RMB121 million was lent to Shengjinhua (as defined below under the section headed "The Xinjiang Beikong Debt Receivable Transaction"); and

3. Approximately RMB50 million was placed on fixed deposit.

The Independent Forensic Investigator observed that the fund flows could not be fully reconciled because the funds could not be traced at the individual transaction level. In practice, fund flow tracing was performed by correlating transactions based on the timing and amounts of fund movements.

Internal Approval Process

The Seven Distressed Asset Portfolio Transaction was approved by the Business Decision Committee of Fu'an Asset. At the relevant time, the participating decision makers included Mr. Yuan Guoli, Mr. Cui Weilan and Mr. He Zhonghua.

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According to the decision-making and approval documents reviewed by the Independent Forensic Investigator, the relevant approval materials included information relating to, among other things, the size of the underlying asset portfolio, their estimated values, the approved transaction amounts, the entrusted collection and disposal arrangements and Hanhua Guarantee's repurchase undertaking.

However, the Independent Forensic Investigator was unable to identify any documentary evidence indicating whether any due diligence procedures or valuation work had been conducted in respect of the underlying asset portfolio. In addition, the approval materials reviewed did not specify the basis upon which the estimated values of the Seven Distressed Asset Portfolio had been determined. Accordingly, the Independent Forensic Investigator was unable to ascertain whether the Business Decision Committee had considered any due diligence findings or valuation analysis when approving the transaction, or the basis upon which it assessed the value of the Seven Distressed Asset Portfolio.

The Independent Forensic Investigator also noted that Mr. Ren and Mr. Yuan Guoli respectively instructed the Company's finance department and Fu'an Asset's Business Department to implement the relevant debt transfer arrangements. In addition, Mr. Yuan Guoli provided the relevant information relating to the distressed debt portfolios and the corresponding transfer prices.

Independent Forensic Investigator's Assessment

1. Findings Relating to the Movement of Funds

The Independent Forensic Investigator noted that the Seven Companies received approximately RMB470 million from Fu'an Asset in December 2022. Subsequently, the Seven Companies made payments aggregating approximately RMB427 million to Sichuan Zhongwei in June and October 2023. The payments from the Seven Companies to Sichuan Zhongwei were made more than six (6) months after receipt of the funds from Fu'an Asset. However, the Company was unable to provide an explanation for such timing difference.

2. Findings Regarding the Relationship between the Group, the Seven Companies, the Four Transferor Companies and Qinfeng

The Independent Forensic Investigator did not identify any common shareholders, directors or senior management between the Group and the Seven Companies, the Four Transferor Companies and Qinfeng.

However, the Independent Forensic Investigator noted that:

1. Hengkemai, one of the Four Transferor Companies, was a sole shareholder of Jinan Zhengyuan, one of the Seven Companies; and

2. Shengjinhua was the transferor of the Xinjiang Beikong Debt Receivable acquired by Fu'an Asset (as set out below under the section headed "The Xinjiang Beikong Debt Receivable Transaction").

3. Findings Regarding the Actual Collection Arrangements

Although the Seven Distressed Asset Portfolio was transferred to Fu'an Asset and recovery was contractually entrusted to the Seven Companies, the Independent Forensic Investigator understood that actual collection and recovery activities continued to be undertaken by the Group's operating subsidiaries, given that such underlying distressed assets were formed by the relevant operating companies in the ordinary course of their business operations.

According to interviews conducted by the Independent Forensic Investigator, the Seven Companies acted solely as conduit entities and did not participate in debt collection, recovery or asset management activities.

4. Findings Regarding Commercial Substance of the Seven Distressed Asset Portfolio Transaction

Based on interview findings, the Independent Forensic Investigator noted that the Seven Distressed Asset Portfolio Transaction was intended, in substance, to function as a financing arrangement or an intra-group fund transfer. Through the series of asset transfers, entrusted disposal and collection arrangements and forward debt assignment arrangements described above, Fu'an Asset was able to obtain a fixed return together with certain downside protection mechanisms. However, the Independent Forensic Investigator did not identify any contemporaneous document expressly stating that the transaction was intended to constitute an internal financing arrangement or fund transfer within the Group.

According to the Group's internal control policies, any debt transfer or fund transfer transaction between Fu'an Asset and other Group companies would be subject to connected transaction approval procedures and would require approval from the Connected Transaction Committee of Fu'an Asset (the "**Connected Transaction Committee**"). Where such transactions constituted material connected transactions, namely where the aggregate transaction amount over a consecutive 12-month period equalled or exceeded 25% of Fu'an Asset's latest audited net assets, the relevant transactions would also be required to be reviewed by the Connected Transaction Committee and submitted to the board of directors of Fu'an Asset for approval.

The Independent Forensic Investigator further noted that 20% of the equity interests in Fu'an Asset was held by a state-owned enterprise and the remaining 20% of the equity interests in Fu'an Asset were held by other three (3) private enterprises . The relevant fund transfers between the Group and Fu'an Asset may have been subject to approval by Fu'an Asset's Connected Transaction Committee and/or the board of directors. According to the interview findings, the Seven Companies were therefore utilised as intermediary entities in order to facilitate the transaction structure and avoid Fu'an Asset's approval procedures applicable to intra-group transactions.

Latest Status of Seven Distressed Asset Portfolio

As at the date of this announcement:-

1. Fu'an Asset issued demand letters to Hanhua Guarantee on 14 January 2025 and 12 May 2025, requiring Hanhua Guarantee to perform its obligations under the Seven Portfolio Forward Agreement;

2. Neither the Group nor Hanhua Guarantee had repurchased the Seven Distressed Asset Portfolio from Fu'an Asset;

3. Following the transfer of the Seven Distressed Asset Portfolio from the Seven Companies to Fu'an Asset, the Group had recovered approximately RMB220 million

from the Seven Distressed Asset Portfolio up to 30 June 2026. Such recovered amounts were deposited into the Group's central treasury system;

4. The Group's legal department continued to handle the recovery of the Seven Distressed Asset Portfolio;

5. No repayment had been made by the Group to Fu'an Asset in relation to the Seven Distressed Asset Portfolio Transaction. It remained under discussion between Fu'an Asset and the Company's management.

As a result of the Criminal Proceedings, the Group has not yet been able to ascertain whether the fund flows relating to the matters under investigation should be dealt with. The Group further advised that the Criminal Proceedings have materially affected its ability to obtain external financing and that it currently does not have sufficient financial resources to fully settle the outstanding amounts due to Fu'an Asset relating to the Seven Distressed Asset Portfolio Transaction. Accordingly, the Group considers it prudent to defer any repayment arrangements pending the conclusion of the Criminal Proceedings.

D1.2 Baishahu Debt Receivable Transaction

Background

The Independent Forensic Investigator understood that the Group invested in the Baishahu Project, a financial industry development project located in the Shenfu Reform and Innovation Demonstration Zone of Liaoning Province, which was developed by 遼寧白沙湖實業發展有限公司 (Liaoning Baishahu Industrial Development Co., Ltd.*) ("**Liaoning Baishahu**") (the "**Baishahu Project**"). The Baishahu Project covers a total site area of approximately 3.45 square kilometers.

The Independent Forensic Investigator understood that the Group participated in the Baishahu Project through its indirectly wholly owned subsidiary, 重慶大美基業發展有限公司 (Chongqing Damei Jiyé Development Co., Ltd.*) ("**Chongqing Damei**"), which directly held approximately 30% of the equity interests in 遼寧白沙島實業發展有限公司 (Liaoning Baishadao Industrial Development Co., Ltd.*) ("**Liaoning Baishadao**"). Liaoning Baishadao directly wholly owned Liaoning Baishahu which holds the Baishahu Project.

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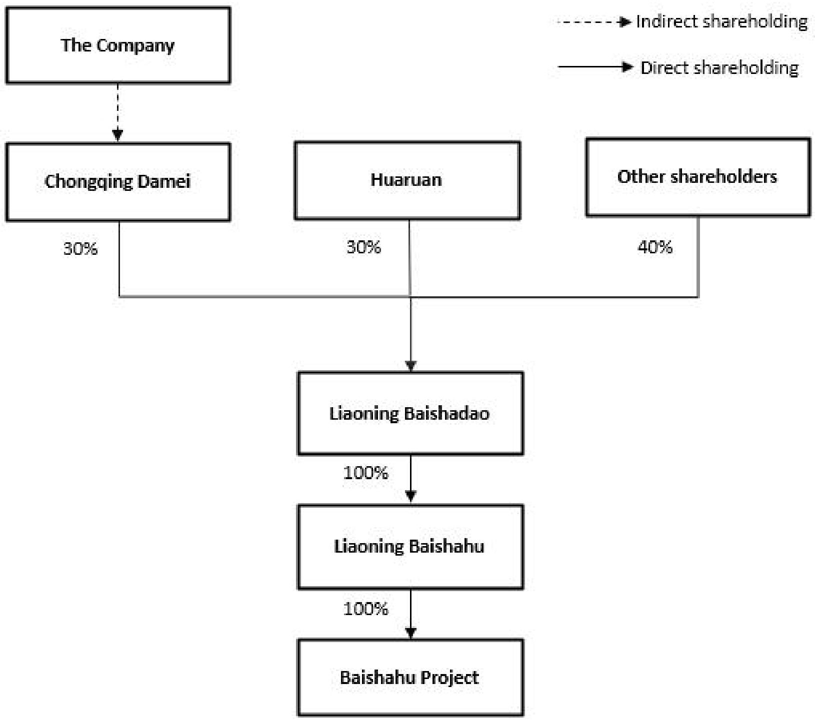
華軟投資（北京）有限公司 (Huaruan Investment (Beijing) Ltd.*) (“**Huaruan**”), an independent third party, held 30% equity interests in Liaoning Baishadao, also participated in the Baishahu Project through shareholder loans advanced to Liaoning Baishahu (the “**Baishahu Debt Receivable**”**)**.

Set out below is the simplified shareholding structure relating to the Baishahu Project in 2019:-



<u>Acquisition of Baishahu Debt Receivable</u>

Through document review and interviews, the Independent Forensic Investigator noted that Huaruan intended to withdraw from the Baishahu Project.

Accordingly, on 29 December 2020, Huaruan (as assignor) and Fu'an Asset (as assignee) entered into two (2) debt assignment agreements (the "**Debt Assignment Agreements**"), pursuant to which Huaruan assigned to Fu'an Asset outstanding debts owed by Liaoning Baishahu with an aggregate principal amount of RMB254.5 million. The aggregate consideration for the debt assignments amounted to RMB245 million, representing approximately 89% of the aggregate principal amount of the assigned debts.

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Set out below is a summary of the key terms of the Debt Assignment Agreements:-

Key terms of the Debt Assignment Agreements

	Debt Assignment Agreement (FA-ZZX-2020-100)	**Debt Assignment Agreement (FA-ZZX-2020-101)**	**Total**
Date of agreement	29 December 2020	29 December 2020	-
Assignor	Huaruan	Huaruan	-
Assignee	Fu'an Asset	Fu'an Asset	-
Debtor	Liaoning Baishahu	Liaoning Baishahu	-
Underlying loan date	15 March 2019	25 January 2019	-
Underlying outstanding principal loan	RMB144.5 million	RMB110.0 million	RMB254.5 million
Accrued interest	RMB11.1 million	RMB10.7 million	RMB21.8 million
Total outstanding debts	RMB155.6 million	RMB120.7 million	**RMB276.3 million**
Assignment consideration	RMB140.0 million	RMB105.0 million	**RMB245 million** (representing 89% of the aggregate outstanding debt amount)
Rights assigned	All creditor's rights, interests, related guarantees and ancillary rights attached to the debt were transferred to Fu'an Asset upon completion	All creditor's rights, interests, related guarantees and ancillary rights attached to the debt were transferred to Fu'an Asset upon completion	

Fu'an Asset settled the consideration by way of two (2) instalment payments of RMB105.0 million and RMB140.0 million made on 29 December 2020 and 30 December 2020, respectively.

Guarantee Arrangement

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On 29 July 2024, Fu’an Asset and Hanhua Guarantee entered into a guarantee agreement. Pursuant to the guarantee agreement, Hanhua Guarantee agreed to guarantee the repayment of the Baishahu Debt Receivable. The guaranteed obligation comprised the outstanding principal amount of RMB254.5 million, together with any interest accruing thereon in accordance with the Debt Assignment Agreements.

<u>Litigation and Recovery Actions</u>

According to the post-investment review report of Fu'an Asset and the relevant civil rulings obtained by the Company, Fu'an Asset commenced legal proceedings against Liaoning Baishadao and Liaoning Baishahu before the Shenyang Intermediate People's Court in February 2023 in connection with the recovery of the Baishahu Debt Receivable, details of the proceedings are set out below:-

- Case No.: Civil Ruling (2023) Liao 01 Min Chu No. 319 [(2023)辽 01 民初 319 号] (“**Civil Ruling**”)
- Plaintiff: Fu'an Asset
- Defendants: Liaoning Baishahu and Liaoning Baishadao
- Third Party: Huaruan
- Subject Matter: Dispute arising from loan agreements between Fu'an Asset, Liaoning Baishahu, Liaoning Baishadao and Huaruan

Following the commencement of the proceedings, Fu'an Asset filed an application with the relevant court in Liaoning Province on 28 September 2023 to withdraw its claims on the basis that it had reached a settlement with the relevant parties. The relevant settlement terms are set out below under the section headed “Debt Restructuring and Repayment Arrangement”.

Subsequently, in or around October and November 2023, the relevant court in Liaoning Province issued civil rulings approving Fu'an Asset's withdrawal application and permitting the withdrawal of the proceedings

** For identification purposes only*

Debt Restructuring and Repayment Arrangement

On 20 September 2023, having regard to the existing debt relationship between Chongqing Damei and Liaoning Baishahu, Fu'an Asset and/ or the Company entered into (i) a settlement agreement; and (ii) an agreement with, among others, Liaoning Baishahu and/or Chongqing Damei.

1. Settlement Agreement

On 20 September 2023, the Company entered into a settlement agreement with, among others, Chongqing Damei, and 辽宁方大地产集团有限公司 (Liaoning Fangda Real Estate Group Co., Ltd*) (which held a 70% equity interest of Liaoning Baishadao at the relevant time) (the "**Settlement Agreement**"). The key terms of the Settlement Agreement are summarised below:-

Date of agreement:	20 September 2023
Extension of debt:	The principal debt of RMB254.5 million was extended to 31 August 2028 at interest rate of 10% per annum.
Debt set-off arrangement:	Huaruan and Liaoning Baishahu settled certain indebtedness through debt transfer and set-off arrangements. Following such settlement, Huaruan was required to repay a remaining balance of approximately RMB787,000 to Liaoning Baishahu. Liaoning Baishahu assigned such receivable to Fu'an Asset to offset part of the interests owed to Fu'an Asset.
Interest outstanding as at 31 August 2023:	Interest owed by Liaoning Baishahu to Fu'an Asset amounted to approximately RMB115 million as at 31 August 2023. After deduction of the assigned receivable of approximately RMB787,000, the outstanding interest balance was approximately RMB114 million.
Payment by Chongqing Damei:	Chongqing Damei agreed to pay directly to Fu'an Asset approximately RMB21 million, representing interest owed by Chongqing Damei to Liaoning Baishahu as at 31 August 2023. Such payment was deemed satisfaction of Chongqing Damei's corresponding liability to Liaoning Baishahu.

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Remaining interest outstanding:	Following the above payment, the interest owed by Liaoning Baishahu to Fu'an Asset as at 31 August 2023 was reduced to approximately RMB93 million (being RMB114 million - RMB21 million).
Interest payment arrangement:	From September 2023 onwards, Chongqing Damei was entrusted to make interest payments on behalf of Liaoning Baishahu until all outstanding interest had been repaid.
Repayment of principal:	The outstanding principal of RMB234.5 million (being RMB 254.5 million – RMB 20 million) was extended to 31 August 2028, and Chongqing Damei was entrusted to repay such principal to Fu'an Asset on behalf of Liaoning Baishahu.

2. Agreement between Fu'an Asset, Liaoning Baishahu and Chongqing Damei

On 20 September 2023, Fu'an Asset entered into an agreement with Chongqing Damei and Liaoning Baishahu (the "**Triparty Agreement**"). The key terms of the Triparty Agreement are summarised below:-

Date of agreement:	20 September 2023
Underlying debt:	Debt in the principal amount of RMB254.5 million acquired by Fu'an Asset from Huaruan
Payment arrangement:	The principal and interest under the debt are to be paid by Chongqing Damei on an entrusted basis on behalf of Liaoning Baishahu
Initial principal repayment:	Liaoning Baishahu shall repay principal of RMB20 million to Fu'an Asset within five (5) days after execution of the agreement
Outstanding principal after repayment:	Approximately RMB234.5 million (being RMB254.5 million - RMB20 million)
Extended maturity date:	31 August 2028
Interest rate during extension period:	10% per annum
Interest payment terms:	Interest payable on a quarterly basis during the extension period

Review of the Accounting Treatment

Based on the Independent Forensic Investigator's review of the Company's accounting records, the Baishahu Debt Receivable Transaction has been recorded in the Company's accounting records as summarized below:-

	Fu'an Asset – Payment for acquisition of Baishahu Debt Receivable (RMB million)	**Group consolidation level (RMB million)**
Financial assets at fair value through profit or loss	245.0	245.0
Bank deposits	(245.0)	(245.0)

Note: Positive figures represent debit entries and negative figures represent credit entries.

The Independent Forensic Investigator has not identified any other material impact of the Baishahu Debt Receivable Transaction on the Group's financial position.

Internal Approval Process

1. In relation to the Debt Assignment Agreements

According to the Civil Ruling, Fu'an Asset proceeded with the acquisition from the Baishahu Debt Receivable on the basis that Liaoning Baishahu possessed land and property assets with relatively strong liquidity and recovery prospects.

The Independent Forensic Investigator noted that the transaction was approved through the Business Decision Committee. At the relevant time, the participating decision-makers included Mr. Zhang, Mr. Ren, Mr. Cui Weilan and Mr. Yuan Guoli.

The Independent Forensic Investigator further noted that the approval materials set out, among other things, the principal and interest amounts of the underlying debts, the proposed acquisition consideration, the discount rate, the expected recovery period and the anticipated source of repayment through project sales proceeds.

However, the Independent Forensic Investigator noted that the project files did not contain certain supporting documents that would ordinarily be expected in connection with a debt acquisition of this nature, including due diligence reports, valuation reports or debt recoverability assessments.

Apart from the debt transfer documentation, the Independent Forensic Investigator was unable to ascertain whether the Business Decision Committee was aware of the absence of such supporting reports at the time of approval. The Independent Forensic Investigator was also unable to determine the specific information, analyses or assessment basis relied upon by the Business Decision Committee in approving the transaction.

Notwithstanding the above, the Independent Forensic Investigator understood that the Group had participated in the Baishahu Project, and that Mr. Zhang and Mr. Cui Weilan had also been involved in the project and therefore would have possessed a certain degree of familiarity with the project and its underlying assets.

2. In relation to the Settlement Agreement

The Independent Forensic Investigator reviewed the approval records relating to the Settlement Agreement and noted that the applications for use of the Group's company seal were approved by Mr. Ren, Mr. Cui Weilan and Mr. Zhang.

The Independent Forensic Investigator further noted that the Settlement Agreement was subject only to the Group's company seal approval procedures. No evidence was identified indicating that any additional approval procedures, investment review procedures, due diligence procedures or credit assessments procedures had been conducted in connection with Chongqing Damei's role as the entrusted repayment party.

Accordingly, the Independent Forensic Investigator was unable to determine:-

1. The basis upon which Chongqing Damei was designated as the entrusted repayment party for Liaoning Baishahu's repayment obligations; and

2. Whether Fu'an Asset had conducted any due diligence, financial assessment or repayment capability assessment in respect of Chongqing Damei prior to entering into the relevant arrangements.

Independent Forensic Investigator's Assessment

Based on the investigation procedures performed, the Independent Forensic Investigator understood that the Group was one of the participants in the Baishahu Project.

Following Huaruan's decision to withdraw from the Baishahu Project, Fu'an Asset acquired from Huaruan the Baishahu Debt Receivable. Thereafter, Chongqing Damei became involved in the restructuring and repayment arrangements relating to such debt claims.

Taking into account:-

1. the Group's participation in the Baishahu Project;

2. the acquisition by Fu'an Asset of the Baishahu Debt Receivable from a project participant (i.e. Huaruan) seeking to exit the project; and

3. the subsequent arrangements involving Chongqing Damei as the entrusted repayment party,

the Independent Forensic Investigator is of the view that the above transactions may, in substance, be regarded as an internal financing arrangement or intra-group fund transfer arrangement implemented in connection with the Baishahu Project.

Latest Status of Baishahu Debt Receivable

As at 31 August 2023, the outstanding principal balance and accrued interests amounted to approximately RMB234.5 million and RMB93 million, respectively. Accordingly, the aggregate outstanding indebtedness owed by Liaoning Baishahu to Fu'an Asset amounted to approximately RMB327.5 million.

The outstanding principal amount of RMB234.5 million remains due and payable on 31 August 2028.

Save for the repayments disclosed above, no further repayments of principal or interest had been made to Fu'an Asset under the relevant arrangements as at 30 June 2026.

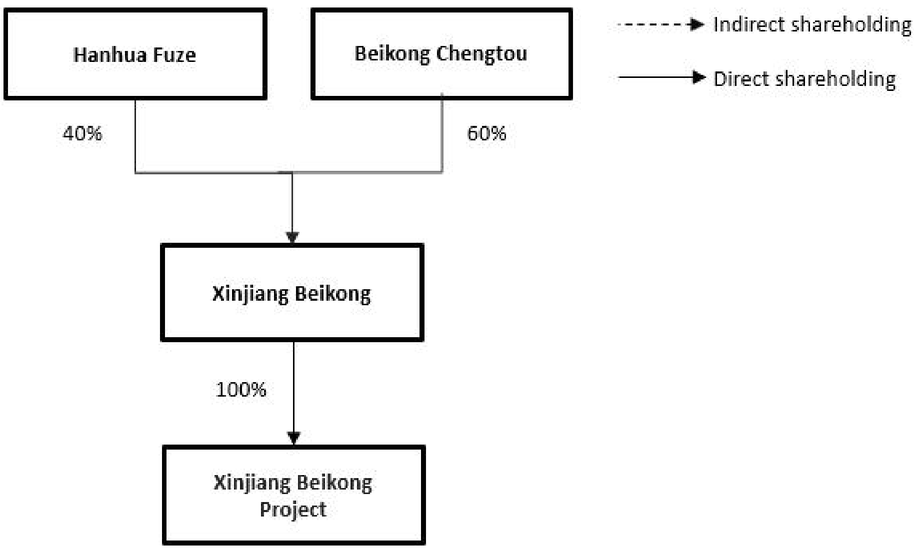
D1.3 Xinjiang Beikong Debt Receivable Transaction

Background

Through computer forensic review, the Independent Forensic Investigator noted that, in November 2018, the Group's indirectly wholly owned subsidiary 霍尔果斯瀚华富泽投资有限公司 (Hanhua Fuze Investment Co., Ltd.*) ("**Hanhua Fuze**") and 北控城投控股集团有限公司 (Beikong Chengtou Holding Group Co., Ltd.*) ("**Beikong Chengtou**") established 新疆北控新开城市建设投资有限公司 (Xinjiang Beikong Xinkai Urban Construction Investment Co., Ltd.*) ("**Xinjiang Beikong**") to jointly develop the Urumqi "Industry-Academia-Research Innovation City" integrated industry-finance project. Beikong Chengtou and Hanhua Fuze held 60% and 40% equity interests in Xinjiang Beikong, respectively.

According to the information obtained from the Independent Forensic Investigation, Xinjiang Beikong subsequently acquired approximately 270 mu of land in Urumqi University Town (烏魯木齊大學城) for real estate development project ("**Xinjiang Beikong Project**").

Below is the shareholding structure relating to the Xinjiang Beikong Project in 2018:-



Based on the Independent Forensic Investigation, during the period when the Xinjiang Beikong Debt Receivable Transaction was undertaken (being 14 to 24 January 2022),

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the Company indirectly held approximately 23% equity interests in Xinjiang Beikong through one of its Group subsidiaries.

Three Loan Agreements with Xinjiang Beikong

Since December 2018, 重庆瀚华富汇实业有限公司 (Chongqing Hanhua Fuhui Shiye Co., Ltd.*) ("**Hanhua Fuhui**"), a company under the Company's de facto control, and/or Hanhua Fuze entered into three (3) loan agreements with Xinjiang Beikong, pursuant to which Hanhua Fuhui / Hanhua Fuze agreed to provide a loan facility to Xinjiang Beikong for the purpose of financing Xinjiang Beikong Project (collectively, **the** "**Loan Agreements**"). Key terms of the Loan Agreements are set out below:-

	Loan Agreement 1	**Loan Agreement 2**	**Loan Agreement 3 (as supplemented)**
Date	18 December 2018	13 August 2021	14 October 2021
Lender	Hanhua Fuhui	Hanhua Fuze	Hanhua Fuhui
Borrower	Xinjiang Beikong	Xinjiang Beikong	Xinjiang Beikong
Guarantor	Hanhua Fuze	N/A	N/A
Principal amount	RMB180 million	RMB8 million	RMB32 million (originally RMB28 million, increased pursuant to a supplemental agreement)
Loan term	18 December 2018 to 30 June 2019 (Extended 3 times, with the final maturity date extended to 31 December 2021)	13 August 2021 to 31 December 2021	15 October 2021 to 30 September 2022
Interest rate	10% per annum (subsequently revised to 15% per annum under the extension agreements)	Interest-free	15% per annum
Purpose	Payment of the bid security deposit and	Development costs and working capital	Development costs and working capital

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	Loan Agreement 1	Loan Agreement 2	Loan Agreement 3 (as supplemented)
	land transaction taxes for Xinjiang Beikong Project	requirements of the Xinjiang Beikong Project, including construction progress payments and staff salaries	requirements of the Xinjiang Beikong Project, including construction progress payments and staff salaries

On 14 January 2022, Hanhua Fuze and Hanhua Fuhui entered into a debt assignment agreement, pursuant to which Hanhua Fuze assigned to Hanhua Fuhui its creditor's rights against Xinjiang Beikong in the principal amount of RMB8 million arising from the Loan Agreement 2.

As of 14 January 2022, Hanhua Fuhui held a creditor's right against Xinjiang Beikong with an outstanding balance of approximately RMB104 million, comprising outstanding principal of approximately RMB98 million and accrued interests of approximately RMB6 million (the "**Xinjiang Beikong Debt Receivable**").

Acquisition and Subsequent Transfer of Xinjiang Beikong Debt Receivable

1. Between Hanhua Fuhui and Shengjinhua

On 14 January 2022, Hanhua Fuhui assigned the debts under the Loan Agreements to 重庆盛锦华投资管理有限公司 (Chongqing Shengjinhua Investment Management Co., Ltd.*) ("**Shengjinhua**") at a consideration of approximately RMB104 million. According to the relevant payment records, Shengjinhua made three (3) payments to Hanhua Fuhui between 19 and 24 January 2022, totaling approximately RMB104 million (the "**Debt Transfer 1**").

2. Between Shengjinhua and Fu'an Asset

Subsequently, on 18 January 2022, Shengjinhua assigned the debt to Fu'an Asset as part of a distressed asset portfolio transaction for a consideration of RMB90 million, representing approximately 86% of the outstanding debt principal. Fu'an Asset settled the acquisition consideration by making payments totaling RMB90 million to Shengjinhua between 18 and 19 January 2022 (the "**Debt Transfer 2**").

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Forward Debt Assignment and Guarantee Arrangement

On 18 January 2022, Fu'an Asset entered into a 远期债权受让协议 (Forward Debt Assignment Agreement*) with 重庆高台阳资产管理有限公司 (Chongqing Gaotaiyang Asset Management Co., Ltd.*) ("**Chongqing Gaotaiyang**"), pursuant to which Fu'an Asset agreed to assign the Xinjiang Beikong Debt Receivable to Chongqing Gaotaiyang on 17 January 2023 for a consideration of RMB99 million. The agreed consideration represented an increase of RMB9 million over Fu'an Asset's acquisition cost of RMB90 million, implying an expected return of approximately 10% (the "**Xinjiang Beikong Forward Agreement**").

To support the transaction, Hanhua Fuhui issued a letter of undertaking to Fu'an Asset, undertaking that if Chongqing Gaotaiyang failed to perform its obligations under the Xinjiang Beikong Forward Agreement, Hanhua Fuhui would unconditionally acquire the debt at a price of not less than RMB99 million. In addition, Hanhua Guarantee issued a confirmation letter to Fu'an Asset, pursuant to which it agreed to assume guarantee liability for Chongqing Gaotaiyang's obligations under the Xinjiang Beikong Forward Agreement and acquire the debt should Chongqing Gaotaiyang fail to perform its obligations.

However, neither Chongqing Gaotaiyang, Hanhua Fuhui nor Hanhua Guarantee ultimately performed the obligations contemplated under the foregoing arrangements.

Below is the simplified flow chart of the Xinjiang Beikong Debt Receivable Transaction for illustrative purposes:-

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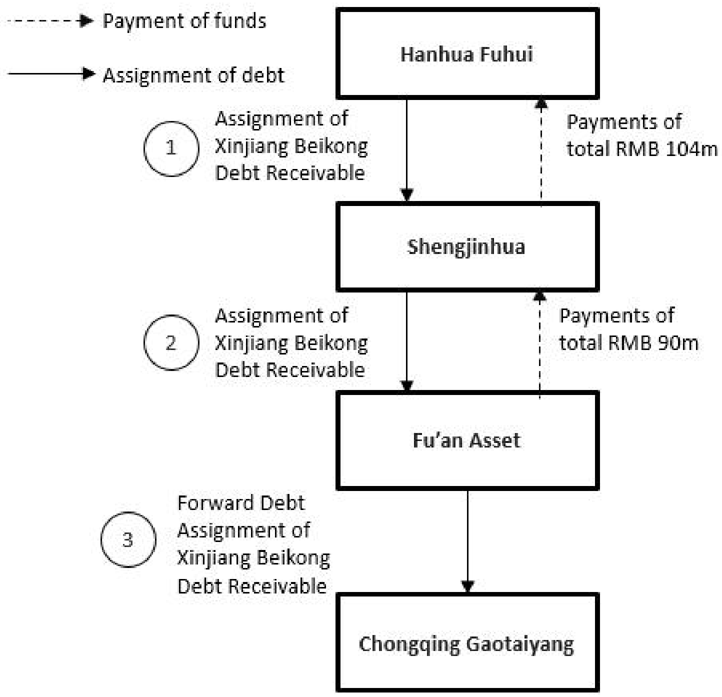

<u>Review of the Accounting Treatment</u>

Based on the Independent Forensic Investigator's review of the Company's accounting records, the Xinjiang Beikong Debt Receivable Transaction has been recorded in the Company's accounting records as summarized below:-

	Hanhua Fuhui – Proceeds received for the disposal of Xinjiang Beikong Debt Receivable (RMB million)	**Hanhua Fuhui – Accounting adjustment for the disposal of Xinjiang Beikong Debt Receivable (RMB million)**	**Fu'an Asset – Payment for acquisition of Xinjiang Beikong Debt Receivable (RMB million)**	**Consolidation adjustment (RMB million)**	**Group consolidation level (RMB million)**
Financial assets at fair value through profit or loss	-	-	90.0	(90.0)	-
Bank deposits	104.4	-	(90.0)	-	14.4

	Hanhua Fuhui – Proceeds received for the disposal of Xinjiang Beikong Debt Receivable (RMB million)	Hanhua Fuhui – Accounting adjustment for the disposal of Xinjiang Beikong Debt Receivable (RMB million)	Fu'an Asset – Payment for acquisition of Xinjiang Beikong Debt Receivable (RMB million)	Consolidation adjustment (RMB million)	Group consolidation level (RMB million)
Loans and advances to customers	-	(98.4)	-	98.4	-
Interest receivable	-	(6.0)	-	6.0	-
Other receivables	-	-	-	(14.4)	(14.4)
Other payables	(104.4)	104.4	-	-	-

Note: Positive figures represent debit entries and negative figures represent credit entries.

The Independent Forensic Investigator has not identified any other material impact of the relevant transfer transactions on the Group's financial position.

<u>Subsequent Fund Flows and Use of Funds</u>

In January 2022, Hanhua Fuhui received approximately RMB104 million from Shengjinhua. The funds were subsequently applied as follows:-

1. Approximately RMB68 million advanced as a loan to Hengkemai (one of the Four Transferor Companies); and

2. Approximately RMB34 million was paid to a business partner in respect of the return of its partnership investment in a subsidiary and dividend distributions.

The Independent Forensic Investigator observed that the fund flows could not be fully reconciled because the funds could not be traced at the individual transaction level. In practice, fund flow tracing was performed by correlating transactions based on the timing and amounts of fund movements.

Internal Approval Process

Based on document review and interviews, the Independent Forensic Investigator noted that the Debt Transfer 2 was approved through the Business Decision Committee. At the relevant time, the participating decision makers included Mr. Zhang, Mr. Ren, Mr. Cui Weilan and Mr. Yuan Guoli.

The Independent Forensic Investigator noted that the relevant approval documents set out the debt transfer arrangements, including the principal and interest amount of the debt, the approved transaction amount and the proposed forward debt assignment with Chongqing Gaotaiyang.

However, apart from documenting the transaction arrangements, the Independent Forensic Investigator was unable to ascertain from the available approval documents the information, analyses or assessment basis relied upon by the Business Decision Committee when approving the Xinjiang Beikong Debt Receivable Transaction.

According to interview findings, Mr. Yuan Guoli was responsible for leading the acquisition process relating to the Xinjiang Beikong Debt Receivable Transaction. At the time of Fu'an Asset's acquisition of the Xinjiang Beikong Debt Receivable, Mr. Yuan Guoli served as the Chairman of Fu'an Asset and participated in the relevant approval process.

Based on the evidence reviewed, the Independent Forensic Investigator considered it reasonable to conclude that Mr. Yuan Guoli exercised authority over matters relating to the acquisition procedures of the Xinjiang Beikong Debt Receivable Transaction. The Independent Forensic Investigator did not identify any inconsistencies in the interview evidence in this regard.

Independent Forensic Investigator's Assessment

According to interviews conducted by the Independent Forensic Investigator, the Debt Transfer 1 and the Debt Transfer 2 were internally intended to function as a financing arrangement or intra-group fund transfer.

According to interview findings, given that Fu'an Asset was 20% owned by a state-owned entity and the remaining 20% equity interest in Fu'an Asset were held by other three (3) private enterprises, fund movements were structured in the form of debt assignments. Shengjinhua was reportedly utilised as an intermediary transaction vehicle to facilitate the transfer and avoid Fu'an Asset's internal approval requirements applicable to intra-group fund transfers.

The Independent Forensic Investigation did not identify any evidence indicating that Shengjinhua or Chongqing Gaotaiyang shared common shareholders, directors or senior management with the Group.

Latest Status of Xinjiang Beikong Debt Receivable

According to the post-investment review reports prepared by Fu'an Asset during 2023, Fu'an Asset regularly issued demand and collection notices to Xinjiang Beikong and monitored the recovery of the outstanding debts. The reports further indicated that certain principal and interest payments remained overdue, and that Fu'an Asset would continue to strengthen its recovery efforts and pursue legal remedies where considered necessary.

On 17 January 2023, being the maturity date under the Xinjiang Beikong Forward Agreement, Chongqing Gaotaiyang failed to acquire the Xinjiang Beikong Debt Receivable in accordance with the arrangement.

In October 2024, Fu'an Asset issued demand notices to Chongqing Gaotaiyang and Hanhua Guarantee, requiring them to perform their respective obligations under the Xinjiang Beikong Forward Agreement and the related guarantee arrangement provided by Hanhua Guarantee. However, as at the date of this announcement, (i) the relevant obligations had not been performed; and (ii) Fu'an Asset was unable to establish contact with Chongqing Gaotaiyang.

As at the date of this announcement, (i) all interests accrued up to 30 June 2022 had been settled; (ii) following the Xinjiang Beikong Debt Receivable Transaction, the Group had recovered part of the Xinjiang Beikong Debt Receivable, including approximately principal of RMB17 million and interests of RMB7.1 million up to 30 June 2026; and (iii) the Group, Fu'an Asset and Xinjiang Beikong were continuing discussions regarding the amount of the outstanding debts and the corresponding repayment arrangements. However, no repayment had been made by the Group to Fu'an Asset.

As a result of the Criminal Proceedings, the Group has not yet been able to ascertain whether the fund flows relating to the matters under investigation should be dealt with. The Group further advised that the Criminal Proceedings have materially affected its ability to obtain external financing and that it currently does not have sufficient financial resources to fully settle the outstanding amounts due to Fu'an Asset relating to the Xinjiang Beikong Debt Receivable Transaction. Accordingly, the Group considers it prudent to defer any repayment arrangements pending the conclusion of the Criminal Proceedings.

D2. Investigation Issue 2

The key findings of the Independent Forensic Investigation in respect of Investigation Issue 2 are set out below:

D2.1 Basis for Identifying Other Similar Transactions

In respect of Investigation Issue 2, the investigation primarily focused on determining whether Fu'an Asset had undertaken any other significant transactions of a nature similar to those identified under Investigation Issue 1 (the "**Other Similar Transactions**").

For the purpose of the investigation, a transaction would generally fall within the scope of the Other Similar Transactions if it met the following criteria:-

1. As at 30 June 2026, Fu’an Asset had not recovered the relevant amount due under a project involving a non-financial institution, resulting in outstanding receivable balance; and

2. The outstanding receivable balance was equal to or exceeded 3% of Fu'an Asset's net assets as at 30 June 2026 (being approximately RMB40 million).

As the debt transfer arrangement identified under Investigation Issue 1 all related to projects involving non-financial institution counterparties, the Independent Forensic Investigator focused the scope of Investigation Issue 2 on projects involving non-financial institution projects in order to identify whether any other significant transactions of a similar nature had been undertaken by Fu'an Asset; and to assess the potential impact of such transactions, if any, on the financial position of the Group and/or Fu’an Asset.

D2.2 Identification of Transactions Meeting the Criteria

The Independent Forensic Investigator conducted document review, interviews and computer forensic procedures. In particular the Independent Forensic Investigator reviewed Fu'an Asset's trial balances for the period from 1 January 2023 to 30 June 2026 and identified the followings:-

1. A total of five (5) projects involving non-financial institutions counterparties that had been liquidated, settled or otherwise closed out. As the relevant projects were all completed in prior years and the related financial impact should have been reflected in the financial results of the respective reporting periods, the Independent Forensic Investigator was of the view that such projects were unlikely to give rise to any material impact on the current financial position of the Group and/or Fu'an Asset. Accordingly, these projects were not considered to fall within the scope of further review under Investigation Issue 2; and

2. A total of five (5) projects involving non-financial institutions with outstanding receivable balances of RMB 40 million or above. The Independent Forensic Investigator further reviewed whether Fu'an Asset had entered into any debt assignment arrangements with the relevant counterparties. Having considered the nature, structure and underlying arrangements of such projects, the Independent Forensic Investigator was of the view that they are materially different from the transactions identified under Investigation Issue 1 and therefore did not exhibit characteristics similar to those of the transactions under review. Accordingly, these projects were not considered to constitute Other Similar Transactions for the purposes of Investigation Issue 2.

D2.3 Conclusion

Based on the investigation procedures performed, the Independent Forensic Investigator did not identify any evidence suggesting that Fu'an Asset had engaged in any other significant debt transfer transactions during the period covered by Investigation Issue 2 that were comparable in nature to the transactions identified under Investigation Issue 1.

E. The Independent Forensic Investigator’s Conclusion on the Independent Forensic Investigation

1. Commercial Substance of the 3 Transactions

In respect of the Seven Distressed Asset Portfolio Transaction and the Xinjiang Beikong Debt Receivable Transaction, the Independent Forensic Investigator noted that, based on the relevant agreements, approval documents and interview findings, the series of debt transfer arrangements may, in substance, be regarded as financing or fund transfer arrangements between the Group and Fu'an Asset. Through such arrangements, the Group obtained funding from Fu'an Asset, while Fu'an Asset was able to obtain fixed returns and other downside protection through the relevant contractual arrangements.

As Fu'an Asset was not a wholly-owned subsidiary of the Company and 20% of its equity interest was held by state-owned enterprise and the remaining 20% of its equity interest were held by other three (3) private enterprises, according to the information obtained during the Independent Forensic Investigation, such transactions may have been subject to approval by Fu'an Asset’s Connected Transaction Committee and/or the board of directors. Accordingly, the relevant funding arrangements were structured through a series of debt transfer transactions involving intermediary parties.

Under the relevant forward debt assignment arrangements, Fu'an Asset expected to achieve annualised returns of approximately 8% to 10%. However, the relevant forward debt assignment arrangements were not performed upon their respective maturity dates. As a result, the relevant amounts due to Fu'an Asset have become overdue and remain outstanding up to the date of this announcement. Although Fu'an Asset has issued demand notices, it has not recovered the relevant amounts.

In August 2024, Mr. Zhang and Mr. Ren were detained by the PSB and subject to the Criminal Proceedings. According to the Group, it is presently unable to ascertain whether the relevant fund flows associated with the matters under investigation should be dealt with. The Group further advised that the Criminal Proceedings have materially affected its external financing capability and that it presently does not have sufficient financial resources to fully settle the outstanding amounts under the 3 Transactions. Accordingly, the Group considers it prudent to defer repayment arrangements pending the conclusion of the Criminal Proceedings.

2. Potential Financial Impact of the 3 Transactions on the Published Financial Statements

(i) Consolidation level

At the Group consolidation level, the relevant debt transfer transactions would largely be eliminated upon consolidation. Among the 3 Transactions, the Seven Distressed Asset Portfolio Transaction resulted in an estimated accounting loss of approximately RMB22.6 million at the consolidation level, which has been recognised in the Group's accounting records. As such amount represented approximately 2.3% of the aggregate transferred debt amount, the Independent Forensic Investigator did not consider the loss to have a material impact on the Group's overall financial position.

(ii) Fu'an Asset level

Notwithstanding the above, the Independent Forensic Investigator noted that potential losses may have arisen at the Fu'an Asset level. Fu'an Asset paid an aggregate consideration of approximately RMB805 million in connection with the 3 Transactions, comprising approximately RMB470 million for the acquisition of the Seven Distressed Asset Portfolio, approximately RMB245 million for the acquisition of the Baishahu Debt Receivable and approximately RMB90 million for the acquisition of the Xinjiang Beikong Debt Receivable. Pursuant to the relevant agreements and undertaking arrangements, the repayment and/or repurchase obligations in respect of such debt receivables were assumed by Hanhua Guarantee and/or Chongqing Damei and/or Hanhua Fuhui.

The underlying debt receivable under the Seven Distressed Asset Portfolio Transaction and the Xinjiang Beikong Debt Receivable Transaction have passed their respective maturity dates and remain outstanding. Such debt receivables were acquired by Fu'an Asset at an aggregate acquisition cost of approximately RMB560 million (being RMB470 million + 90 million). In light of the outstanding repayment and repurchase obligations under these transactions, the Independent Forensic

Investigator recommended that the Company conduct impairment assessments in respect of the debt receivables and consider whether any impairment provisions, expected credit loss allowances and/or retrospective accounting adjustments are required at the Group level or Fu'an Asset level.

The Board's assessment of the recoverability of the relevant debt receivables, the valuation of the relevant debt receivables and the corresponding accounting implications are set out separately in this announcement. Please refer to the section below headed “The Board’s Assessment of Recoverability and Valuation of Underlying Debt Receivables” for further details.

3. Overall Recovery from the 3 Transactions

The Independent Forensic Investigator considered that the 3 Transactions, viewed as a whole, constituted financing arrangements between Fu'an Asset and the Group. The relevant fund flows were not generated from the Group's ordinary operating activities but were channelled through intermediary entities and supported by underlying assets held by other Group subsidiaries.

The Group's subsidiaries have continued to undertake collection and recovery actions in respect of the underlying debt receivables of the 3 Transactions. As at 30 June 2026, the Group had recovered approximately RMB257 million in aggregate from the underlying projects in connection with the 3 Transactions, comprising approximately RMB220 million from the Seven Distressed Asset Portfolio, approximately RMB20 million from the Baishahu Debt Receivable and approximately RMB17 million from the Xinjiang Beikong Debt Receivable.

4. Key Directors and Senior Management involved

The Independent Forensic Investigator identified Mr. Ren, Mr. Zhang, Mr. Yuan Guoli, Mr. Cui Weilan and Mr. He Zhonghua as the principal directors and/or senior management involved in the decision-making process relating to the 3 Transactions.

Based on interviews conducted with relevant personnel and third parties, together with a review of the relevant approval and decision-making documents, the Independent Forensic Investigator was able to identify the key personnel involved in the approval and implementation of the 3 Transactions. The Independent

Forensic Investigator did not identify any evidence indicating that any other directors and/or senior management of the Group or Fu'an Asset participated in the decision-making process relating to the 3 Transactions. In addition, the Independent Forensic Investigator did not identify any material inconsistencies between the interview findings and the documentary evidence reviewed.

Details of the involvement of the above key individuals are set out below in the section headed “Independent assessment by the Independent Forensic Investigator on the involvement of the key individuals”.

5. Internal Control Deficiencies

The Independent Forensic Investigator identified a number of deficiencies in the approval and governance processes relating to the debt transfer arrangements, including the following:-

(i) In certain cases, due diligence reports and valuation reports were not prepared as part of the relevant approval process.

(ii) Certain senior management personnel of Fu'an Asset were responsible for, or participated in, the decision-making relating to the relevant debt transfer arrangements and financing structures, while certain personnel involved in the approval process appeared to have acted primarily for the purpose of implementing instructions from senior management without fully understanding the details of the transactions.

(iii) In respect of the Seven Distressed Asset Portfolio Transaction and the Xinjiang Beikong Debt Receivable Transaction, the forward debt assignment arrangements intended to facilitate the onward transfer of the acquired debts were ultimately not implemented.

Details of the relevant internal control deficiencies are set out below in the section headed “Internal control deficiencies identified by the Independent Forensic Investigation”.

6. Overall Conclusion

In summary, from the perspective of the Group level, the 3 Transactions were primarily driven by the financing arrangements within the Group and did not cause any material impact at the consolidated financial statement level (save for any subsequent impairment provisions that may arise in respect of the underlying debt receivables due to, amongst others, changes in recoverability), and based on the evidence obtained and the considerations outlined above, no evidence of misappropriation of funds was identified during the Independent Forensic Investigation.

From the perspective of Fu’an Asset, it acquired the debt portfolios at a discounted price. In addition, the Seven Distressed Asset Portfolio and the Xinjiang Beikong Debt Receivable were supported by guarantees provided by Group’s entities at the time of acquisition, which may suggest to be the commercial basis for those transactions. However, the Criminal Proceedings have not yet been concluded, and subsequent repayments have been suspended pending the outcome of the Criminal Proceedings. The Shenyang Court will determine the relevant conduct and associated liabilities.

Save as disclosed above, the Independent Forensic Investigator did not identify any other material irregularities or inconsistencies in relation to the debt transfer arrangements between the Group and Fu'an Asset based on the documents reviewed, interviews conducted and investigation procedures performed.

F. Independent Assessment by the Independent Forensic Investigator on the Involvement of the Key Individuals

As mentioned above, the Independent Forensic Investigator considered that the key individuals involved were Mr. Ren, Mr. Zhang, Mr. Yuan Guoli, Mr. Cui Weilan and Mr. He Zhonghua. These individuals were responsible for the decision-making regarding the related debt transfers and internal financing arrangements. The following sets out the Independent Forensic Investigator’s independent assessment of the involvement of the above key individuals.

1. Mr. Ren

Mr. Ren was the then Vice President, Chief Financial Officer and Company Secretary of the Company.

For the Seven Distressed Asset Portfolio Transaction, Mr. Ren was responsible for instructing, a former finance staff of the Company, on matters relating to the debt transfers, and for liaising with the Seven Companies.

For the Baishahu Debt Receivable Transaction and the Xinjiang Beikong Debt Receivable Transaction, Mr. Ren served as a member of the Business Decision Committee of Fu'an Asset and participated in the decision-making and approval processes relating to the debt transfers of Fu'an Asset.

2. Mr. Zhang

Mr. Zhang was the then Executive Director of the Company.

For the Baishahu Debt Receivable Transaction and the Xinjiang Beikong Debt Receivable Transaction, Mr. Zhang served as the Chairman of the Business Decision Committee and participated in the decision-making and approval processes relating to the debt transfers of Fu'an Asset.

3. Mr. Yuan Guoli

Mr. Yuan Guoli was the then Vice President of the Company, General Manager and Legal Representative of Fu'an Asset.

For the Seven Distressed Asset Portfolio Transaction, Mr. Yuan Guoli served as the Deputy Chairman of the Business Decision Committee, participated in the decision-making and approval processes relating to the debt transfers of Fu'an Asset, and instructed the Business Department of Fu'an Asset to prepare the relevant documents and approval materials for the debt transfers.

For the Baishahu Debt Receivable Transaction and the Xinjiang Beikong Debt Receivable Transaction, Mr. Yuan Guoli served as the member of the Business

Decision Committee and participated in the decision-making and approval processes relating to the debt transfers of Fu’an Asset.

4. Mr. Cui Weilan

   Mr. Cui Weilan was the then Executive Director and President of the Company

   For the Seven Distressed Asset Portfolio Transaction, the Baishahu Debt Receivable Transaction and the Xinjiang Beikong Debt Receivable Transaction, Mr. Cui Weilan served as the member of the Business Decision Committee and participated in the decision-making and approval processes relating to the debt transfers of Fu’an Asset.

5. Mr. He Zhonghua

   Mr. He Zhonghua was the then Director of Fu’an Asset.

   For the Seven Distressed Asset Portfolio Transaction, Mr. He Zhonghua served as the Deputy Chairman of the Business Decision Committee and participated in the decision-making and approval processes relating to the debt transfers of Fu’an Asset.

The Independent Forensic Investigator did not identify that any other directors or senior management of the Group or Fu’an Asset participated in the decision-making of the debt transfers arrangement under the 3 Transactions.

In addition, the Independent Forensic Investigator did not identify any material inconsistencies in the interview findings, nor did the Independent Forensic Investigator identify any material inconsistencies with the approval documents.

G. Internal Control Deficiencies Identified by the Independent Forensic Investigator

The Independent Forensic Investigator conducted a targeted internal control review of the key processes related to the 3 Transactions. Through document review and interviews, the Independent Forensic Investigator identified that the Company may have the following defects in its internal control:-

1. Certain debt transfers did not go through the specific approval processes required for transactions between the Group and Fu'an Asset.

   (i) The debt transfers in respect of the Seven Distressed Asset Portfolio Transaction and the Xinjiang Beikong Debt Receivable Transaction were not subject to the specific approval processes required for transactions between the Group and Fu'an Asset, and the relevant Fu'an Asset's approval documents also did not disclose that the relevant debts originated from the Group's subsidiaries.

   (ii) Certain Fu'an Asset's personnel carried out approval processes merely to facilitate matters assigned by their superiors or supervisors, without genuinely understanding the details of the projects.

2. Approval processes were not carried out in accordance with the business approval policy.

   (i) Certain Fu'an Asset's business approval processes were not conducted in accordance with the business approval system. In some business approval processes, due diligence and valuation reports were not prepared.

   (ii) According to interview findings, the relevant debt transfers were arranged by Mr. Yuan Guoli, rather than being independently sourced or originated by the business department. Accordingly, the relevant personnel of Fu'an Asset's business department considered that there was no need to conduct due diligence or valuation work on such debts.

3. Discrepancies exist between the information in the agreement documents, the approval documents, and the accounting records.

   (i) The Independent Forensic Investigator reviewed the documents relating to the transfer of debts from the Seven Companies to Fu'an Asset and noted that in certain approval documents, the underlying debts and debt amounts shown were inconsistent with those set out in the debt transfer agreement or the relevant non-performing asset portfolio transfer agreements. According to interview findings, if discrepancies arose between the debt transfer agreements and the approval documents, the agreements would prevail, and if the changes related to information content only, no re-approval was required.

(ii) The Independent Forensic Investigator noted that the non-performing asset portfolio transfer agreements entered into between Fu'an Asset and the Seven Companies were signed after the dates of the corresponding payment record, which is inconsistent with the payment approval system and procedures. In addition, the relevant forward debt assignment agreement entered into between Fu'an Asset and Hanhua Guarantee were signed several months after the approval dates of the Business Decision Committee, indicating a procedural inconsistency.

In summary:-

1. There was a failure to prepare due diligence and valuation reports in certain approval processes;

2. Certain senior management of Fu'an Asset were responsible for or participated in the decision-making relating to the relevant debt assignments and internal financing arrangements, while certain personnel in Fu'an Asset merely carried out approval processes to facilitate the instructions given by the senior management, without genuinely understanding the details thereof; and

3. In respect of the Seven Distressed Asset Portfolio Transaction and the Xinjiang Beikong Debt Receivable Transaction, the forward debt assignment arrangements intended to facilitate the onward transfer of the acquired debts were not implemented upon their respective maturity dates.

H. Major Limitations of the Independent Forensic Investigation

The major limitations to the Independent Forensic Investigation are set forth below:-

1. Limitations inherent to the Independent Forensic Investigation

As the Independent Forensic Investigator was not vested with compulsory investigation powers, the Independent Forensic Investigation was conducted based on the voluntary cooperation of the Group and the relevant individuals. Accordingly, the Independent Forensic Investigator has not been able to fully verify the statements made by the interviewees during the investigation process, nor can the Independent Forensic Investigator fully confirm that the investigation findings are free from any omissions or errors. Furthermore, except for documents that have been verified as indicated in the Forensic Investigation Report, the Independent Forensic Investigator has not verified the authenticity of all documents provided by the Group and the relevant individuals during the Independent Forensic Investigation.

2. Failure to obtain court documents relating the Criminal Proceedings

Since the Incident has entered the trial stage, the relevant court documents are subject to confidentiality restrictions. As neither the Group nor the Independent Forensic Investigator is a party to the Criminal Proceedings, they have not been able to obtain access to such documents. In this regard, the Company issued a written request to the Shenyang Court on 27 May 2026 seeking permission to review and where appropriate disclose relevant court documents to the Independent Forensic Investigator. As at the date of this announcement, the Company had not received a response from the Shenyang Court.

Notwithstanding the above limitation, the Independent Forensic Investigator has relied on the following matters and investigation procedures to confirm that their scope of Independent Forensic Investigation in respect of the Incident is adequate and reasonable:

i. Based on the knowledge and understanding of the case from the Independent Investigation Committee and the Group's legal counsel, it was confirmed that the scope of the Incident relates only to the 3 Transactions;

ii. Based on the relevant approval documents and interview findings, the Independent Forensic Investigator identified the personnel involved in the relevant projects and conducted interviews with such personnel; and

iii. The Independent Forensic Investigator conducted investigation procedures to identify whether the Company had any other similar transactions, i.e., Investigation Issue 2.

As alternative procedures, the Independent Forensic Investigator sought to obtain information relating to the Investigation Issues through interviews with other Group personnel and relevant individuals of external parties, as well as through other investigative procedures such as computer forensic analysis.

3. Inability to complete personal background checks on the individuals involved

The Independent Forensic Investigator conducted personal background checks on the Company's directors, senior management and the directors and shareholders of other key companies involved through the Hong Kong Companies Registry and independent third-party information agencies. As the Hong Kong Companies Registry can only provide records of an individual's current directorships, the Independent Forensic Investigator was unable to provide search results relating to an individual's shareholdings in companies incorporated in Hong Kong or companies in which they previously served as directors.

Furthermore, during the personal background checks conducted on certain individuals under investigation in Hong Kong and/or the PRC through the Hong Kong Companies Registry and independent third-party information agencies, the search results included multiple persons with the same name. As the Independent Forensic Investigator did not have additional personal information (such as ID card numbers) to distinguish the search results, the Independent Forensic Investigator was unable to identify the individuals under investigation from the numerous search results.

The Independent Forensic Investigator considers that its inability to complete personal background checks does not have a material impact on its conclusion.

4. Inability to interview certain personnel of the Group

As certain key individuals involved in the 3 Transactions are parties to the alleged misappropriation of funds, and the Criminal Proceedings have entered the trial stage, the Independent Forensic Investigator was unable to arrange interviews with: (i) Mr. Zhang, the then Executive Director of the Company; (ii) Mr. Ren, the then Vice President, Chief Financial Officer and Company Secretary of the Company; and (iii) Mr. Yuan Guoli, the then Vice President of the Company, General Manager and Legal Representative of Fu'an Asset. Both Mr. Zhang and Mr. Ren are currently under detention by the PSB. According to the Independent Investigation Committee, Mr. Yuan Guoli has been under residential surveillance since July 2024, but the Company has not received any notice or documentation regarding Mr. Yuan Guoli's whereabouts.

In addition, certain personnel were unable to be interviewed on the grounds that they had resigned, including Mr. Cui Weilan, the then Executive Director and President of the Company, and Mr. He Zhonghua, the then Director of Fu'an Asset.

As alternative procedures, the Independent Forensic Investigator sought to obtain information relating to the Investigation Issues through interviews with other Group personnel and relevant individuals of external parties, as well as through other investigative procedures such as computer forensic analysis.

The Independent Forensic Investigator considers that its inability to conduct the interview does not have a material impact on its conclusion regarding the involvement of Mr. Ren, Mr. Zhang, Mr. Yuan Guoli, Mr. Cui Weilan and Mr. He Zhonghua in the relevant matters.

5. Inability to interview certain external parties

The Independent Forensic Investigator was unable to interview certain external parties, including Jinan Zhengyuan, Shenyang Tongdarun, Shengjinhua and Chongqing Gaotaiyang. On 27 April 2026 and 12 May 2026, the Independent Forensic Investigator attempted to contact Jinan Zhengyuan, Shenyang Tongdarun and Shengjinhua by telephone, but their calls were unanswered.

The Independent Forensic Investigator considers that its inability to conduct the interview does not have a material impact on its conclusion regarding the arrangements of the 3 Transactions.

6. Outstanding confirmation letters

The Independent Forensic Investigator had sent confirmation letters to a total of ten (10) entities. As of the date of the Forensic Investigation Report, the Independent Forensic Investigator has not yet received confirmation letters from two entities, namely Huaruan and Chongqing Gaotaiyang. According to the corporate credit records obtained from an independent third-party information service provider, Chongqing Gaotaiyang was in a deregistered status, and therefore the Independent Forensic Investigator was unable to obtain a confirmation letter from it.

As alternative procedures, the Independent Forensic Investigator sought to obtain information relating to the Investigation Issues through interviews with other Group personnel and relevant individuals of external parties, as well as through other investigative procedures such as computer forensic analysis.

The Independent Forensic Investigator considers that the outstanding confirmation letters do not have a material impact on its conclusion regarding the arrangements of the 3 Transactions.

7. Inability to obtain certain computer and email files

The Independent Forensic Investigator was unable to perform computer forensic review on the computers of certain individuals, details of which are set out below:-

(i) Mr. Ren: His computer was seized by the PSB;

(ii) Mr. Cui Weilan: His company was not functioning properly. The Company attempted to have it repaired at an authorised service centre, but the service centre advised that the damage to the computer was irreparable; and

(iii) Mr. Wang Dayong: Following his resignation, in accordance with the Company's standard procedures, the IT Department formatted the computer, which is now being used by another employee of the Group.

As the Company’s email backup files are retained for only approximately seven (7) years, the Independent Forensic Investigator was unable to obtain the email files for the year of 2018 of Mr. Zhang, Mr. Ren, Mr. Yuan Guoli, Mr. Wang Junsheng, Mr. Cui Weilan, Mr. He Zhonghua, Mr. Wang Dayong and Mr. Zhang Jun.

The Independent Forensic Investigator considers that its inability to obtain certain computer and email files does not have a material impact on its conclusion regarding the involvement of Mr. Ren, Mr. Zhang, Mr. Yuan Guoli, Mr. Cui Weilan and Mr. He Zhonghua in the relevant matters.

I. Improvement Measures Recommended by the Independent Forensic Investigator

The key individuals responsible for or participated in the decision-making regarding the related debt transfers and internal financing arrangements included Mr. Ren, Mr. Zhang, Mr. Yuan Guoli, Mr. Cui Weilan, and Mr. He Zhonghua. These individuals have left the Company and are no longer holding any positions within the Group.

As recommended by the Independent Forensic Investigator, in view of the internal control deficiencies identified in the 3 Transactions, the Company is advised to engage an independent internal control team to conduct an internal control review and determine improvement measures. As disclosed in the Company’s announcement dated 31 July 2026, the Board has appointed RSM HK Business Advisory Limited (“**RSM**”) as the Company’s internal control consultant (the “**IC Consultant**”) in July 2026 to assist the Group in implementing adequate internal controls and procedures to comply with the Listing Rules. Please refer to the section headed “Key Findings of the Internal Control Review” below for details of the rectification recommendations made by the IC Consultant and the Company’s response and the status of the remedial actions implemented.

As recommended by the Independent Forensic Investigator, the Company is advised to conduct impairment assessments on the underlying debt receivables in respect of the 3 Transactions (i.e. the Seven Distressed Assets Portfolio, the Baishahu Debt Receivable and the Xinjiang Beikong Debt Receivable) to determine whether any impairment losses, provisions, fair value change and/or prior-year adjustments were required.

In this regard, the Company engaged an independent valuer to perform expected credit loss ("**ECL**") assessments and valuations of the financial assets measured at fair value through profit or loss for the financial years ended 31 December 2024 and 2025. In conducting such assessments, the independent valuer considered, among other things, the repayment arrangements of the relevant projects, the collection progress and the value support provided by the underlying assets, with reference to information and documentation provided by management.

Having considered the valuation and ECL assessment reports prepared by the independent valuer, the Board is of the view that the fair values of, and impairment provisions relating to, the underlying debt receivables arising from the 3 Transactions have been determined on a reasonable basis. Accordingly, the Board is satisfied that the aggregate fair value losses and impairment losses/reverse recognised in respect of the 3 Transactions of RMB 241 million for the financial year ended 31 December 2024 are fair and reasonable and have been determined in accordance with the applicable accounting standards, and no prior-year adjustments are required.

J. Opinion of the Independent Investigation Committee on the Forensic Investigation Report

The Independent Investigation Committee has reviewed the Forensic Investigation Report (including the limitations of the Independent Forensic Investigation and the improvement measures recommended by the Independent Forensic Investigator). After due and detailed discussion, the Independent Investigation Committee is of the view that the contents and findings in the Forensic Investigation Report are reasonable, appropriate and acceptable. Accordingly, the Independent Investigation Committee has adopted recommendations made by the Independent Forensic Investigator and recommended that the Board adopts the findings of the Independent Forensic Investigation.

K. Opinion of the Board on the Forensic Investigation Report

In the Board’s assessment of the impact of the Incident on the Company, the Board (including the independent non-executive Directors) is of the view that the contents and findings of the Forensic Investigation Report are reasonable, appropriate and acceptable and it has adequately addressed the facts and issues leading to the Incident.

The Board (including independent non-executive Directors) is of the view that the problems identified in the Forensic Investigation Report do not affect the business operation of the Group as the relevant personnel identified, including but not limited to Mr. Zhang and Mr. Ren, have left the Group, and the Board composition has been reformed after their departure. The Group's business operation continues as usual despite the suspension of trading since 27 March 2025.

(2) KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

A. Background

As disclosed in the announcement of the Company dated 24 December 2025, Now Consulting Limited was appointed as the Company's internal control consultant to conduct the IC Review of the Group and assist the Company in implementing adequate internal controls and procedures to comply with the Listing Rules.

As further disclosed in the announcement of the Company dated 31 July 2026, Now Consulting Limited has tendered its termination of engagement and resignation as the internal control consultant of the Company with effect from 15 June 2026. The Board has then appointed RSM as the IC Consultant since July 2026.

The IC Consultant completed the fieldwork of the IC Review on 27 July 2026. The follow-up review of the IC Review commenced on 3 August and was completed on 26 August 2026.

On 17 September 2026, the IC Consultant issued an Internal Control Review Report to the Independent Investigation Committee (the "**IC Review Report**").

B. Scope of the IC Review

The scope of work of the IC Consultant covers the Company and its principal operating subsidiaries, namely Hanhua Guarantee and Fu'an Asset on the following areas:-

Process-level Controls	**The Company**	**Hanhua Guarantee**	**Fu'an Asset**
1. Compliance with the Listing Rules (Chapter 14) – Notifiable Transactions	✓	N/A	N/A
2. Compliance with the Listing Rules (Chapter 14A) – Connected Transactions	✓	N/A	N/A
3 Debt Asset Acquisition Project Management	N/A	N/A	✓
4. Cash, Treasury and Bank Seal Management	✓	✓	✓
5. Financial Reporting and Disclosure Controls	✓	✓	✓
6. Financing Guarantee Project Management	N/A	✓	N/A
7. Impairment Assessment and Asset Valuation	✓	✓	✓
8. Procurement, Accounts Payable and Payments	✓	✓	✓
9. Human Resources and Payroll	✓	✓	✓
10. Information Technology General Controls	✓	✓	✓
11. Entity-Level Internal Controls	✓	N/A	N/A

C. Summary of the Key Findings

The site fieldwork for the IC Review commenced on 16 July 2026 and concluded on 27 July 2026. During the review process, the IC Consultant identified a total of 11 internal control deficiencies. The Company's management has, with reference to the IC Consultant's remediation recommendations, formulated corrective action plans. The IC Consultant also commenced the follow-up review of the internal control deficiencies identified on 3 August 2026 and completed it on 26 August 2026. Of the 11 internal control deficiencies identified, all of them have been fully remediated by the Group.

Work Area	**Fully Remediated**	**Partially Remediated**	**Not Remediated**	**Total**
Policies and Procedures	1	0	0	1
Compliance with the Listing Rules (Chapter 14) – Notifiable	2	0	0	2

Work Area	Fully Remediated	Partially Remediated	Not Remediated	Total
Transactions				
Compliance with the Listing Rules (Chapter 14A) – Connected Transactions	0	0	0	0
Debt Asset Acquisition and Project Management	0	0	0	0
Cash, Treasury and Bank Seal Management	1	0	0	1
Financial Reporting and Disclosure Controls	2	0	0	2
Financing Guarantee Project Management	0	0	0	0
Impairment Assessment and Asset Valuation	2	0	0	2
Procurement, Accounts Payable and Payments	1	0	0	1
Human Resources and Payroll	0	0	0	0
Information Technology General Controls	1	0	0	1
Entity-Level Internal Controls	1	0	0	1
Total	**11**	**0**	**0**	**11**

C1. Key Finding 1 - Policies and Procedures (Relevant entity/entities: the Company, Fu'an Asset and Hanhua Guarantee)

Issue

The IC Consultant discovered that formal policies, procedures or guidelines have not been established in the following key areas:-

Key Areas	Processes Not Yet Documented in Policies and Procedures
Compliance with the Listing Rules (Chapter 14) – Notifiable Transactions	● Due diligence processes and procedures, including the selection and engagement of internal/external due diligence teams where required;

Key Areas	Processes Not Yet Documented in Policies and Procedures
	● Valuation methodologies and supporting justifications (including the basis for selecting the methodology adopted by the preparer); and ● Mechanisms / controls to prevent the artificial splitting of a single transaction into multiple smaller transactions for the purpose of circumventing the size tests and aggregation requirements under Chapter 14.
Compliance with the Listing Rules (Chapter 14A) – Connected Transactions	● Frequency of updating the connected persons / related parties master list; ● Procedures for identifying whether each transaction constitutes a connected transaction under Chapter 14A; ● Maintenance of a separate spreadsheet / register to record connected party balances and transactions; ● Early warning / escalation mechanisms and periodic review procedures for monitoring compliance with annual caps on continuing connected transactions, including alerts triggered when transaction amounts reach 80% and 90% of the approved cap; ● Workflow for engaging independent financial advisers and establishing independent board committees where independent shareholders' approval is required; ● Protocols for the company secretary and external auditors to review and communicate on connected transactions; ● Procedures for identifying and verifying the ultimate beneficial owners (UBOs) of counterparties to prevent the use of conduit companies or nominee arrangements to circumvent Chapter 14A requirements; and ● Mechanisms for preventing and reporting suspected use of conduit companies or nominee arrangements to circumvent connected transaction rules.

Key Areas	Processes Not Yet Documented in Policies and Procedures
Cash, Treasury and Bank Seal Management	● Employee cash advances; and ● Debt covenant monitoring and corresponding monitoring activities, including review frequency, responsible parties and escalation procedures for potential defaults.
Financial Reporting and Disclosure Controls	● Monthly closing procedures, including monthly closing deadlines, reconciliation requirements, preparation of monthly management accounts, and review and sign-off by department heads; ● System lock / cut-off control procedures (e.g., formal communication / email notification to cease posting, archiving / retention of final audited financial statements, and variance analysis comparing final figures against prior periods / budgets); ● Preparation of key accounting estimates (e.g., expected credit losses, asset impairments), including semi-annual assessments with supporting justifications, and approval in accordance with the delegated of authority matrix; ● Approval processes and requirements for engaging external financial advisers on highly complex transactions; ● Preparation of key accruals (e.g., employee bonus accruals), including calculation basis, supporting documentation and review / approval procedures; ● Disclosure requirements under applicable accounting standards (e.g., HKFRS) and the Listing Rules, including the use of a formal disclosure checklist; ● Training materials and training records for all finance personnel, particularly on new accounting standards; ● Budgeting and variance analysis processes, including the preparation, review, formal approval records of budgets and variance explanations; and

Key Areas	Processes Not Yet Documented in Policies and Procedures
	● Procedures for managing subsequent events and contingent liabilities, including identifying, assessing and disclosing events occurring after the reporting period end and up to the date of authorisation of the financial statements
Impairment Assessment and Asset Valuation	● Classification, measurement and derecognition of financial assets under HKFRS/IFRS 9, including business model assessment, SPPI test and disclosure requirements; ● Expected credit loss model design, staging criteria, forward-looking inputs and macroeconomic scenarios, model validation, back-testing, and the approval framework for model assumptions and changes; ● Fraud identification, whistleblowing reporting channels and escalation protocols, whistleblower protection, and procedures for communicating with external forensic investigators (e.g., in relation to Fu'an Asset) where applicable; ● Impairment indicators for financial and non-financial assets, measurement methods for recoverable amounts, write-off approval thresholds in accordance with delegated authorities, and documentation and disclosure requirements for impairment losses and write-offs; ● Segregation of duties definitions, identification of segregation of duties conflicts, and compensating controls where full segregation cannot be achieved (including management oversight, supervisory review and a clear delegation of authority matrix); ● External valuer selection criteria (qualifications, independence, competence), engagement scope and instruction requirements, and management's procedures for reviewing and challenging valuation results, assumptions and methodologies; and

Key Areas	Processes Not Yet Documented in Policies and Procedures
	● Related party transaction identification procedures (including annual declarations), approval matrices and handling of conflicts of interest, substantiation for arm's length pricing, record retention, and disclosure in accordance with HKAS 24.

Rectification recommendations

- The management is recommended to formalise the policies and procedures for the key processes listed above.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- In the follow-up review, the IC Consultant noted that all previously missing policies and procedures had already been drafted and reviewed, and that appropriate internal controls had been incorporated the IC Consultant has reviewed the above policies and guidelines, which were circulated to all relevant employees by email on 24 August 2026. This finding is considered by the IC Consultant to be remediated.

C2. Key finding 2 – Compliance with Main Board Listing Rules (Chapter 14) – Notifiable Transactions (Relevant entity/entities: the Company)

Issue

The IC Consultant noted that the Company does not maintain a formal, documented aggregate tracking mechanism, register or procedures to capture, monitor and aggregate relevant transactions on a rolling 12-month basis.

Under the Listing Rules, the Stock Exchange may require a listed issuer to aggregate a series of transactions entered into over a 12-month period — particularly where such transactions are entered into with the same party or connected persons, or form part of a larger transaction — and treat them as one transaction for the purpose of determining whether notifiable transaction thresholds are triggered.

Currently, the Company does not have a systematic process to identify interrelated transactions, track the aggregate amount over a rolling 12-month period, monitor whether transactions involve the same or connected parties, flag transactions approaching the relevant percentage thresholds (5%, 25%, 50%, 75% and 100%), or trigger timely compliance actions, including announcements, board approvals or shareholders' approvals, when thresholds are reached.

While individual transactions are approved through the Company's internal delegation of authority matrix, the Company currently relies on the investor relation manager to perform monitoring on an *ad hoc* manual basis, which is prone to omissions, errors and inconsistencies. As a result, the Company may fail to identify when multiple smaller transactions should be aggregated under the rules and may inadvertently breach the notifiable transaction thresholds without taking the appropriate compliance actions.

Rectification recommendations

- The management should implement a structured aggregation monitoring framework to ensure that all notifiable transactions are consistently and appropriately identified, tracked and escalated for handling. Specifically, the IC Consultant recommends that the management should take the following actions:

  (a) Establish documented aggregation monitoring procedures and maintain a formal register to record all relevant transactions, including transaction dates, counterparties, amounts and the aggregate amount over any rolling 12-month period, with clear roles and responsibilities for periodic updates and review;

  (b) Provide targeted training to relevant personnel, including finance, legal, company secretarial and business development departments, on their obligations under the Listing Rules and the new aggregation monitoring procedures, supplemented by regular compliance testing to ensure that controls are operating effectively and to remediate any identified deficiencies in a timely manner.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- In the follow-up review, the IC Consultant noted that the Company had established formal policies and procedures, set up a dedicated transaction register to track all significant transactions, and defined the operational processes for size testing and periodic reporting. Although no applicable transaction samples occurred during the review period to test the operating effectiveness of these new controls, the IC Consultant considers the design of the remediation measures to be satisfactory in view of the clearly defined responsibilities and segregation of duties among key functions, including the investor relations department, finance department, legal department and the Board, without any exceptions.

C3. Key finding 3 - Lack of formal training programme and internal processes to monitor updates of the Listing Rules (Relevant entity/entities: the Company)

Issue

The IC Consultant noted that the Company does not have a formal and regular training programme for relevant personnel in respect of the disclosure requirements for notifiable transactions under Chapter 14 of the Listing Rules. In addition, the Company does not have a formal process to proactively and regularly monitor the updates of the Listing Rules and regulatory changes, nor does it arrange training to ensure that personnel are kept informed of such developments.

As the Listing Rules and regulatory guidance are updated from time to time, personnel involved in compliance and financial reporting need to be kept abreast of relevant changes to ensure continued compliance.

At present, the Company relies on external legal counsel or advisers to notify it of regulatory updates. While external advisers can provide valuable guidance, this approach is not a sustainable or reliable control measure, as the ultimate responsibility for compliance with the Listing Rules rests with the Company. Reliance on external parties results in a reactive compliance model, where the Company may only become aware of regulatory changes when proactively notified by its advisers, and there is no clear internal responsibility or accountability for monitoring regulatory developments. Without regular internal training and updates, relevant personnel may not be aware of changes to regulatory requirements, leading to non-compliance.

Rectification recommendations

- The management should:-

  (a) Develop and implement a structured and formal training programme for all relevant personnel (e.g., finance, legal, company secretarial and investor relations staff) covering the disclosure requirements for notifiable transactions under the Listing Rules, with training to be conducted at least annually;

  (b) Establish a formal internal process to proactively monitor the Listing Rules updates and regulatory changes, with a designated responsible person (e.g., the Company Secretary or the Compliance Officer) assigned to track relevant developments, assess their impact on the Company's disclosure obligations, and communicate updates to relevant personnel in a timely manner, rather than relying solely on external advisers.

  (c) Maintain training records documenting the training attended by each employee and regularly assess training needs based on changes in the regulatory environment and the Company's business development.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has formally established the "Listing Rules Update Monitoring and Management Measures", which successfully designates the company secretary and the legal and compliance department with the responsibility for proactively monitoring regulatory changes, thereby eliminating passive reliance on external advisers. In addition, the IC Consultant noted that the Company's management adopted the recommendation by incorporating into the policy a clear requirement for a systematic annual training programme with proper retention of relevant training records.

- Based on the training records provided, the IC Consultant noted that the Company conducted a dedicated training session on 13 August 2026 covering the core areas under Chapter 14 of the Listing Rules, and representatives from the legal department, finance department, investor relations department and operations department attended the training and confirmed their attendance by signing the records. Accordingly, this deficiency is considered by the IC Consultant to have been fully remediated, and no exceptions were noted.

C4. Key finding 4 – Cash, Treasury and Bank Seal Management (Relevant entity/entities: the Company, Fu'an Asset and Hanhua Guarantee)

Issue

Based on walkthrough procedures performed with the finance manager, the IC Consultant noted that the Company does not have a formal, documented monitoring process for compliance with debt covenants under its bank loan agreements. The Company currently relies on banks to request financial information on a periodic basis, and to notify the Company of any potential covenant breaches.

Under typical bank loan agreements, the Company is required to comply with various financial covenants (e.g., gearing ratio, interest coverage ratio, minimum net assets, etc.). Failure to comply with such covenants constitutes an event of default, which may entitle the bank to demand immediate repayment, accelerate the maturity of the loan, or impose additional penalties. International Financial Reporting Standards (IFRS) also require disclosure of covenant compliance in the financial statements where material.
The Company's current practice is to wait for formal notification from the bank in the event of a covenant breach. However, given the current challenging economic environment in Mainland China, banks generally adopt a more lenient approach as long as the Company continues to meet its repayment obligations, and may not necessarily demand immediate repayment even if a covenant breach occurs. While this may reduce the risk of the loan being called in immediately, the absence of formal monitoring controls means that the Company may not be aware of a covenant breach at the time it occurs, and may not be able to proactively engage with the bank to manage or address such breaches in a timely manner.

Rectification recommendations

- The management should:-

(a) Establish documented covenant monitoring procedures requiring designated personnel to track on a monthly or quarterly basis key financial metrics against loan covenant requirements, and report the results to senior management;

(b) Set out clear escalation triggers that require immediate reporting to management and the Audit Committee upon identification of any covenant breach or when metrics approach threshold limits, to ensure timely communication with the bank.

(c) Maintain a covenant compliance register to record all loan agreements, relevant financial covenants, monitoring results, and any communications with the bank regarding compliance matters, thereby providing a complete audit trail for review.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the management has implemented a formal debt covenant monitoring policy, which clearly defines roles and responsibilities, monthly review frequency and escalation mechanisms. No exceptions were noted in the design of the policy.
- Meanwhile, according to management's confirmation, the Company currently does not have any outstanding debt covenants. The Company maintains an updated loan monitoring schedule which records the maturity dates, outstanding balances and actual repayment status of each borrowing, and continuously monitors the borrowing position to ensure timely follow-up of subsequent arrangements. Based on the above implementation, no exceptions were noted and it is recommended that this finding be closed.

C5. Key finding 5 – Financial Reporting and Disclosure Controls (Relevant entity/entities: the Company, Hanhua Guarantee)

Issue

The IC Consultant noted that the Company performs variance analysis by comparing actual results with the figures from the prior year, rather than against the approved budget. Although the Company prepares an annual budget which is approved by the Board, the performance monitoring process does not consistently compare actual performance against the approved budget.

Under internal control best practices and sound financial management principles, variance analysis should compare actual performance with the approved budget to assess whether performance is in line with the plan approved by the Board. This helps management to identify deviations, understand the underlying causes and take timely corrective actions. Comparing solely with data from the prior year does not effectively reflect whether the Company is achieving its targets for the current year or operating within the resources approved by the Board.

At present, as the comparison against the approved budget is not consistently performed, the budget is not being effectively used as a performance management and control tool. The management may not become aware of significant budgetary variances until the interim or year-end review, which limits its ability to take proactive corrective actions in a timely manner.

Rectification recommendations

- The management should:-

  (a) Require monthly variance analysis comparing actual results with the approved budget, with significant variances clearly flagged and explained, and results reported to the management in a timely manner.

  (b) Require departments to provide written explanations for significant budgetary variances, with clear accountability for following up on identified issues and tracking corrective measures.

  (c) Present budget variance analysis results and rolling forecasts to the Audit Committee and the senior management on a quarterly basis, to ensure adequate oversight of budget compliance and performance management.

Company's response and remedial status

- The management agrees with the IC Consultant’s observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant has reviewed the updated rolling budget, recalculated the budget for the next three (3) months, and assessed the variance analysis results, including variance explanations and the approval process. This finding is considered by the IC Consultant to be fully remediated, and no exceptions were noted.

C6. Key finding 6 – Lack of formal and structured training programme for accounting personnel (Relevant entity/entities: the Company, Hanhua Guarantee, Fu’an Asset)

Issue

The IC Consultant noted that the Company does not have a formal and structured training programme for accounting personnel. Although some employees hold professional qualifications such as membership of the Hong Kong Institute of Certified Public Accountants, the Company does not have a systematic process to ensure that all key accounting personnel receive ongoing training on updates to HKFRS/HKAS, the Listing Rules and accounting estimation methodologies.

Under the applicable accounting framework and the Listing Rules requirements, the management is responsible for ensuring that the Company's financial statements are prepared in accordance with relevant accounting standards and disclosure requirements. Accounting standards are subject to frequent changes and updates (e.g., new HKFRSs, amendments and interpretations), and accounting personnel need to stay abreast of such developments to ensure that financial reporting is accurate and compliant.

In addition, the IC Consultant noted that the Company does not have a formal process to monitor the issuance of new or amended accounting standards, nor to formally assess the impact of such standards on the Company's financial statements. In the absence of a structured training programme and a proactive monitoring process, the Company may fail to identify, understand and implement new accounting requirements in a timely manner, which could lead to non-compliance and misstatements in the financial statements.

Rectification recommendations

- The management should:-

  (a) Develop and implement a structured training programme for all key accounting personnel, covering updates to HKFRS/HKAS, the Listing Rules, accounting estimation methodologies and financial reporting requirements, with training to be conducted at least semi-annually.

  (b) Establish a formal process to monitor the issuance of new or amended accounting standards, with a designated responsible person (e.g., the Chief Financial Officer) assigned to track relevant developments, assess their impact on the Company's financial statements, and report the results to the management and the Audit Committee.

  (c) Maintain training records documenting the training attended by each accounting personnel, and regularly assess training needs based on changes in the regulatory environment and the development of the Company's business operations.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the management has established a formal training policy to govern the training requirements for new joiners, finance department personnel and key operational staff (e.g., procurement department, etc.).

- In addition, the IC Consultant noted that the management is in the process of setting up a centralised platform for archiving all training records and core materials.

- As part of the control mechanism, employees holding key positions are required to pass the relevant training assessments before they are formally authorised to carry out their day-to-day duties.

- The finance manager has conducted training on HKFRS 9 for all finance department personnel. the IC Consultant has reviewed the relevant training attendance sheets and confirmed that all personnel were present. The IC Consultant noted no exceptions, and this control deficiency / recommendation is considered by the IC Consultant to have been remediated.

C7. Key finding 7 – Impairment Assessment and Asset Valuation (Relevant entity/entities: the Company, Hanhua Guarantee, Fu'an Asset)

Issue

The IC Consultant noted the following:

(a) The expected credit loss model was designed by the finance manager with reference to advice from external valuers and auditors. However, the Company does not have a formal approval process for the design of the expected credit loss model. The model was not subject to independent review or challenge prior to implementation;

(b) The expected credit loss calculations were prepared by the finance manager at year-end. However, such calculations were not subject to any internal review or approval before being submitted to the external auditors. The external auditors perform their review and discuss any adjustments with management. The Company does not have a documented internal review or challenge of key assumptions, methodologies or conclusions.

(c) Impairment assessment data for goodwill, intellectual property and financial assets at fair value through profit or loss were provided by the business units, verified by the finance manager and then submitted to the external auditors for review. However, the Company does not have a formal approval process for the recognition of significant impairment losses, asset write-downs or write-offs.

(d) The Company does not have a documented review and approval authority, hierarchy or procedures for the recognition of significant impairment losses.

Management relies on external auditors' review without performing a formal internal approval process.

Rectification recommendations

- The management should:-

  (a) Establish a formal approval process for the design of the expected credit loss model, ensuring that approval is obtained from personnel independent of the preparer (e.g., Chief Financial Officer, Audit Committee).

  (b) Establish a formal review and approval process for expected credit loss calculations before submission to the external auditors, ensuring that such review is performed by personnel independent of the preparer.

  (c) Establish a formal review and approval authority, hierarchy and procedures for the recognition of significant impairment losses, asset write-downs or write-offs.

  (d) Ensure that approval of impairment losses is conducted at the appropriate level based on the materiality of the impairment amount (e.g., finance manager, the Chief Financial Officer, the Audit Committee, the Board).

  (e) Document all review findings, challenge matters and management conclusions as audit evidence.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has formally issued the "Expected Credit Loss and Asset Impairment Audit Oversight Policy", thereby remediating the design deficiency of the control. The IC Consultant is of the view that such policy successfully defines the roles, segregation of duties and authorisation matrix (including clear approval thresholds for the Chief Financial Officer and the Audit Committee) for the preparation, review and approval of the ECL model and significant impairment losses.

- In addition, the IC Consultant reviewed the policy with detailed ECL calculations methodology. The IC Consultant has obtained the formal Audit Committee resolution approving the ECL model and the year-end impairment assessment, which was signed by all Audit Committee members. Based on the IC Consultant's review, no exceptions were noted, indicating that the highest level of approval has been effectively performed in accordance with the Policy. Accordingly, this finding has been fully remediated and is considered closed.

C8. Key finding 8 – Lack of formal procedures for engaging and reviewing external valuers (Relevant entity/entities: the Company, Hanhua Guarantee, Fu'an Asset)

Issue

The IC Consultant noted that the Company does not have formal procedures for engaging external independent valuers, or for reviewing, evaluating and approving their valuation work and conclusions. The Company relies on external valuers for impairment assessments, but has not established documented procedures governing their engagement, review or approval of valuation results.

Rectification recommendations

- The management should:-

  (a) Establish formal procedures for engaging external independent valuers, including selection criteria, qualification and independence assessment, and formal engagement letters.

  (b) Establish formal procedures for reviewing, evaluating and approving the valuation work and conclusions of external valuers.

  (c) Ensure that management performs independent challenges on key assumptions, methodologies and conclusions, and documents review findings and approvals.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has formally issued the Policy on Engagement of External Valuer, thereby remediating the previously identified control design deficiency. The policy establishes clear procedures for engaging external valuers, including principles relating to necessity, independence and competency, as well as a clearly defined selection and approval authority matrix based on transaction size.

- In addition, the IC Consultant reviewed the Project Initiation Application Form for the Engagement of External Financial Advisers and confirmed that the engagement of the external valuer, Naval Valuation Consulting Co., Ltd., to perform valuations of financial assets and expected credit losses for the 2024 and 2025 financial years had been formally approved by the Chief Financial Officer and the General Counsel in accordance with the new policy.

- While the policy states that the final report should be reviewed by the Finance Department and relevant departments, the IC Consultant has obtained and reviewed the valuation report review checklist prepared by the Finance Manager. The checklist covers the review and challenge of the external valuer's key assumptions, valuation methodologies and valuation conclusions, and documents the related review results.

- In addition, the valuation report was approved by senior management. No exceptions were noted from the IC Consultant's review. Accordingly, this deficiency has been fully remediated and is considered closed.

C9. Key finding 9 – Lack of supplier master data list, supplier evaluation and blacklist management framework (Relevant entity/entities: the Company, Hanhua Guarantee, Fu'an Asset)

Issue

During the review of the procurement process, the IC Consultant noted that the Company currently does not conduct systematic supplier lifecycle management activities, as set out below:

(a) **Supplier master data list:** The Company does not maintain a formal, centrally managed approved supplier master data list. There is no unified reference source for recording and tracking the list of current suppliers, their contact details, product/service categories and historical engagement. Procurement personnel rely primarily on personal experience or *ad hoc* records rather than a centrally managed supplier register.

(b) **Supplier evaluation:** The Company does not currently conduct regular supplier performance evaluations, and lacks uniform, objective evaluation criteria (e.g., quality performance, delivery timeliness, price competitiveness, after-sales service, etc.) for systematically measuring supplier service performance. Consequently, there is also no mechanism to identify and prioritise suppliers with a strong track record for future procurement opportunities.

(c) **Supplier blacklist management:** The Company has not established a blacklist mechanism for underperforming suppliers, suppliers with substandard quality or those in serious breach of contract, nor does it maintain a list of such suppliers. As a result, there is no effective control to prevent the Company from engaging these underperforming or high-risk suppliers again in future procurement.

(d) **Preferred supplier mechanism:** The Company does not currently have a practice of "prioritising suppliers with a good historical track record" in its procurement practices. Each procurement exercise is handled largely independently, without sufficient reference to historical supplier performance records, thereby missing opportunities to leverage good supplier relationships for better pricing, more favourable terms or higher priority service.

Rectification recommendations

- The management should:-

  (a) Establish a formal approved supplier register to record key information such as supplier name, contact details, product/service category and current cooperation status, with clear responsibility assigned to the General Office or

Procurement Department for maintaining and regularly updating the master list.

(b) Develop uniform and objective evaluation criteria (e.g., quality performance, delivery timeliness, price competitiveness, responsiveness, etc.) and conduct supplier performance evaluations at pre-determined frequencies (e.g., annually or on a project-cycle basis). Evaluation results should be documented and properly retained for future procurement reference and to provide a complete audit trail.

(c) Define clear criteria for identifying suppliers as "underperforming" or "unqualified" (e.g., repeated serious quality issues, material breach of contract, etc.), place relevant suppliers on the blacklist accordingly, and consult the list in all procurement / tendering activities to prevent future engagement with blacklisted suppliers.

(d) Where other conditions are substantially similar, require that priority be given to suppliers with a good historical track record and stable service performance for similar procurement needs. Supplier selection decisions should be documented with reasons and justifications, to enhance transparency and traceability of the selection process.

(e) Assign clear responsibility to designated roles within the general office or the procurement department for maintaining the supplier master data list, organising supplier performance evaluations and updating the blacklist, and define clear approval authority for the addition of new suppliers, removal of suppliers and blacklist management.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has formally implemented the "Company Office Supplies Supplier Database" and related management policies, thereby remediating the design deficiency of this control. The IC Consultant is of the view that the database and policies successfully establish a centralised supplier directory, an objective performance evaluation system, a formal blacklist framework and a preferred supplier mechanism, and set out clear responsibilities and an approval authority matrix based on procurement value.

- In addition, the IC Consultant reviewed the supplier database and confirmed that the management had updated the supplier evaluations for 2025 and classified existing active suppliers according to specified priority levels to guide future procurement activities. As no actual procurement transactions have occurred recently, no samples were available for testing.

- In summary, the relevant policies and systems have been established and implemented, and this deficiency is considered by the IC Consultant to be fully remediated, with no exceptions noted.

C10. Key finding 10 – Use of sub-optimal antivirus software (Relevant entity/entities: the Company, Hanhua Guarantee, Fu'an Asset)

Issue

The IC Consultant noted that the information technology department has sent reminder emails to all employees and committed to conducting regular checks on the cybersecurity software status (e.g., whether antivirus software is installed and running) on employee endpoints, which is a positive step towards improving endpoint security monitoring.

However, the IC Consultant noted that the vast majority of the Company's office terminals still rely primarily on the free version of 360 Safeguard as antivirus / endpoint protection tool. This product is designed for individual consumer use and does not meet the requirements for enterprise-level endpoint security controls. Public analyses and reports on this product have repeatedly highlighted its limited protection capabilities and security vulnerabilities. Even with regular checks in place, as long as the free version of 360 Safeguard continues to be used as the core line of defense, it remains difficult for the Company's workstations to obtain reliable enterprise-grade protection against modern malware, ransomware and targeted attacks.

Rectification recommendations

- The management should:-

(a) Select and deploy a unified enterprise-grade endpoint security solution covering all office desktops and laptops of the Company, and cease the use of the free version of 360 Safeguard as the primary endpoint protection tool.

(b) Set minimum technical requirements for the new enterprise-grade endpoint protection product, such as centralised management console, real-time protection, behavioural detection capabilities, automatic virus definition updates, scheduled scanning and security incident reporting, and implement the configuration uniformly across all endpoints.

(c) Explicitly stipulate in the Group's information security policies that only approved enterprise-grade endpoint protection software shall be used, and prohibit the use of free, consumer-grade antivirus products as the primary protection means on the Group's devices.

(d) Formalise the regular checks currently conducted by the IT department into a formal endpoint security monitoring process, and leverage the endpoint protection platform or other technical means to regularly generate reports on coverage, compliance and security incidents, thereby providing support for subsequent security incident investigations and analysis.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has remediated this finding by subscribing to and deploying Trend Micro Apex One, an enterprise-grade endpoint protection solution, to replace the consumer-grade free version of 360 Safeguard.
- The IC Consultant inspected a sample of workstations and confirmed that the Trend Micro Agent was installed, the virus definitions / engine version were up-to-date, real-time scanning was enabled with no malware detected. The solution provides centralised management, behavioural detection and automatic update capabilities, meeting the control requirements for enterprise-grade protection.

- As both the design and operating effectiveness of the control have been verified, this finding is considered by the IC Consultant to be fully remediated, with no exceptions noted.

C11. Key finding 11 – Lack of formal risk management policy and corporate risk register (Relevant entity/entities: the Company)

Issue

During the IC Consultant's review of the entity-level controls (ELC), the IC Consultant noted that the Company has not established a formal and documented risk management policy to govern its risk management framework. As a result, the Company does not have a centralised corporate risk register to systematically identify, assess and monitor strategic, financial, operational and compliance risks.

Specifically, the Company lacks a standardised mechanism to record key risk descriptions, assess risk levels (likelihood and impact), formulate corresponding response measures or mitigating controls, and designate clear risk owners responsible for ongoing monitoring.

Rectification recommendations

- The management should:-

  (a) Develop a risk management policy that sets out the Company's methodology and processes for risk identification, assessment, mitigation and monitoring.

  (b) Establish a corporate risk register to document all identified risks, their potential impact and likelihood of occurrence, corresponding response measures / controls, and designate a specific risk owner for each identified risk.

  (c) Conduct periodic reviews requiring the management and the Board (or the Audit / Risk Committee) to review and update the corporate risk register at least annually, or whenever significant changes occur in the business environment.

Company's response and remedial status

- The management agrees with the IC Consultant's observations and the related recommendations. To address this finding, the management will formally implement the recommended internal control procedures.

- The IC Consultant noted that the Company has formally developed and adopted a "Risk Management Policy".

- In addition, the management has established a comprehensive corporate risk register which adequately identifies key business risks, sets out corresponding response measures and designates clear risk owners. The management has also established procedures requiring the corporate risk register to be reviewed and updated annually to ensure it remains aligned with the current business environment. The IC Consultant noted no exceptions during the follow-up review. The IC Consultant has reviewed the resolution for the relevant committee meeting.

D. Internal Control Deficiencies/Root Causes and Findings Contained in the Forensic Investigation Report and Corresponding Recommendations by the IC Consultant

The IC Consultant has evaluated the internal controls at the time of the incidents involved in the Independent Forensic Investigation, how such internal controls were circumvented or overridden, and whether the same personnel, authorization structures, or informal operational practices continue to exist.

The principal findings relating to internal control processes in the Independent Forensic Investigation include the controls over: (a) the management and approval procedures for debt assignments; (b) connected transactions; and (c) financial reporting and disclosure. During the review period, the IC Consultant tested the effectiveness of such controls through interviews, reviews of written management policies, walkthrough tests, and control testing. Based on the sampled data obtained by the IC Consultant, the IC Consultant did not identify any internal control issues relating to unauthorized borrowings, commingling of corporate and shareholder affairs, approval of major investments, or override of controls by the then management.

Based on the primary findings of the Independent Forensic Investigation and taking into account the IC Consultant's understanding and testing of the Group's existing and functioning internal control systems during the IC Review, the IC Consultant is of the view that the root cause of the primary findings of the Independent Forensic Investigation was the internal control deficiencies of the Company at the time of the Incident and the circumvention of internal controls by the then management. The implicated former management members, namely Mr. Ren, Mr. Yuan Guoli, Mr. Zhang, Mr. Cui Weilan, and Mr. He Zhonghua have departed from the Company and do not currently hold any positions within the Group.

Having considered the results of the IC Review and the departure of the relevant personnel, the IC Consultant considers that the same personnel, authorization structures, or informal operational practices no longer persist.

E. Results of the IC Review and the Follow-up Review

The IC Consultant has completed the IC Review (including the follow-up review of the Group's internal controls after rectification) and did not identify any material deficiencies or weaknesses in the Group's internal control system within the scope of review. Accordingly, the IC Consultant is of the view that:

(i) The Group has implemented adequate internal control procedures to rectify and adequately remediate the identified internal control weaknesses to meet its obligation under the Listing Rules; and

(ii) The policies and procedures implemented by the Group have effectively addressed its deficiencies and minimized the chance of recurring similar incidents;

F. Views of the Independent Investigation Committee, the Audit Committee and the Board on the IC Review

The management of the Company acknowledged and agreed with the findings of the IC Review. Following the completion of the fieldwork of the IC Review of the internal control systems, the Company has adopted, revised and/or strengthened (as applicable) its internal control systems based on the rectification recommendations of the IC Consultant. Following the implementation of such remedial actions, the IC Consultant conducted a follow-up review and confirmed to the Independent Investigation Committee on 25 August 2026 that no material internal control weaknesses were identified.

Having considered the IC Review Report and the remedial actions taken by the Company, the Independent Investigation Committee is of the view—and the Audit Committee and the Board concur—that: (a) all internal control deficiencies identified in the IC Review have been fully remediated; (b) the remedial and enhancement measures implemented by the Group are adequate and sufficient; and (c) the Company has in place adequate, internal control and financial reporting systems and procedures to fulfil its obligations under the Listing Rules.

The Company will continue to monitor the effectiveness of the Group's internal control systems and procedures to ensure compliance with the Listing Rules and to maintain reasonable and adequate internal control policies and procedures.

(3) CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:29 p.m. on 27 March 2025 and will remain suspended until further notice.

By order of the Board
Hanhua Holding Co., Ltd.
Chairman of the Board
Cheng Juan

Chongqing, the PRC, 17 September 2026

As at the date of this announcement, the executive director of the Company is Ms. CHENG Juan; the non-executive directors of the Company are Mr. ZHU Guangbo, Mr. XI Yao and Mr. XIE Cheng; the independent non-executive directors of the Company are Ms. ZHAN Ziqiong, Mr. WANG Zhifeng, Mr. ZHANG Weihua and Mr. LIU Haowen; and the employee director of the Company is Ms. YANG Guixiang.