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## **HUSCOKE HOLDINGS LIMITED**

### **和嘉控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 704)**

## **COMPLETION OF INTERNAL CONTROL REVIEW**

### **Financial Adviser to the Company**

**VEDA | CAPITAL**  
**智略資本**

References are made to the announcements of Huscoke Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 March 2021, 10 May 2021, 28 June 2021, 28 September 2021, 28 October 2021, 28 December 2021, 18 January 2022, 17 February 2022, 10 March 2022, 28 March 2022, 26 May 2022, 28 June 2022, 28 September 2022 and 28 December 2022, in relation to, among other things, (i) the suspension of trading of shares of the Company; (ii) the resumption guidance; (iii) the quarterly update announcements; (iv) engagement of independent internal control adviser; and (v) the independent investigation results (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

### **BACKGROUND**

As set out in the Company’s announcement dated 10 March 2022, the Company has appointed Zhonghui Anda Risk Services Limited as the independent internal control adviser (the “**IC Adviser**”) to the Company to conduct a comprehensive review of the internal controls and procedures of the Group (the “**IC Review**”), make recommendations of remedial measures accordingly (the “**IC Recommendations**”).

## SCOPE OF INTERNAL CONTROL REVIEW

The IC Adviser conducted a review on the internal controls and procedures of the Group from 1 January 2021 to 31 March 2022 (the “**Review Period**”), during the period from 8 April 2022 to 28 April 2022, and conducted follow-up reviews on the remediated internal control measures implemented by the Group during the period from 23 August 2022 to 20 September 2022 and the period from 1 March 2023 to 15 March 2023, respectively.

The scope of internal control system assessment includes (i) the proposed work done by the Directors to properly monitor, supervise and manage the business and affairs of the Company’s subsidiaries and ensure that their assets and interests were properly safeguarded; and (ii) mechanism or arrangement details of the proposed measures and safeguards regarding the detection and prevention by the Company on events similar to the Incident.

As at the date of this announcement, the Company has formulated remedial action plans to address the internal control deficiencies as identified. Following the implementation of the remedial action plans, the IC Adviser conducted a follow-up review to walkthrough remediated internal control measures and reported on the remediation results.

## COMPLETION OF THE INTERNAL CONTROL REVIEW

The Company is pleased to announce that all remediation work as recommended by the IC Adviser has been completed. The IC Adviser has accordingly issued the internal control review report (the “**IC Report**”) following the follow-up assessment of remediation implemented by the Group.

## SUMMARY OF KEY FINDINGS AND RESPECTIVE REMEDIATION ACTIONS TAKEN BY THE GROUP

Set out below is a summary of the key findings and respective remediation actions taken by the Group:

<b>Internal control procedures</b>	<b>Summary of key findings</b>	<b>Remedial measures implemented by the management</b>
<i>Enterprise level</i>		
Comply with the Corporate Governance Code in Appendix 14 of the Listing Rules	<u>A. Directors</u>	
	- The roles of chairman and chief executive should be separate and should not be performed by the same individual. In addition, the division of responsibilities between the chairman and chief executive should be clearly defined and put in writing.	- The Board considers that the existing arrangements are sufficient to ensure effective management and operations for the business of the Company. The Board will assess from time to time whether it is necessary to appoint a chief executive in light of the actual business development.

	<p>- The Company shall hold an annual general meeting and arrange for all Directors appointed to fill casual vacancies to be elected by shareholders at the annual general meeting. Each Director (including those appointed for a specified term) shall retire by rotation at least every three years. Since 5 June 2020, the Company has not held annual general meetings and the Directors have not been able to retire at the annual general meeting or be re-elected by Shareholders.</p>	<p>- The annual general meeting was held on 6 September 2022 for the retirement and re-election of Directors.</p>
	<p>- The Company shall hold a nomination committee meeting at least once a year to review the structure, number and composition of the board of directors, and make recommendations to the Board.</p> <p>The Company did not hold any nomination committee meeting for the year ended 31 December 2021.</p>	<p>- The Company held a nomination committee meeting on 28 July 2022 to review the items as recommended.</p>
<p><u>B. Remuneration of Directors and senior management and evaluation of the Board</u></p>		
	<p>- The Company should hold remuneration committee meetings to review and approve management's remuneration proposals.</p> <p>The Company did not hold any remuneration committee meeting for the year ended 31 December 2021.</p>	<p>- The Company held a remuneration committee meeting on 28 July 2022 to review the items as recommended.</p>
<p><u>C. Delegation of powers of the Board</u></p>		
	<p>- The Company should enter into a written letter of appointment with all Directors, specifying the main terms and conditions of the appointment. Only three Directors had entered into the written letter of appointment.</p>	<p>- All re-elected Directors from the annual general meeting held on 6 September 2022 have entered into the written letter of appointment.</p>

	<u>D. Communication with shareholders of the Company</u>	
	<p>- The Company shall hold an annual general meeting of shareholders and invite chairman of each committee and auditor to attend. The Company has not held any annual general meeting of shareholders since 5 June 2020.</p>	<p>- The Company held the annual general meeting on 6 September 2022. The Chairman and all chairmen of each committee attended the meeting.</p>
Monitoring	<u>E. Manage monitoring activities including but not limited to management reports, analysis and review</u>	
	<p>- The Company has not established any specific prevention and detection mechanisms to monitor the financing behavior of subsidiaries and the use of bank borrowing funds for the Possible Loans, the Loans and Contingent Liabilities.</p>	<p>- The Company has formulated financing regulation and clarified the relevant content in subsidiaries, including but not limited to,</p> <ul style="list-style-type: none"> <li>(i) all debt financing of subsidiaries must be approved by the Board;</li> <li>(ii) all loan contracts must be kept by the dedicated officer designated by the borrower and sent a copy to the finance department of the Company;</li> <li>(iii) all loans (including but not limited to guarantee and pledge) must be accounted for in every detail. At the beginning of each month, the repayment schedule for the outstanding loans should be prepared and implemented. The credit officer must supervise the repayment schedule of each loan;</li> <li>(iv) two employees of the financial department of subsidiaries should go to the bank to obtain the credit report every month, sign the credit report and send a copy to the financial department of the Company. The financial department of the Company plans to conduct independent inquiries in every June and December each year;</li> </ul>

		<p>(v) the Company authorizes and arranges dedicated officers to be responsible for the safekeeping and the usage of the subsidiaries' stamps, and the relevant stamps usage records must be regularly submitted to the financial department of the Company; and</p> <p>(vi) subsidiaries should regularly report the use of bank loans and all financial status of the borrowers of any guaranteed. The financial department of the Company should keep relevant records.</p> <p>All resolutions of those regulations above were approved by all Directors on 18 August 2022 and all regulations were agreed to be implemented by the Target Subsidiary through the board meeting on 14 February 2023.</p>
	<p><u>F. Channels for reporting deficiencies and exceptions</u></p>	
	<p>- Although the Company has established an English version of the written whistleblowing policy, there is no record showing that the subsidiaries are aware of and implement any relevant policy. The Company should establish a Chinese translation of the written whistleblowing policies, send it to the administrative departments of each subsidiary, require confirmation of receipt and implementation, and then forward it to each employee to strengthen the implementation and execution of the whistleblowing policies.</p>	<p>- The Company has established a Chinese translation of the written whistleblowing policy, and clearly regulated the relevant whistleblowing procedures. All Directors passed a written resolution on 18 August 2022. All regulations were agreed to be implemented by the Target Subsidiary through the board meeting on 14 February 2023.</p>

<i>Business level</i>		
Appointment and composition of management of major subsidiaries	<u>G. Management appointment and background due diligence</u>	
	<p>- The then directors, supervisors and senior management of GRG Huscoke failed to perform their reasonable level of prudence, skills and efforts to fulfill their obligations as the senior management of GRG Huscoke when the Possible Loans and the Loans occurred.</p>	<p>- After, the Company disposed of GRG Huscoke and those relevant persons relating to the Incident will not belong to the Company. The Company has formulated the senior management personnel regulation to standardize the review process for hiring senior management both in the Company and subsidiaries, including but not limited to conduct full due diligence on the relevant candidates, including checking their education certificates online and confirming their work experience with their previous employers.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulations were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023. Mr. Wang Yijiun, being the executive Director of the Company, Mr. Jiang Jiansheng and Mr. Tang Ching Fai, being the non-executive Directors of the Company were appointed as the full board of directors of the Target Subsidiary.</p>
	<u>H. Obligations of the senior management</u>	
	<p>- The then senior management of GRG Huscoke had ethical issues and there are insufficient awareness and mechanisms for reporting financial and financing matters to the Company.</p>	<p>- The Company has formulated the senior management regulation, financing regulation and bank accounts regulation, the content of which includes, but is not limited to:</p>

		<p>(i) subsidiaries must arrange for their senior management to conduct regular training and guidance on matters such as financial reporting, bank loans and guarantees and ethics;</p> <p>(ii) any financing plan, financing application and external guarantees must be approved by the Board;</p> <p>(iii) the application for opening bank accounts must be submitted to and approved by the Board.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulations were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>
Stamps' safekeeping	<p><u>I. Stamps' safekeeping</u></p>	
	<p>- There is no requirement that all stamps of GRG Huscoke should be kept by a dedicated officer, and there is no regulation that the stamps must be kept and used by dedicated officer authorized by the Company.</p>	<p>- The Company has formulated stamps' regulation, the content of which includes but is not limited to, the dedicated officers designated by the Company keeping and authorizing the use of stamps and keeping the usage records.</p> <p>- All Directors passed a written resolution on 18 August 2022. All regulations were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023. Mr. Wang Yijun, Mr. Tang Ching Fai and Mr. Chiu Chun Tak were authorized to keep the company stamp, the legal representative stamp and the financial stamp respectively.</p>

<u>J. Use application and approval of stamps</u>	
<p>- GRG Huscoke failed to provide the application approval evidences and any usage records of the stamps.</p>	<p>- The Company has formulated the stamps regulation, the relevant content of which includes but is not limited:</p> <p>(i) the use application of stamps must be approved and signed by the senior management of the subsidiaries, and confirmed by the stamps administrator. The stamps administrator must record the details of the usage of the stamps, including but not limited to, the name of documents and the name of person who used them, and submit a copy to the financial department of the Company every month; and</p> <p>(ii) for other documents, the responsible department should fill in the use application form, and be approved and signed by the department manager, senior management in charge, financial controller, general manager and chairman. Then the stamps administrator can use them directly.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulations were agreed to implement by the Target subsidiary through the board meeting on 14 February 2023.</p>



<p>Banks accounts opening and management</p>	<p><u>K. Approval process for opening, maintaining and terminating bank accounts</u></p>	
	<p>- During the Review period, GRG Huscoke did not show that they had established a written policy for bank accounts management to regulate the opening, authorized use and termination of their bank accounts.</p>	<p>- The Company has formulated bank accounts regulation, the relevant content of which includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>(i) the application for opening a new bank account should be approved by the financial manager, financial controller, general manager and chairman of the subsidiaries. All opening documents, including any details, future approval candidates and signing regulations, should be prepared and submitted to the Board for final approval;</li> <li>(ii) illegal and non-compliant fund transactions are strictly prohibited in all bank accounts;</li> <li>(iii) for the operation of the online bank, at least two authorized persons are required to complete any payment or transfer; at least two authorized persons should be authorized to keep the keys of the online bank under the approval of financial controller or directors of the subsidiaries. Any relevant records should be kept;</li> <li>(iv) for any changes in the bank accounts, it must be reported to the financial department of the Company within five business days upon the completion of the changes;</li> </ul>

		<p>(v) Any bank accounts which have been idle for more than six months will be terminated by the person in charge of the financial department of the subsidiaries.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulations were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>
<p><u>L. Approval of bank accounts authorizer</u></p>		
	<p>- GRG Huscoke did not provide the selection and approval documents of the bank accounts authorizer. Besides, during the Review period, there is no information showing that the keys of the online banks were kept by at least two authorized persons and there are no any records of use applications and approval.</p>	<p>- The Company has formulated bank accounts regulation, the relevant content of which includes, but is not limited to the following,</p> <p>for the operation of the online bank, at least two authorized persons are required to complete any payment or transfer; at least two authorized persons should be authorized to keep the keys of the online bank under the approval of financial controller or directors of the subsidiaries, and the relevant records should be kept and sent regularly to the financial department of the Company.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulation were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>

	<p><u>M. Independent implementation mechanism for application and reporting of credit reports</u></p>	
	<p>- The credit reports provided by GRG Huscoke on 23 October 2020 and 24 October 2020 cannot be factually proved. The Company conducted inquiries on 6 September 2021 to confirm that there were no records of the credit reports provided by GRG Huscoke.</p>	<p>- The Company has formulated bank accounts regulation, the relevant content of which includes, but is not limited to,</p> <ul style="list-style-type: none"> <li>(i) on the 5<sup>th</sup> day of each month, the finance department of the subsidiaries must send two employees to the bank to obtain the credit report and sign on the report, then send the copy to the finance department of the Company;</li> <li>(ii) for the credit reports obtained in June and December each year, the Company has to appoint an independent third party (such as the auditor of the Company) to go to the bank to obtain the credit reports independently and send the copy to the financial department of the Company;</li> <li>(iii) the financial department of the subsidiaries needs to check the bank statements with credit report and provide the verification results to the finance department of the Company every month. If there is any discrepancy in the verification results, the reasons for the discrepancy need to be explained; and</li> </ul>

		<p>(iv) The credit reports obtained every month must be properly kept and filed according to their respective dates.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulation were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>
	<u>N. Timeliness and records of application and reporting of credit reports</u>	
	- The Company has not established a written policy to regulate the timeliness on reporting of credit reports by subsidiaries and the records of checking the consistency between the bank statements and credit reports.	- The same measures as mentioned in point M.
Financing management	<u>O. Approval process of bank loans</u>	
	- The relevant bank loans in relation to the Incident were not be approved by the then Directors, and the then directors of GRG Huscoke who signed the relevant loan contracts also failed to provide any approval documents for their legal authorization.	<p>- The Company has formulated financing regulation, the relevant content of which includes, but is not limited to:</p> <p>(i) any financing plan, financing application and external guarantees must be approved by the Board;</p> <p>(ii) the loan contracts must be kept by the dedicated officer designated by the borrower and copied to the finance department of the Company; and</p>

		<p>(iii) every detail of the bank loans, guarantees and pledges must be accounted for and recorded in time, including but not limited to, the lending bank, borrower, guarantee method, the reasons for financing, borrowing date, repayment due date, interest rate, interest payment methods and other information.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulation were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>
	<u>P. Approval process of guarantees for bank loans</u>	
	- The relevant guarantees in relation to the Incident were not be approved by the then Directors, and the then directors of GRG Huscoke who signed the relevant guarantee contracts also failed to provide any approval documents for their legal authorization.	- The same measures as mentioned in point O.
	<u>Q. Reporting and supervision of bank loans status</u>	
	- Parts of the bank loans were not clear about the flow of funds and the specific situation of the use of funds. In addition, GRG Huscoke did not report to the Company any use of funds obtained from the Possible Loan and the Loans.	- The Company has formulated bank accounts regulation and financing regulation, the relevant content of which includes, but is not limited to: <p>(i) every detail of the bank loans, guarantees and pledges must be accounted for and recorded in time;</p>

		<p>(ii) the financial department of subsidiaries should report the information of every bank loans to the financial department of the Company within the last six days of each month;</p> <p>(iii) the repayment schedule for the outstanding loans should be prepared and implemented by the financial department of the subsidiaries. The credit officer must supervise the repayment schedule of each loan;</p> <p>(iv) for the credit reports obtained in June and December each year, the Company has to appoint an independent third party (such as the auditor of the Company) to go to the bank to obtain the credit reports independently and send the copy to the financial department of the Company.</p> <p>All Directors passed a written resolution on 18 August 2022. All regulation were agreed to implement by the Target Subsidiary through the board meeting on 14 February 2023.</p>
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Based on the follow-up review on remediation results for enhancement of the Group’s internal control system, the IC Adviser did not identify any further internal control weaknesses and deficiencies nor make any further recommendations on the Group’s internal control system and is of the view that the Company has put in place adequate corporate governance and internal control systems to fulfill its obligations under the Listing Rules.

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

Having considered the IC Report and the remedial measures taken by the Group, the Board and the Audit Committee of the Company is of the view that the remedial measures implemented by the Group are adequate and sufficient to address the key findings of the IC Review and the enhanced internal control system can facilitate the Group to detect and prevent the similar risks. As such, the Board is of the view that the Company has now in place adequate internal control systems to meet the obligations under the Listing Rules.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021, and will remain suspended until further notice.

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

By order of the Board of  
**Husoke Holdings Limited**  
**Au Wing Sze**  
*Company Secretary*

Hong Kong, 23 March 2023

*As at the date of this announcement, the Board comprises Mr. Zhao Xu Guang (Chairman), and Mr. Wang Yijun as executive Directors; Mr. Wong Siu Hung, Patrick, Mr. Huang Man Yem, Mr. Jiang Jiansheng and Mr. Tang Ching Fai as non-executive Directors; Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin as independent non-executive Directors.*