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Duiba Group

兑吧集团

DUIBA GROUP LIMITED

兑吧集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1753)

UPDATE ANNOUNCEMENT ON THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Reference is made to the annual results announcement (the “**Announcement**”) and the annual report (the “**Annual Report**”) of Duiba Group Limited (the “**Company**”) published by the Company on 28 March 2024 and 29 April 2024, respectively, in relation to the audited consolidated results of the Group for the year ended 31 December 2023. Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement and the Annual Report.

As set out in the Announcement and the Annual Report, the consolidated financial statements of the Group for the year ended 31 December 2023 had been subject to qualified opinion. As disclosed in the Annual Report, the qualified opinion was in connection with the Group’s investment in the BVI Fund, where the investor (i.e. Duiba HK) has requested for an early redemption, and the BVI Fund has confirmed and agreed that the full redemption proceeds in respect of the early redemption request of Duiba HK will be paid to Duiba HK on or before 27 June 2024. As disclosed in the Annual Report, part of the redemption proceeds amounting to a total of HK\$20 million were received by Duiba HK from the BVI Fund in April 2024. The Board hereby provides further updates as follows:

Completion of the Redemption

Subsequent to the publication of the Annual Report, Duiba HK has received all remaining redemption proceeds amounting to US\$3,313,930 and HK\$42,768,578 from the BVI Fund, and the redemption has completed and the investment funds in the BVI Fund have been fully recovered by Duiba HK as at 30 August 2024.

Further Enhanced Internal Control Measures

As disclosed in the Annual Report, the Company has in place the policies for managing its investments in financial products, and the investment in the BVI Fund complies with such policies. However, Ernst & Young, the former auditor of the Company who resigned with effective from 1 November 2024 (the “**Former Auditor**”), raised the Audit Issue as it had not obtained sufficient reliable audit evidence to substantiate the commercial substance and nature of the payments for the investment funds. The management’s position and basis on major judgmental areas, along with the reasons for divergence between management’s perspective and that of the Former Auditor, were set out in the Annual Report.

Given that the Group made efforts to access as much financial information as possible from the BVI Fund, engaged in early discussion with the Former Auditor prior to the financial year end for audit planning and endeavored to obtain additional audit evidence pursuant to the Former Auditor’s request to support the management’s assessment on the investment balance and related profit and loss impact therefrom, the Group considered that there are no material deficiencies in its internal control procedures and policies having considered the circumstances leading to the Qualified Opinion.

Nonetheless, with the view to prevent the occurrence of similar incidents in the future, in addition to the enhanced investment approval procedures on financial products (which serve as the policies and procedures for managing idle funds) as disclosed in the Annual Report and duly approved at the regular Board meeting held in June 2024, the Company shall adopt the following additional measures to further strengthen its internal control procedures:

- (a) During the due diligence process and prior to the signing of the investment agreement(s), the Company shall make sure due diligence is conducted on the operators of financial products (e.g. the fund directors, the issuers for fund term notes), the beneficial owners, and the valuation of the financial products involved. In cases where sufficient financial track records of the financial products or their operators or beneficial owners are not available, the Company shall implement adequate protective measures tailored to the specifics of the investment. These measures may include obtaining additional securities or guarantees from relevant parties to safeguard the interests of the Company and its Shareholders as a whole. The adequacy of these protections will be assessed by the chairman of the Board or the Board itself on a case-by-case basis, in accordance with their respective investment approval procedures as outlined in the policies governing the management of investments in financial products, the details of which were disclosed in the Annual Report;
- (b) Prior to the entering into of the proposed investment agreement(s), the Company will engage in discussion with the auditor of the Company on the audit evidence and supporting required and explore any alternative procedure at the early stage to ensure any additional audit evidence required (to the extent possible) are reflected in the investment document(s);

- (c) As to the payment of the investment funds, the payment counterparty shall be the same as the counterparty of the investment agreement(s), and the relevant bank account details shall be explicitly specified in the investment agreement(s). In the event that any payment is to be made to a third party, the Board shall provide rational reasons to the Audit Committee for consideration, and a supplemental agreement shall be executed with such third party. Additionally, an independent background check on the third party should be conducted, which includes requesting KYC documents, such as identification documents, business registration documents, tax identification numbers, proof of address, and tax returns, among others;
- (d) During the term of the investment, the Company shall continue to update the auditor from time to time when it received any updated information that might affect the accounting treatment for the underlying assets and/or investments, and specifically discuss with the auditor and the investees (to the extent possible) on obtaining additional audit evidence that would be required pursuant to such update; and
- (e) During the term of the investment, the Company shall engage with more frequent communication with the investees to at least once every quarter, inter alia, to understand the status of the underlying assets and/or investments and identify if there are any increasing or increased risks (e.g. risk of recoverability of the investments) or material changes anticipated that would impact the financial, business and/or operational performance of the underlying assets and/or investments, to ensure remedial actions can be undertaken by the Company timely.

On behalf of the Board
Duiba Group Limited
Chen Xiaoliang
Chairman

Hangzhou, PRC, 13 November 2024

As at the date of this announcement, the Board consists of Mr. Chen Xiaoliang, Mr. Zhu Jiangbo and Mr. Cheng Peng as executive Directors, Ms. Yang Jiaqing as non-executive Director and Mr. Kam Wai Man, Dr. Gao Fuping and Dr. Shi Jianxun as independent non-executive Directors.