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

References are made to (a) the announcements of the Company dated 29 November 2024, 12 December 2024 and 28 January 2025 in relation to, among other things, the delay in publication of interim results (the **“2024 Interim Results”**) and despatch of interim report for the six months ended 30 September 2024 (the **“2024 Interim Report”**), the establishment of an independent investigation committee and the suspension of trading of the shares of the Company; (b) the announcement of the Company dated 7 January 2025 in relation to, among other things, the appointment of the chairman and change in composition of the independent investigation committee (the **“Former Independent Investigation Committee”**) and appointment of McMillan Woods (Hong Kong) CPA Limited (**“McMillan”**) as the independent forensic accountant; (c) the announcement of the Company dated 16 January 2025 in relation to, among other things, the resumption guidance issued by the Stock Exchange (the **“Resumption Guidance Announcement”**); (d) the quarterly update announcements of the Company dated 28 February 2025, 2 June 2025 and 2 September 2025 in relation to the progress of resumption of trading of shares of the Company (the **“Resumption”**); (e) the announcement of the Company dated 13 March 2025 in relation to, among other things, the removal of the Former Directors and the appointment of Ms. Qin Jiali (**“Ms. Qin”**), Mr. Zhao Zhenzhong (**“Mr. Zhao”**), Mr. Guo Wei (**“Mr. Guo”**), Ms. Tan Xin, Mr. Zhang Zhilin, Mr. Lin Qiucheng, Mr. Wang Anxin and Mr. Wu Kwok Choi, Chris as Directors; (f) the announcement of the Company dated 24 March 2025 in relation to, among others, the change in composition of the independent investigation committee which was established to conduct independent investigation on the incidents that have led to the delay in the publication of the 2024 Interim Results and the despatch of the 2024 Interim Report (the **“Independent Committee”**); (g) the announcement of the Company dated 30 April 2025 in relation to the change of the independent forensic accountant and appointment of internal control consultant; (h) the announcement of the Company dated 30 June 2025 in relation to the delay in publication of the annual results of the Company for the year ended 31 March 2025 and the possible delay in despatch of the annual report of the Company for the year ended 31 March 2025; and (i) the voluntary announcement dated 7 July 2025 in relation to the updates of forensic investigation and internal control review (collectively, the **“Announcements”**). Unless otherwise defined herein, the capitalised terms used herein shall have the same meanings as defined in the Announcements.

BACKGROUND

The Allegations

As disclosed in the announcements of the Company dated 29 November 2024 and 12 December 2025, during the Board meeting held on 29 November 2024, it was alleged that Ms. Qin and Mr. Zhao, both being the executive Directors and the authorised representatives of certain operating subsidiaries of the Group in the PRC, have entered into unauthorised or unusual transactions with certain companies established in China. Moreover, it was alleged that Ms. Qin and Mr. Zhao have failed to provide sufficient written documentary evidence to support the revenue recognition by these operating subsidiaries during the six months ended 30 September 2024. As such, the then Board (save and except for Ms. Qin, Mr. Zhao and Mr. Guo) considered it to be inaccurate and misleading to publish the 2024 Interim Results and thus resolved not to approve the 2024 Interim Results, and the Former Investigation Committee was established for further investigation into the aforesaid matters.

The Resumption Guidance

As disclosed in the announcement of the Company dated 16 January 2025, the Company received a letter from the Stock Exchange setting out the Resumption Guidance for the resumption of trading in the Shares, including but not limited to, the following:

- (a) conduct an independent forensic investigation into the issues about certain operating subsidiaries of the Company during the 2024 Interim Period, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions; and
- (b) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any person with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

As disclosed in the announcement of the Company dated 7 January 2025, the Former Independent Investigation Committee engaged McMillan as the independent investigation consultant to commence independent investigation on the issues that have led to the delay in the publication of the 2024 Interim Results and the despatch of the 2024 Interim Report. It was stated that the scope of the independent investigation mainly covers certain alleged unusual transactions entered into between certain operating subsidiaries of the Company established in the PRC and certain companies established in the PRC with insufficient documentary evidence on the income recognised, costs incurred, the nature of the relationship between the relevant parties to such transactions and the investment activities of such operating subsidiaries during the 2024 Interim Period (the “**Allegations**”).

On 10 March 2025, McMillan issued a final draft of the investigation report (“**McMillan Report**”), which mentioned the following matters and issues in relation to the 2024 Interim Results (among others):

- (i) only approximately 38% of the revenue of Yitie Rail Transit Management Company Limited* (珠海易鐵軌道交通管理有限公司) (“**Yitie**”), a subsidiary of the Company established in the PRC where Ms. Qin serves as the legal representative, was issued with tax invoices for the 2024 Interim Period;
- (ii) the gross profit margins of Yitie and Zhongnongxin Supply Chain Management (Beijing) Limited* (中農信供應鏈管理(北京)有限公司) (“**Zhongnongxin BJ**”), a subsidiary of the Company established in the PRC, have decreased for the 2024 Interim Period;
- (iii) a subsidiary of the Company established in the PRC (“**Subsidiary A**”), was suspected of conducting unauthorised domestic investment activities during the 2024 Interim Period;
- (iv) Ms. Qin and Mr. Zhao were suspected of failing to disclose certain connected transactions of the Company during the 2024 Interim Period, including the agreements entered into between Yitie and the two major suppliers of the Group (i.e. “**Supplier A**” and its wholly-owned subsidiary, “**Supplier B**”, collectively the “**Relevant Suppliers**”), pursuant to the relevant requirements of the Listing Rules; and
- (v) from November 2023 to March 2024, the Company’s subsidiary in Hong Kong (“**Subsidiary B**”), conducted fund transfers to Yitie through the personal accounts of Ms. Qin and Mr. Zhao, without undergoing adequate review and authorisation procedures.

As disclosed in the announcements of the Company dated 24 March 2025 and 30 April 2025 (“**30 April Announcement**”), Mr. Lin Qiucheng, Mr. Wang Anxin and Mr. Wu Kwok Choi, Chris (all of whom are the current independent non-executive Directors) have been appointed as the members of the current Independent Committee after the reconstitution of the Board on 11 March 2025. For the reasons as disclosed in the 30 April Announcement, the Company engaged Acclime Corporate Advisory (Hong Kong) Limited (“**Independent Investigator**”) as the independent forensic accountant in place of McMillan to conduct the forensic investigation (“**Forensic Investigation**”) on the issues that have led to the delay in the publication of the 2024 Interim Results and the despatch of the 2024 Interim Report.

THE FORENSIC INVESTIGATION

The Independent Investigator has completed the Forensic Investigation and issued the Forensic Investigation Report on 30 June 2025. To address the Stock Exchange's queries and observations in relation to the Forensic Investigation, the Independent Investigator has also further issued letters to the Independent Committee and the Stock Exchange on 6 August 2025 and 6 November 2025 to supplement, among others, its findings of the Forensic Investigation.

Scope of the Forensic Investigation

The scope of the Forensic Investigation covering the key matters and issues relating to the Allegations and as set out in the McMillan Report mainly includes (collectively, the “**Issues**”):

- (i) whether the revenue recognition of Yitie for the 2024 Interim Period was supported by sufficient documentary evidence (“**Issue 1**”);
- (ii) the reasons for the absence of, or inconsistency of the amount of, the value-added tax invoices (“**VAT invoices**”) for a portion of the revenue of Yitie recognised for the 2024 Interim Period (“**Issue 2**”);
- (iii) the reasons for the decline in gross profit margin of Yitie for the 2024 Interim Period (“**Issue 3**”);
- (iv) the reasons for Zhongnongxin BJ recording a negative gross profit margin for the 2024 Interim Period (“**Issue 4**”);
- (v) whether the domestic investment activities conducted by Subsidiary A during the 2024 Interim Period were approved in accordance with the investment policies of the Group (“**Issue 5**”);
- (vi) whether the transactions between the Group and the Relevant Suppliers constitute connected transactions under the Listing Rules (“**Issue 6**”); and
- (vii) whether the fund transfers from Subsidiary B to Yitie through the personal bank accounts of Ms. Qin and Mr. Zhao for the period between November 2023 and March 2024 were approved in accordance with the payment policies of the Group (“**Issue 7**”).

Major procedures of the Forensic Investigation

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

- (i) reviewed the Group's internal books and records relating to the relevant matters, including but not limited to revenue recognition evidence (such as management accounts, accounting ledgers, contracts, income ledger and third-party confirmation of services delivered, i.e. broadcast reports, schedule confirmations of the Group with its customers, etc.), accounting vouchers, bank statements, agreements, correspondence, internal policies, approval records, meeting minutes, due diligence reports, and other related documentation;
- (ii) conducted interviews with the Group's personnel involved in the matters in question, including but not limited to current and former Directors, the Group's PRC and Hong Kong accounting department and business department and the relevant finance personnel;
- (iii) performed background checks on the entities involved in the relevant matters;
- (iv) confirmed directly with the entities involved in the relevant matters (including the customers of Yitie) by obtaining oral or written explanations, or confirming the authenticity of documents or explanations provided by the Group in the form of letters of enquiry or interviews; and
- (v) collected, processed and analysed relevant electronic evidence.

During the performance of the above procedures, there were certain limitations encountered by the Independent Investigator. Please refer to the section headed "Key limitations of the Forensic Investigation" below for details.

Summary of Key Findings and Observations from the Investigation

Issue 1: Revenue Recognition of Yitie

Background

As disclosed in the announcement of the Company dated 12 December 2024, Yitie recognised a revenue of approximately RMB116.5 million (including value added tax (VAT)) from its brand promotion business for the 2024 Interim Period. However, only approximately RMB44.2 million, representing approximately 38% of the total revenue was invoiced to customers. The remaining amount of approximately RMB72.3 million, representing approximately 62% of the total revenue was recognised based on schedule confirmation with customers. It was alleged that the then Board was provided with independent broadcast reports to support the recognition of these uninvoiced revenues for the previous financial years, however no such independent broadcast reports were provided to the Board for its consideration at the Board meeting held on 29 November 2024 to approve the 2024 Interim Results.

Findings

The brand promotion business mainly include promotions via hotel media, internet media and outdoor media. Revenue of Yitie was recognised based on the timing of the order completion.

Hotel Media

Yitie's revenue from hotel media services for the 2024 Interim Period was supported by the independent broadcast reports issued by CTR Markets Research Co., Ltd (央視市場研究股份有限公司), an independent third-party organisation and an indirect subsidiary of China Media Group (中央廣播電視總台), and the broadcasting schedule forms stamped by its customers.

Internet Media

Yitie's revenue from internet media services for the 2024 Interim Period was supported by the schedule settlement forms stamped by Yitie and its customers respectively. The aforesaid schedule settlement forms confirmed the order completion.

Outdoor Media

Yitie's revenue from outdoor media services for the 2024 Interim Period was supported by case closure reports (結案報告) issued by Yitie to its customers, and/or completion confirmation forms or schedule settlement forms stamped by both Yitie and its customers. These reports and/or forms confirmed the order completion.

In addition, the Independent Investigator issued enquiry letters to six customers of Yitie (accounting for approximately 87.2% of Yitie's revenue for the 2024 Interim Period) to confirm the authenticity of the explanations and documents, and to confirm whether the customer orders for the 2024 Interim Period had been completed. All of the aforesaid six customers have responded and confirmed the completion of the relevant orders.

Conclusion

In light of the above, the Independent Investigator concluded that the revenue recognition of Yitie for the 2024 Interim Period was supported by customary supporting documents (e.g. the independent broadcast report, broadcasting schedule form, schedule settlement form, case closure reports and completion confirmation form stamped by both Yitie and its customers) based on each type of media order, which evidence the completion of the relevant services.

Issue 2: Absence of, or the inconsistency of the amount of, the VAT Invoices for Yitie's Revenue

(a) Background

The McMillan Report indicated that approximately 62% of Yitie's revenue of approximately RMB116 million for the 2024 Interim Period was not supported by VAT invoices.

Findings

Invoicing Process and Policy

According to the Brand Communication Business Management Standardised System (品牌傳播業務管理規範制度) of Yitie, there are two types of customer invoicing arrangements, pre-payment and post-payment invoicing applications. VAT invoices typically issued to customers after receipt of payment, though timing of VAT invoicing may vary depending on specific circumstances and negotiations between Yitie and its customers.

In some instances, Yitie issues VAT invoices prior to customer payment to facilitate customer's internal approval processes. In some other cases, due to the credit period of up to six months granted by Yitie to its customers, a portion of Yitie's revenue for the 2024 Interim Period remained unpaid and hence the VAT invoices have not been issued to its customers as at 30 September 2024 even though relevant services had been completed.

Breakdown of the VAT Invoice

As at 30 September 2024, approximately RMB43.95 million (representing approximately 37.73% of Yitie's revenue recognised for the 2024 Interim Period) have been issued with the VAT invoices; while RMB72.55 million (representing approximately 62.27%) has not been issued with VAT invoices, with approximately RMB56.26 million unpaid, and approximately RMB16.28 million had been paid but not yet issued with the VAT invoices.

The Independent Investigator conducted review of all relevant VAT invoices through the VAT invoice verification platform (增值稅發票查驗平台) of the State Administration of Taxation of the PRC (國家稅務總局). Subsequently, as at 30 April 2025, approximately RMB104 million (representing approximately 89.2% of Yitie's revenue for the 2024 Interim Period) have been issued with the VAT invoices due to the subsequent customer's payment and consent to issue VAT invoices in respect of the relevant services, and approximately RMB10.66 million has not been issued with VAT invoices due to the following reasons:

- (i) In respect of the revenue of approximately RMB4.73 million which has been paid by the customers but not yet been issued with VAT invoices, of which (a) approximately RMB2.45 million remains uninvoiced due to the limited invoicing quota of a customer. This customer has requested Yitie to issue VAT invoices in separate batches; and (b) approximately RMB2.28 million remain uninvoiced due to the specific request by the other customer.

- (ii) In respect of the revenue of approximately RMB5.93 million which has not been paid by the customers and thus uninvoiced, due to customers' operational difficulties in a challenging business environment, payments were delayed beyond the six-month credit period. The Company is actively pursuing recovery and may consider legal action if defaults persist.

(b) Background

According to the McMillan Report, it was alleged that certain tax inclusive and tax exclusive income details could not be reconciled from the filling records, two customers were invoiced with a greater amount than the revenue recognized for these customers and the contract amounts cannot match the costs recognized and the invoiced amounts.

Findings

The aforesaid issues relate to the inconsistencies between the amounts of VAT invoices and the revenue recognised or contract amounts. The Independent Investigator noted that it is not uncommon for companies established in the PRC to recognise revenue before issuing VAT invoices. Given that revenue is recognised after it is earned (i.e. after goods or services are transferred to the customer and the company has fulfilled its obligations) pursuant to the applicable accounting standards, while tax invoices are issued depending on various considerations including, but not limited to, the timing of payment by the customer. Naturally, there is a timing difference between the amounts of VAT invoices and the revenue recognised or contract amounts, resulting in the alleged inconsistencies.

Conclusion

The Independent Investigator concluded that whilst VAT invoices were not issued in respect of a portion of Yitie's revenue for the 2024 Interim Period as at 30 September 2024, substantially all Yitie's revenue for the 2024 Interim Period have subsequently been issued with VAT invoices, and the reasons for the uninvoiced revenue of Yitie for the 2024 Interim Period have been identified.

Issue 3: Decline in Yitie's Gross Profit Margin

Background

The McMillan Report noted that the gross profit margin of Yitie's brand promotion business was 0.5% for the 2024 Interim Period, whilst according to the management account provided by Yitie to the finance department of the Group in October and November 2024 ("**Yitie's Draft Figures**"), its gross profit margin for the 2024 Interim Period was approximately 0.58%.

Findings

Hotel Media Margin

The gross profit margin of the hotel media service of Yitie (accounting for 48.1% of the total revenue of the Group for the 2024 Interim Period) was 18.33%, representing a slight decrease of approximately 1.67% as compared to gross profit margin of 20% for the 2023/24 Financial Year. The decrease was primarily attributable to change in discount structure of the Relevant Suppliers into a tiered discount structure based on purchase amount with effect from July 2024, instead of the previous flat discount of 20%.

Orders by the Group to relevant supplier from July to September 2024 received only 10% discount due to its cumulative purchase amount since July 2024, resulting an approximately 1% decrease in Yitie's hotel media gross profit margin for the 2024 Interim Period. But by March 2025, Yitie achieved a 28% discount as its cumulative purchase amounts reached the targeted threshold (which has confirmed by a confirmation letter jointly issued by Yitie and the Relevant Suppliers), as such, the discount has been maintained at 28% for the year ended 31 March 2025 ("**2024/25 Financial Year**"). Had the 28% discount applied for the entire 2024 Interim Period, the profit margin would be approximately 20.15%, representing a slight increase of approximately 0.15% as compared to the gross profit margin for the 2023/24 Financial Year.

Misclassified Expenses

Based on Yitie's Draft Figures, the primary reason for decrease in gross profit margin of Yitie for the 2024 Interim Period was due to, among others, certain misclassification of costs and expense as direct cost, which should be classified as operating expenses. Excluding these expenses, the gross profit margin of Yitie for the 2024 Interim Period was 9.33%, which is substantially in line with 9.20% for the year ended 31 March 2024 ("**2023/24 Financial Year**").

Accounting Adjustments

The Company noted that certain adjustments have been made to Yitie's revenue and cost figures under the Yitie's Draft Figures in accordance with HKFRS, leading to an adjusted gross profit from 0.58% to 7.65%, including but not limited to:

- (i) Recognition of sales rebate of RMB4.05 million;
- (ii) Reclassification of operating expenses as mentioned above;
- (iii) Reclassification of internet media services (except one) as agent-based under HKFRS 15, reducing revenue and costs by approximately RMB21.77 million;
- (iv) Approximately RMB1.88 million revenue reduction and approximately RMB1.85 million cost reduction due to a customer's dissatisfaction with an outdoor media service.

Conclusion

The Independent Investigator noted that the gross profit margin of Yitie for the 2024 Interim Period (after adjustment) was 7.65%, after taking into account (among others) the sales rebate recognition, supplier discount changes, misclassified expenses and other accounting adjustments.

Issue 4: Negative Gross Profit Margin of Zhongnongxin BJ

Background

According to the McMillan Report, it was alleged that the overall gross profit margin of the Company's supply chain business segment for the 2024 Interim Period was approximately 5.15%, with certain operating subsidiaries recorded an average gross profit margin of approximately – 0.12%. It was also stated that the then Board considered that the transaction with a negative gross profit margin to be unusual.

Findings

The Independent Investigator pointed out that the supply chain business segment of the Company referred to in the McMillan Report was Zhongnongxin BJ and its subsidiaries ("**Zhongnongxin Group**"), whilst the operating subsidiary which recorded an average gross profit margin of – 0.12% for the 2024 Interim Period should be referring to Zhongnongxin BJ only.

The reasons for Zhongnongxin BJ recorded a negative gross profit margin for the 2024 Interim Period were primarily due to: (i) the average gross margin of less than 1% in its new wine trading and sale of daily necessities retail business since Zhongnongxin BJ's operation has been recently re-commenced at that time; (ii) the provision of price concessions or discounts to certain brand merchants in order to build economies of scale so as to increase its bargaining power and to reduce the purchase costs. The Independent Investigator noted that the gross loss in respect of the relevant sale orders as supplied by Zhongnongxin BJ's supplier (with the negative gross profit margin of 6.55%) ("**Supplier C**") for the 2024 Interim Period only amounted to approximately RMB40,000, representing only 0.5% of the total revenue of Zhongnongxin BJ for the 2024 Interim Period.

The Company explained that the reasons the Group purchased from certain merchants even though a slight loss would be incurred after value-added tax payable, includes:

- (1) The Group aims to procure more goods from certain merchants so as to reduce procurement costs and increase profit margins on the one hand, and maintain the partnership with certain merchants;
- (2) The Group aims to achieve economies of scale in distributing the branded products and build a showcase to demonstrate the Group's distribution and supply chain management capability, and ultimately attract more customers/suppliers; and

- (3) the Group’s strategic planning to leverage the economies of scale built for the branded products to create synergy effects for its brand promotion and advertisement business segment.

Conclusion

The Independent Investigator considered that it is not unusual for a company to offer discounts to its customers or suppliers as a means of expanding its market, promoting sales or achieving long-term benefits, which may result in reduced profits or even negative gross profit on some orders. The amount involved (i.e. RMB40,000) is not disproportionate to the scale of sales of Zhongnongxin BJ and is not inappropriate, on the basis that Zhongnongxin BJ has a clear business plan with a well-defined business rationale for the relevant transactions and appropriate cost controls in place.

Issue 5: Investment Activities by Subsidiary A

Background

According to the McMillan Report, it was alleged that the then Board was not informed, nor had approved, the incorporation of new companies. It is unclear whether the relevant invested companies were properly established in accordance with the Group’s investment policies, and such new companies were not disclosed in the Group’s organisation structure and did not submit any financial information to the Group.

Findings

Subsidiary A established or acquired the following companies during the 2024 Interim Period:

- (i) A subsidiary established for the purpose of brand operation business (“**Subsidiary C**”);
- (ii) 100% equity interest in a company (“**Company A**”) acquired at nil consideration for the purpose of brand communication and integrated marketing channel business;
- (iii) 51% equity interest in a company (“**Company B**”) acquired at nil consideration for the purpose of brand communication direct client business; and
- (iv) 100% equity interest in a company (“**Company C**”, together with Company A and Company B, the “**Acquisition Targets**”) acquired at nil consideration for the purpose of brand communication incubation business

(items (ii) to (iv) above are hereinafter collectively referred to as the “**Acquisitions**”, and each a “**Acquisition**”).

Approval procedures

The establishment of Subsidiary C did not involve any merger and acquisition which necessitates the approval of the Board pursuant to the investment policies of the Group. According to the records provided by the Company, the Independent Investigator noted that Subsidiary C has provided financial information to the Group and has been reflected in the Company's consolidated financial statements for the 2024 Interim Period. Therefore, the establishment of Subsidiary C is irrelevant in the alleged unauthorised domestic investments activities.

The Company explained that since there was no requirement from the Group level that the acquisition which does not trigger any disclosure requirements under the Listing Rules has to be subject to the approval of the Board, it is the practice of the Group that acquisitions by the relevant subsidiary of the Group will be authorised or approved in accordance with the respective articles of association or the regulations of the mergers and acquisition of the relevant subsidiary of the Group. Pursuant to the articles of association of Subsidiary A, Mr. Zhao, as the sole executive director of Subsidiary A, has the authority to approve the business plans and investment proposals and to decide on the internal management structure of Subsidiary A, and hence Mr. Zhao was authorised to implement the aforesaid establishment of Subsidiary A and the Acquisitions.

In addition, the Independent Investigator noted that pursuant to the Investment Management Standards (Provisional) (《投資管理標準(試行)》) of Subsidiary A (the “**Investment Standards**”) which is applicable to the investment-related business of the Subsidiary A and its subsidiaries, unless the transaction amount in question exceeds RMB35 million, the transactions are not required to be submitted to the Board for approval and are only subject to internal approval by the general manager or investment committee of Subsidiary A. According to the relevant equity purchase agreements and supplemental agreements in relation to the Acquisitions, all three Acquisitions were at nil consideration and thus do not require any approval of the Board. In order to comply with the Listing Rules, Subsidiary A conducted the size test calculation on the Acquisitions based on the financial information as extracted from the financial due diligence at the material time, and the results revealed that none of the applicable percentage ratios exceeded 5% and hence the Acquisitions did not constitute the discloseable transactions under the Listing Rules.

Pursuant to the Investment Standards, Subsidiary A has engaged domestic law firms and accounting firms to conduct legal and financial due diligence, and the investment committee of Subsidiary A has discussed the due diligence results and resolved that there were no material risks which would require the termination of the Acquisitions.

Disposal

Due to differences of Directors in respect of the Acquisition, Subsidiary A had disposed of all of its equity interest in each of the Acquisition Targets prior to 30 September 2024 pursuant to the equity disposal agreements. According to the public searches, Subsidiary A is no longer a shareholder of each of the Acquisition Targets. In addition, there was no change in directors, supervisors and legal representatives of the Acquisition Targets between the date of each respective Acquisition and the subsequent disposal of the Acquisition Targets pursuant to the equity transfer agreements, which is no more than 12 days. The Group was unable to exercise control over the Acquisition Targets by changing the directors of the Acquisition Targets to direct the significant investment decisions which significantly affect the returns of the Acquisition Targets, therefore the financial results of the Acquisition Targets were not consolidated in the 2024 Interim Results.

Conclusion

The Independent Investigator concluded that the Acquisitions were approved in accordance with the articles of association of Subsidiary A and the Investment Standards. Whilst the financial statements of Subsidiary C have been provided to the Group and consolidated in the 2024 Interim Results, the financial results of the Acquisition Targets were not consolidated in the 2024 Interim Results.

Issue 6: Alleged Connected Transaction with the Relevant Suppliers

Background

According to the McMillan Report, it was alleged that Ms. Qin, Mr. Zhao and Mr. Guo (“**Relevant Directors**”), the executive Directors of the Company, were closely associated with an individual (“**Individual A**”), who is the chairman and general manager of Supplier A, and an executive director and general manager of Supplier B. It was alleged that Relevant Directors held shares in a series of companies, including the Relevant Suppliers, where Ms. Qin was the vice chief executive officer, and the spouse of Individual A was a shareholder of Supplier A. McMillan Report also stated that it was unable to ascertain and verify whether the transactions entered into between Yitie and the Relevant Suppliers constituted the connected transactions of the Group.

Findings

Based on the review of the declaration forms provided by Ms. Qin, Mr. Zhao and Mr. Guo to the Group, which include but not limited to the information of shareholdings and directorships in other companies held by the Directors or their immediate family members, as part of the annual audits conducted by the Company, the Independent Investigator noted that except that Mr. Zhao and Mr. Guo indirectly held approximately 0.6% equity interest in the Relevant Suppliers, Mr. Zhao, Ms. Qin, Mr. Guo and each of their respective immediate family members did not have any shareholding or directorships in the Relevant Suppliers.

Based on the public searches the Independent Investigator noted that:

- There is no evidence suggesting that Individual A falls within the definition of connected persons of the Group under the Listing Rules.
- There is no evidence suggesting that the shareholders, directors or supervisors of the Relevant Suppliers fall within the definition of connected persons of the Company under the Listing Rules.
- As confirmed by the Company, the spouse of Individual A did not have business dealings with the Group, nor there is any evidence suggesting that the spouse of Individual A was a connected person of the Company under the Listing Rules.

Based on the public search of the disclosure of interest notices as filed on the HKEx website, there is no evidence suggesting that each of Individual A, Individual A's spouse and the Relevant Suppliers is a substantial shareholder (as defined under the Securities and Futures Ordinance) of the Company.

Conclusion

The Independent Investigator concluded that there is no evidence suggesting that the Relevant Suppliers fall within the definition of connected persons of the Company under the Listing Rules, nor is there any evidence suggesting that the transactions between Yitie and the Relevant Suppliers fall within the definition of connected transactions of the Company under the Listing Rules.

Issue 7: Fund Transfers via Personal Accounts

Background

According to the McMillan Report, it was alleged that for the period between November 2023 and February 2024, HK\$18 million were transferred from Subsidiary B to Yitie via personal bank accounts of Ms Qin and Mr Zhao (**“Fund Transfers”**). Subsequently, Mr. Zhao returned HK\$2.43 million to Subsidiary B. Given that McMillan has not obtained the accounting records of Yitie, it could not ascertain whether Yitie has received the aforesaid amount.

Findings

The background of entering into of the Entrustment Arrangement (as defined below):

- (a) Since the commencement of business of Yitie in August 2023, Yitie required operational fundings from its sole shareholder, Subsidiary B, to support its business operations. In November 2023, Yitie has successfully applied for a foreign debt registration with the State Administration of Foreign Exchange (**“SAFE”**) with a quota of approximately RMB16.58 million, and thereafter Subsidiary B remitted approximately HK\$15.60 million (equivalent to approximately RMB14.53 million) to Yitie as a shareholder’s loan. Given that the foreign debt quota balance of approximately RMB2 million was insufficient to support Yitie’s operation and Yitie had an imminent need of operational capital at the material time, therefore Subsidiary B decided to entrust Ms. Qin and Mr. Zhao to transfer funds from Subsidiary B to Yitie through the personal bank accounts of Ms. Qin and Mr. Zhao (the **“Entrustment Arrangement”**) until the registered capital account of Yitie has been opened. In order to expedite the process of fund transfer within the PRC, taking into account that Ms. Qin is the legal representative and director of Yitie whilst Mr. Zhao holds no managerial position in Yitie, certain personal arrangements have been made between Ms. Qin and Mr. Zhao whereby Ms. Qin assisted in transferring the entrusted payment to the PRC bank account of Yitie on behalf of Mr. Zhao within the PRC.

- (b) As it took time for Yitie to open the registered capital account, Subsidiary B had decided to continue with the previous practice to implement the Entrustment Arrangement for the purpose of fulfilling the urgent funding need of its subsidiary, Yitie, to support its business operations. The Company explained that it would be safer and more reliable for a subsidiary in need of working capital to implement the Entrustment Arrangement through Ms Qin and Mr Zhao (both of whom are executive Directors) as compared with other means. Since Yitie has set up its registered capital account in February 2024, the Group has ceased to implement the Entrustment Arrangement for supporting the business operations of Yitie.

Approval Procedures of the Entrustment Arrangement

The Payment Management Guidelines (付款管理指引) of the Company (“**Payment Management Guidelines**”) sets out the procedures for requesting payment for non-operating expenses or capital expenditures. The applicant must fill in the payment request form, setting out all the details of and reasons for the payment with the enclosure of the relevant supporting documents, which will be checked by the finance manager and then submitted to the authorised signatory for signature. For non-recurring expenses such as investment, capital expenditure and major expenses exceeding HK\$200,000, the payment request form should be approved by the chief operating officer (“**COO**”) of the Company and one (1) executive Director (in the event that COO is on leave, all requests will be approved by two (2) executive Directors).

The Fund Transfers were reviewed and approved as evidenced in the separate payment request forms, all of which were submitted by the personnel from the finance department of Subsidiary B, reviewed by the then chief financial officer of the Company and subsequently approved by the then chief executive officer of the Company and executive Director, Mr. Chiu Sui Keung (“**Mr. Chiu**”). Given that the position of COO was vacant at the material times and the chief executive officer has handled the relevant duties including the relevant approvals pursuant to the Payment Management Guidelines, therefore Mr. Chiu has approved the Fund Transfers in the capacity of chief executive officer and executive director. In addition, considering that the Fund Transfers have been approved by three executive Directors of the Company (namely, Mr. Zhao, Ms. Qin and Mr. Chiu), therefore the Company is of the view that it should be regarded as compliant with the relevant requirements of the Payment Management Guidelines that the relevant payments should be approved by two executive Directors.

The Independent Investigator noted that all funds transferred from Subsidiary B were recorded in its current account with Yitie and all funds received by Yitie were recorded in its current account with Subsidiary B, and there is no discrepancy between the records of Yitie and Subsidiary B.

Conclusion

Having considered that (i) the Entrustment Arrangement was approved in accordance with the Payment Management Guidelines, (ii) Yitie has received the funds transferred from Subsidiary B in full and there is no discrepancy between the records of Yitie and Subsidiary B and (iii) there is no evidence suggesting the Group has suffered any loss from the Entrustment Arrangement, the Independent Investigator concluded that the fund flow arrangement between Ms. Qin, Mr. Zhao and relevant entities of the Group in respect of the Entrustment Arrangement was merely a mechanism to facilitate the transfers of funds from Subsidiary B to Yitie consistent with the explanation provided by the Company. Also, based on the review of the transaction and voucher records of Subsidiary B and Yitie, the Independent Investigator concluded that all fund transfers in respect of the Entrustment Arrangement facilitated by Ms. Qin and Mr. Zhao have been fully settled and transferred to the Group.

THE INDEPENDENT INVESTIGATOR'S VIEWS

In light of the aforesaid investigation findings, the Independent Investigator is of the view that there is no/or insufficient evidence to support that any of the Allegations to be true or made with reasonable basis, in particular, there is no (or insufficient) evidence to suggest any reasonable regulatory concern about integrity, character and competence of the Group's management and/or any person with substantial influence over the Company's management and operations, including Mr. Zhao, Ms. Qin and Mr. Guo.

Recommendation from the Independent Investigator

In arriving the results of the Forensic Investigation, the Independent Investigator has identified several internal control deficiencies and made recommendations to the Group's management to remediate such deficiencies, which include the following:

- (a) Certain accounting figures in the preliminary management account of Yitie for the 2024 Interim Period provided by Yitie to the finance department of the Group in October and November 2024 have to be adjusted pursuant to the HKFRS. It is suggested that the Group should consider strengthening the training of the finance staff of its subsidiaries. In case there is any doubt of the accounting treatment of a significant amount by the subsidiaries' finance staff, they should consider seeking professional advice from appropriate persons (such as financial controller, the chief financial officer, or even the Company's auditor), to ensure that the classification of accounts and amounts are accurate.
- (b) The Company did not have a formal system and process of investment and mergers and acquisitions at the material times of the acquisition of the Acquisition Targets, resulting in the divergent opinion as to whether the investment and merger and acquisition have been duly authorised. It is suggested that the Company should consider formulating a set of standardised systems and procedures which are applicable to the investment and merger and acquisition to be undertaken by all the subsidiaries within the Group.

- (c) The Payment Management Guidelines of the Company sets out the procedures for requesting payment for non-operating expenses or capital expenditures. For non-recurring expenses (such as investment, capital expenditure and major expenses exceeding HK\$200,000), the payment request form should be approved by the COO of the Company and one (1) executive Director (if COO is on leave, all requests shall be approved by two (2) executive Directors). It is unclear as to whether one person who acts as the chief executive officer and an executive director of the Company can approve the payment request form in both capacities pursuant to the Payment Management Guidelines. It is suggested that the Payment Management Guidelines should be updated or supplemented as appropriate.
- (d) In order to avoid the recurrence of the incident where the Directors do not have sufficient time to review the financial statements and supporting documents and hence lead to failure of the Company to issue the financial results as required under the Listing Rules, the financial personnel of the Company should submit the financial information and relevant supporting documents to the Board for review as early as possible to ensure a more smooth and efficient review process. It is suggested that each Director should strengthen regular reporting, monitoring and communication in relation to the Group's normal operations, in particular there is any major specific issue such as a significant change in the revenue or profit of the principal subsidiary. The Company should also consider convening a Board meeting in a timely manner to discuss relevant matters so as to understand the cause of the event and its impact on the Group, as well as whether any corresponding measures or actions are required to address the issues.

Key limitations on the Forensic Investigation

Limitations encountered by the Independent Investigator may have limited the extent of the Forensic Investigation set out below:

- (a) the Independent Investigator was unable to obtain certain contemporaneous records and documents relating to the relevant matters as they had not been retained on file; and
- (b) the Independent Investigator was unable to conduct interviews or obtain confirmations from certain former directors of the Group and third parties involved, as they either declined or failed to respond to interview invitations or confirmation requests.

THE INDEPENDENT COMMITTEE’S VIEW

The Independent Committee have reviewed the findings of the Investigation Report and are of the view that despite the Limitations as set out under “Key limitations on the Investigation” in this announcement throughout the process of the Forensic Investigation, it is considered that the Forensic Investigation has been thoroughly conducted by the Independent Investigator, and have comprehensively investigated into the Issues to the extent that is practicable. The Independent Committee agrees with the findings and the internal control recommendations made by the Independent Investigator, and concludes that there is no (or insufficient) evidence to support that any of the Allegations to be true or made with reasonable basis, in particular, there is no (or insufficient) evidence to suggest any reasonable regulatory concern about integrity, character and competence of the Group’s management and/or any person with substantial influence over the Company’s management and operations, including Mr. Zhao, Ms. Qin and Mr. Guo.

OPINION OF THE BOARD

The Board (except Mr. Zhao, Ms. Qin and Mr. Guo who have abstained in expressing their views to avoid possible conflict of interest) has reviewed the findings of the Investigation Report and concurs with the view of the Independent Committee and the Independent Investigator set out above. The Board (except Mr. Zhao, Ms. Qin and Mr. Guo) accepts the Independent Committee’s view to strengthen its internal controls and procedures as recommended by the Independent Investigator.

As disclosed in announcement of the Company dated 18 November 2025 in relation to the key findings and results of the independent control review (the “**IC Findings Announcement**”), the Company engaged SHINEWING Risk Services Limited as its internal control consultant (the “**IC Consultant**”) to conduct a review of the internal control systems and procedures of the Group (the “**Internal Control Review**”) and perform a follow-up review (the “**Follow-up Review**”) on the remedial measures taken by the Company. The Company has adopted and implemented all the recommended remedial actions to address the internal control deficiencies as identified by the IC Consultant and the Independent Investigator. For details of the remedial actions taken by the Company, please refer to the IC Findings Announcement.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 2 December 2024 and will remain suspended until further notice.

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

By order of the Board
Elife Holdings Limited
Zhao Zhenzhong
Executive Director

Hong Kong, 18 November 2025

As at the date of this announcement, the Board comprises of Mr. Zhao Zhenzhong, Mr. Guo Wei, Ms. Qin Jiali, Ms. Tan Xin and Mr. Zhang Zhilin, as the executive Directors and Mr. Lin Qiu Cheng, Mr. Wang Anxin and Mr. Wu Kwok Choi, Chris as the independent non-executive Directors.

* *For identification purpose only*