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雲白國際有限公司
YNBY International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00030)

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

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 20 June 2022 and 30 June 2022 in relation to, among other things, the establishment of the Independent Investigation Committee, delay in publication of the 2021/2022 Annual Results and the 2021/2022 Annual Report; (ii) the announcement of the Company dated 21 June 2022 in relation to the suspension of trading in the Shares on the Stock Exchange; (iii) the announcement of the Company dated 26 July 2022 in relation to the Resumption Guidance; (iv) the announcement of the Company dated 28 July 2022 in relation to the updates of the Investigation; and (v) the announcements of the Company dated 20 September 2022, 20 December 2022, 20 March 2023, 20 June 2023 and 20 September 2023 in relation to the quarterly update on suspension of trading.

As disclosed in the announcement of the Company dated 26 July 2022, the resumption conditions include, among others, that the Company must (i) conduct an appropriate forensic investigation, announce the findings and take appropriate remedial actions; and (ii) conduct the 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 Forensic Investigation and the Internal Control Review.

KEY FINDINGS OF THE FORENSIC INVESTIGATION

a. Background

Upon taking over the management of the Company in early 2022, the priority of the new executive management of the Company, including Mr. Dong Ming and Mr. Liu Zhouyang, was to take control of the businesses of the Group, investigate into the cause and reasons for the deterioration in the financial conditions of the Money Lending Business and the trading business of the Group, and the relatively significant financial losses for the six months ended 30 September 2021 (“**Financial Losses**”). Upon reviewing the trading and financial records of the then existing businesses of the Company, the New Executive Management determined that additional information will be required for the purpose of, among other things, further understanding the then existing businesses of the Company and the causes and reasons for the Financial Losses. As such, it was considered by the Board that an independent investigation committee should be formed and such committee should be provided with investigation powers.

Accordingly, the Independent Investigation Committee was formed by the Board for the Investigation and an independent professional advisor, the forensic team from a Big-4 accounting firm (the “**Forensic Investigator**”) was appointed by the Independent Investigation Committee to assist in conducting the Investigation in April 2022. The Investigation was primarily for the purpose of understanding the then existing businesses of the Company and to investigate and report on the matters and events relating to the outstanding loans and the then existing businesses of the Company.

As part of the Resumption Guidance, the Forensic Investigator was subsequently appointed by the Board in September 2022 to prepare a report on the findings of the Forensic Investigation. The Forensic Investigation extended the then on-going Investigation with additional scope. Apart from the original Scope of Investigation, the Forensic Investigator was requested by the Company to further examine the issues raised by HLB Hodgson Impey Cheng Limited, the then auditor of the Company, in its resignation letter, details of which are set out in the announcement of the Company dated 28 April 2023.

In addition to the duties as disclosed above, in September 2023, the duties of the Independent Investigation Committee were further expanded to (i) review the Forensic Investigation Report and the Internal Control Review Report; (ii) report to the Board and the Audit Committee on the matters of the and events relating to the Forensic Investigation Report and the Internal Control Review Report; and (iii) provide advice and recommendation to the Board and the Audit Committee on any actions which shall be taken by the Group in accordance with the Forensic Investigation Report.

b. Scope and Major Procedures of the Forensic Investigation

To address Resumption Guidance (c), the Forensic Investigator conducted the Forensic Investigation primarily on the Money Lending Business under BL Finance and the Trading of Goods and Commodities Business under WLXY Hong Kong and WLXY Shenzhen. To the best knowledge of the New Executive Management, the Investigated Subsidiaries were the major operating subsidiaries of the Group at the relevant time when the Financial Losses were concerned.

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

- (a) conducting discussions with the management and other relevant personnel of the Group;
- (b) obtaining the historical financial information and accounting records of BL Finance and WLXY Hong Kong for the period from 2015 to March 2022 and the historical financial information and accounting records of WLXY Shenzhen for the period from 2017 to September 2022;
- (c) conducting public search on (i) selected loan customers of BL Finance, trade counterparties and other counterparties of WLXY Hong Kong and WLXY Shenzhen which contributed to the outstanding balance of loan receivables of BL Finance, prepayments, receivables or payables of WLXY Hong Kong and WLXY Shenzhen as at 31 March 2022; and (ii) the Five External Third Parties and other external third parties identified during sampling review and site visits;
- (d) performing preservation of data in electronic devices of selected key personnel of the Company and WLXY Shenzhen and in servers, conducting data processing, data loading and keyword search, and reviewing electronic data that are responsive hits of the search terms;
- (e) obtaining, reviewing and analysing relevant documents in relation to the Money Lending Business and the Trading of Goods and Commodities Business under the Investigated Subsidiaries, including but not limited to financial information and accounting records, loan documents (e.g. loan agreements, proofs of loan withdrawal and repayment), sales and purchase transaction documents (e.g. sales and purchase contracts, proofs of prepayments, invoices, receipts, delivery notes), bank statements and other relevant bank documentation and minutes of Board meetings;
- (f) conducting interviews or telephone inquiries with representatives of selected loan customers, trade suppliers and external third parties; and
- (g) conducting site visits to the warehouse of WLXY Hong Kong, and registered and other business addresses of the Five External Third Parties.

c. Summary of the Key Findings of the Forensic Investigation Report

Based on the major investigative procedures as set out in the sub-section headed “b. Scope and Major Procedures of the Forensic Investigation” above and subject to the key limitations of the Forensic Investigation as set out in the sub-section headed “d. Key Limitations of the Forensic Investigation” below, the Forensic Investigator has the following key findings of the Forensic Investigation:

Relationship between loan customers and trade suppliers of the Company

- (a) Based on the accounting record of the Company, there were 40 loan customers and 13 trade suppliers with outstanding loan receivables balances under BL Finance or outstanding prepayments balances under WLXY Hong Kong as at 31 March 2022. According to the background check and analysis of the relevant loan customers¹ (13 individuals and 30 companies) and trade suppliers, there were potential relationships among 27 companies (18 loan customers and 9 trade suppliers), involving 18 groups of overlaps in registered addresses, company secretaries, directors or shareholder information.
- (b) According to the information provided by the Company, Individual A, an external third party, was responsible for coordinating the Money Lending Business. Public information revealed that Individual A served as a director of Company A, a company incorporated in Hong Kong. Individual B, the company secretary of Company A, also served as the company secretary of five loan customers of BL Finance and one trade supplier of WLXY Hong Kong. Based on the information available, there was no evidence showing that Company A was a loan customer or a trade supplier of the Group. Based on the business register(s) and the annual return(s) obtained from the Hong Kong Business Registration Office and the Hong Kong Companies Registry respectively, Individual A and Individual B shared the same residential correspondence address.

Whereabouts of the loans and overview of the money lending business of BL Finance

- (c) The Money Lending Business was mainly operated by Mr. Chow, the former executive Director and chief executive officer of the Company, and Mr. Chu, the former chief financial officer of the Company. Most of the loan customers were introduced by Mr. Chow and matters related to the loan customers were coordinated by Individual A.
- (d) According to the interviews with Mr. Chu and Mr. Lee, the former deputy chief operating officer of the Company:
 - i) All loan customers were introduced to BL Finance by Mr. Chow. It was mentioned that Mr. Chow only accepted loan applications from companies or individuals he was familiar with.

¹ A total of 43 loan customers were included in the background check although there were only 40 loan customers according to BL Finance’s accounting record. Three additional entities were included as they were related parties of the loan customers and received the loans on behalf of the loan customers.

- ii) The amount to be granted and the terms of loans were determined by Mr. Chow. When a new loan customer submitted a loan application, Mr. Chow would proactively follow up on whether the relevant percentage ratios (as defined in Chapter 14 of the Listing Rules) calculated for the loan transaction would constitute notifiable transaction of the Company under the Listing Rules. In the event that the loan transaction would constitute a notifiable transaction of the Company, Mr. Chow would adjust the calculation factors (e.g. amount of loan principal, interest rate) to avoid the Company from publishing announcement.
 - iii) Mr. Lee was assigned as the manager of the Money Lending Business and was responsible for checking the background investigation reports on loan applicants, ensuring that data on the loan documents were consistent with the information of loan applicants, and signing of application approval documents and loan agreements.
 - iv) Loan collection was also primarily handled by Mr. Chow. While BL Finance mainly collected repayments from loan customers through bank transfers/cheques, certain repayments were collected in cash. Mr. Chu had seen Mr. Chow's driver delivering cash in envelope(s) marked with the name of the loan customer(s) to the Company's office. Despite the above, BL Finance ceased to accept cash repayments after relevant staff were advised by bank staff that large amount of cash deposit would not be accepted.
 - v) Individual A introduced loan customers to Mr. Chow and coordinated matters related to the loan customers.
- (e) According to the minutes of the Board meetings conducted during the period from 28 June 2021 to 21 December 2021:
- i) Mr. Chow was the head of the money lending department and the main contact person of loan customers. He was responsible for collecting overdue loans and negotiating repayment arrangement with loan customers.
 - ii) During the Board meeting on 22 October 2021, Mr. Chow put forward a proposal to the Board to extend the terms of loans for some loan customers who failed to repay loan principals and interests on the relevant due dates. He suggested to demand repayment of interests only, but not the overdue principals. The proposal was opposed by Mr. Chu and questioned by the independent non-executive Directors. No voting was taken place at such Board meeting. Instead, independent non-executive Directors proposed to conduct risk assessment on the relevant loan customers and confirm their repayment intention. Mr. Luk Chi Sing (陸志成) (“**Mr. Luk**”), the then chief financial officer of the Company, reported at the Board meeting on 4 November 2021 that an assessment report was ready, but the relevant meeting minutes did not record any content and/or results of the assessment report.

- (f) According to the interview with Individual A, Mr. Chow introduced himself to Individual A as the chief executive officer of a listed company which engaged in money lending business and intended to lend the available funds out. As a result, Individual A introduced 10 companies to apply for loans from BL Finance. Mr. Chow requested eight of them to repay their loans in cash, which could be handed directly to Mr. Chow himself or his driver. In addition, Mr. Chow expressed his willingness to lend money to these companies without collateral on the condition that they could repay their loans in cash. Individual A helped Mr. Chow to collect envelopes from two loan customers. Individual A suspected that the envelopes contained cash for repayment but she did not know how much was involved.
- (g) Loan receivables accounted for approximately HK\$500 million as at 31 March 2022, involving 40 loan customers. Most of the loans were withdrawn by directly transferring the money to the bank accounts of loan applicants except for three loans (with a total amount of approximately HK\$35.5 million) that were transferred to the bank accounts of related companies of the loan applicants. Based on the review of supporting documents for the relevant loans:
- i) Most of the loan application forms and loan agreements were signed on the same day except for two loans where loan agreements (with a total outstanding principal amount of HK\$20.9 million) were signed before the loan approval date.
 - ii) Four new loans (with a total principal amount of HK\$7.3 million) were granted to a loan customer, namely Individual C, by BL Finance, notwithstanding that he failed to repay the principal under the first loan agreement (in the amount of HK\$6 million) on the original due date. It was noted that the due diligence documents on loan applicants of BL Finance did not include any credit files, therefore, there was lack of credit risk analysis or relevant review records on loan applicants.
 - iii) According to a share charge signed on 28 June 2021, loans of 19 loan applicants (with a total outstanding principal amount of approximately HK\$284 million) were secured by (1) Individual D as the chargor; and (2) 75% shareholding of a BVI company holding a hotel as the charged asset. There were no document disclosing or supporting the relationships between Individual D and the 19 loan applicants.

- (h) Some loan customers reported that they had fully settled the outstanding loans, which was inconsistent with the accounting records of BL Finance:
- i) There were three complaint emails from multiple loan customers to the Board during the period from February 2022 to March 2022. These customers reported that they had repaid all their loans to Mr. Chow, and requested the Board to follow up on the repayments and conduct investigation on Mr. Chow. Staff of the Group revealed that Mr. Chow decided not to report these complaints to the Board for further processing at the relevant time.
 - ii) Based on the understanding of Individual A, the 10 loan customers introduced by her had repaid all their loans (including principals and interests) to Mr. Chow or BL Finance.
 - iii) According to the interviews with the owner or representative of two loan customers, (1) they repaid all debts (including principals and interests) to BL Finance according to Mr. Chow's repayment instructions, including depositing different amounts of cheques into the designated bank account(s); and (2) they did not receive any repayment proof from Mr. Chow or BL Finance.
- (i) While the Forensic Investigator, through the Company, has tried to approach all the 40 loan customers mentioned above, the Forensic Investigator was only able to obtain repayment proofs from six loan customers for the total repayment of approximately HK\$91.2 million. Based on the available repayment proofs and copies of cheque deposit images provided by BL Finance, the Forensic Investigator matched the relevant information to BL Finance's bank statements and traced cash inflow of BL Finance in the amount of approximately HK\$88.31 million. The difference in amount was caused by the unavailability of cheque deposit image for a repayment of HK\$2,883,750 by a loan customer. Only approximately HK\$7.58 million of the repayments out of HK\$88.31 million were recorded as repayments from the corresponding six loan customers in BL Finance's accounting records, whereas the rest of the repayments were allocated to 54 other different loan customers in BL Finance's accounting records.

E-commerce trading business of WLXY Hong Kong

- (j) E-commerce trading business of WLXY Hong Kong was mainly managed by Mr. Lee, who was responsible for liaising with relevant trade suppliers. WLXY Hong Kong has rented a warehouse from Company B for receiving, dispatching and storing goods for its e-commerce trading business in 2022. Company B designated an account manager (the "**Company B's AM**") to manage its business with WLXY Hong Kong.

- (k) Based on the interview with Mr. Lee:
- i) Mr. Lee was only responsible for managing the trading operations relating to e-commerce customers and three suppliers, namely Supplier A, Supplier B and Supplier C. With the prepayments from WLXY Hong Kong, the three trade suppliers procured goods on behalf of WLXY Hong Kong and delivered the goods directly to e-commerce platforms according to WLXY Hong Kong's instructions (since April 2022², the goods will be sent to WLXY Hong Kong's warehouse as discussed above before being shipped to e-commerce platforms). After collecting payments from e-commerce platforms, WLXY Hong Kong retained part of the funds and provided the remaining funds to trade suppliers for the next round of goods procurement.
 - ii) It was mentioned that Supplier D (together with Supplier A, Supplier B and Supplier C, collectively, the "**E-commerce Suppliers**") was related to Supplier A.
- (l) According to the information provided by Company B's AM, Company B's AM has been responsible for handling the matters in relation to Supplier B's warehouse at Company B since 2018 or 2019. He has also been responsible for managing the matters in relation to WLXY Hong Kong since July 2022. During the interview with Company B's AM, using Supplier B as an example, workflow in relation to moving e-commerce stocks in and out of the Company B's warehouse (the "**Workflow**") was described:
- i) During the period from 2018 or 2019 to July 2022, (1) before the goods were delivered to the warehouse, Company B's AM would receive email containing details of the goods and related information from trade suppliers of WLXY Hong Kong; (2) after the goods were delivered to the warehouse, staff of the warehouse would conduct stocktaking and inspection; (3) a tally report would then be prepared and sent to the trade suppliers via email to confirm the quantity of incoming stocks; (4) when the stocks are ready to be shipped out of the warehouse for sale, the trade suppliers would give Company B's AM an instruction about the type, quantity and other relevant information of the stocks to be shipped out of the warehouse; and (5) after the staff of the warehouse have completed the packing process, Company B's AM would send the packing information to the trade suppliers and the trade suppliers or Company B's AM would arrange the delivery afterwards.
 - ii) It was mentioned that the Workflow remained similar before and after the rental of warehouse by WLXY Hong Kong itself, except that WLXY Hong Kong, instead of the trade suppliers, shall confirm by email before the Company B's AM or other warehouse staff executed the relevant procedures.

² According to Mr. Lee and warehouse staff of Company B, WLXY Hong Kong has rented its own warehouse since April 2022 while based on the interview with Company B's AM and signing date of the relevant service agreement, the rental period started from July 2022.

- iii) Observation and discussion with warehouse staff in relation to the Workflow during a site visit to WLXY Hong Kong's warehouse at Company B was in line with the description provided by the Company B's AM.
- (m) The Forensic Investigator has conducted sampling review of selected 150 transactions during the period from April 2018 to March 2022 in relation to the E-commerce Suppliers managed by Mr. Lee. The total purchase amount of the 150 transactions was HK\$292,009,128 (the "**Sampling Purchase Amount**"), representing approximately 47% of the total purchase amount of WLXY Hong Kong during the relevant period. The total amount of the subsequent sales of the 150 transactions was HK\$306,201,198 (the "**Sampling Subsequent Sales**"), representing approximately 47% of the total sales of WLXY Hong Kong during the relevant period. Based on the sampling review:
- i) 137 payments for the subsequent sales were deposited into the bank account of WLXY Hong Kong by bank transfer by the respective e-commerce customers. Bank deposits of these subsequent sales (representing a total revenue of HK\$264,237,568, or approximately 86% of the Sampling Subsequent Sales) could be matched with the transaction records on WLXY Hong Kong's bank statements. 100 out of these 137 payments (representing a total revenue of HK\$163,231,046, or approximately 53% of the Sampling Subsequent Sales) were also supported by collection advices issued by bank, while the remaining 37 payments (representing a total revenue of HK\$101,006,522, or approximately 33% of the Sampling Subsequent Sales) were supported by the abbreviations of payers' account names as shown in the transaction records on the bank statements.
 - ii) According to the description on general ledger, the underlying receivables of seven payments for the subsequent sales (representing a total revenue of HK\$31,401,588, or approximately 10% of the Sampling Subsequent Sales) were under a factoring arrangement for cash out in advance. Therefore, no document could show that payments were directly transferred from the e-commerce customer (all the seven sales transactions were attributable to E-commerce Platform C) to the bank account controlled by WLXY Hong Kong.
 - iii) According to the description on general ledger, five subsequent sales (representing a total value of HK\$10,550,388, or approximately 3% of the Sampling Subsequent Sales) were settled by customers' prepayment. Relevant transaction records on the bank statements showed that money was deposited into the bank account of WLXY Hong Kong by Supplier A and Supplier D respectively, rather than by the relevant customers, namely Customer A and Customer B. According to the staff of the Group, WLXY Hong Kong has not engaged in any trade dealings with Customer A and Customer B since 2022.

- iv) One payment for the subsequent sales (representing a revenue of HK\$11,653, or 0.004% of the Sampling Subsequent Sales) could not be matched with the transaction record on the bank statement and no relevant records of WLXY Hong Kong could be found. No other documents were provided to support the arrangement of this transaction.
- v) PRC customs declaration forms for imported goods were filed for 45 subsequent sales (representing a total revenue of HK\$124,777,027, or approximately 41% of the Sampling Subsequent Sales). Product names and quantities listed on the declaration forms could be matched with the product information listed on the corresponding sales invoices. For the remaining 105 subsequent sales, customs declaration forms were not available and other supporting documents could only support that five of them were delivered within Hong Kong and therefore customs declaration forms were not required.
- vi) According to the statements of WLXY Hong Kong's accounts maintained with the e-commerce platforms in respect of the selected 150 transactions:
 - (1) 36 subsequent sales were attributable to E-commerce Platform A among which sales amount of 33 transactions (representing a total amount of HK\$54,024,072, or approximately 18% of the Sampling Subsequent Sales) could be matched with the statements of the relevant e-commerce platform in the corresponding period. The Forensic Investigator was unable to ascertain the sales amount of the remaining three transactions (representing a total amount of HK\$6,276,214, or approximately 2% of the Sampling Subsequent Sales) due to lack of sufficient information.
 - (2) 66 subsequent sales samples were attributable to E-commerce Platform B, among which sales amount of 65 transactions (representing a total amount of HK\$164,802,608, or approximately 54% of the Sampling Subsequent Sales) could be matched with the statements of the relevant e-commerce platform in the corresponding period. The Forensic Investigator was unable to ascertain the sales amount of the remaining one transaction (representing a total amount of HK\$2,798,363, or approximately 1% of the Sampling Subsequent Sales) due to lack of sufficient information.
 - (3) The Forensic Investigator was unable to conduct matching for the remaining 48 subsequent sales (representing a total amount of HK\$78,299,940, or approximately 26% of the Sampling Subsequent Sales). According to staff of the Group, other e-commerce platforms did not issue any statements to WLXY Hong Kong.

- vii) The following sets out the deficiencies in document filing management of WLXY Hong Kong being identified in the Forensic Investigator’s sampling review of the selected 150 transactions. The sampling review also showed that WLXY Hong Kong did not have a standardized process of purchase and sales.

Type of transaction	Type of unavailable document(s)	Number of transactions with deficiency	Corresponding value (HK\$)	Corresponding proportion (%)
Purchase	Purchase order	108	226,661,603	Approximately 78% of the Sampling Purchase Amount
Purchase	Purchase invoice	12	12,434,724	Approximately 4% of the Sampling Purchase Amount
Purchase	Purchase receipts/ delivery note/ warehouse receipt notes	127	254,927,644	Approximately 87% of the Sampling Purchase Amount
Subsequent sales	Delivery note	105	207,012,517	Approximately 68% of the Sampling Subsequent Sales
Subsequent sales	Sales invoice	7	10,805,128	Approximately 4% of the Sampling Subsequent Sales

- (n) Based on the keyword searches and reviews of electronic data of Mr. Lee and other key personnel for the purpose of verifying the commercial substance of the e-commerce trading business:

- i) Individual E and her relationship with Mr. Lee and WLXY Hong Kong – Individual E was the founder of Supplier B as well as a shareholder of Supplier D, and was suspected to be involved as a representative of Supplier C in the business discussion with WLXY Hong Kong. Individual E also communicated with Bank of China’s relationship manager in her capacity as a general manager of WLXY Hong Kong. In addition, a marriage registration document showed that Individual E and Mr. Lee were married in June 2020. Individual E and Mr. Lee also owned a supplier of WLXY Shenzhen. Subsequently, the Forensic Investigator understood from the Company that Individual E and Mr. Lee divorced in June 2023. Also, the Forensic Investigator understood that the Group lacked relevant policies and requirements for the declaration of conflict of interest.

- ii) E-commerce trading business of WLXY Hong Kong – Daily business emails and documents related to the e-commerce trading business of WLXY Hong Kong were identified, including (1) signed or draft (agency) purchase contracts or e-commerce agency service agreements entered into or to be entered into between WLXY Hong Kong and the E-commerce Suppliers, (2) sales contracts signed between WLXY Hong Kong and e-commerce customers and related statements, bank statements of receiving banks, (3) communication records between WLXY Hong Kong and Company B’s AM about stock movement in and out of the warehouse, and (4) customs declaration forms of WLXY Hong Kong for import and export and invoices for the aforementioned sales and purchases.

Whereabouts of the prepayments and overview of the trading business of WLXY Hong Kong other than e-commerce trading

- (o) In addition to the e-commerce trading business, WLXY Hong Kong also conducted trading business with other trade suppliers. External third parties were authorized to conduct the operation of the trading business of WLXY Hong Kong, including procurement, storage and logistics of goods, sales, etc. WLXY Hong Kong provided substantial prepayments to the suppliers as the funding for procurement, and the suppliers would subsequently remit the difference between sales amount and purchase amount to WLXY Hong Kong.
- (p) According to the interviews with Mr. Chu and Mr. Lee:
 - i) Trade suppliers were mainly introduced and managed by Mr. Chow and Mr. Lee, notwithstanding that Mr. Chow did not admit at any Board meetings that he introduced any trade suppliers.
 - ii) Amount of prepayments given to trade suppliers was determined by Mr. Chow and the relevant calculation basis or rationale were not provided by Mr. Chow. WLXY Hong Kong paid prepayments to trade suppliers by cheques. When prepayments were returned by any suppliers to WLXY Hong Kong, Mr. Chow or Individual A would inform WLXY Hong Kong about the identity of the relevant suppliers.
 - iii) Mr. Chow had previously indicated that prepayments given to trade suppliers by WLXY Hong Kong were used for procurement and trade suppliers would provide WLXY Hong Kong the corresponding profits after completing the entire procurement and sales process. Mr. Chu once questioned whether the abovementioned arrangement was in substance the same as the Money Lending Business as the profits given to WLXY Hong Kong by trade suppliers were similar to interest on prepayments in nature, except that loan customers were replaced by trade suppliers.

- (q) Based on the minutes of the Board meetings conducted during the period from 28 June 2021 to 21 December 2021:
- i) Except for Mr. Lee confirming that he was responsible for two trade suppliers (Supplier B and Supplier C), none of the management of the Company or the Directors made any admissions as to the involvement in any matters related to trade suppliers or trading business of WLXY Hong Kong. Mr. Chow replied that he could not recall the details when the Board questioned about the person-in-charge of trading business of WLXY Hong Kong.
 - ii) The only management personnel who could approach the trade customers were Mr. Chow, son of Mr. Chow (the then director of Ban Loong Hemp Technology Limited (萬隆漢麻科技有限公司) (currently known as BL Healthcare (Hong Kong) Limited (萬隆健康(香港)有限公司), a wholly-owned subsidiary of the Company), Mr. Wang and Mr. Lee.
 - iii) The Board assigned Mr. Luk to be responsible for collecting the long-outstanding prepayments from trade suppliers, but there were no subsequent meeting records on whether Mr. Luk had successfully recovered prepayments from trade suppliers and their relevant amounts.
- (r) According to the accounting record of WLXY Hong Kong, as at 31 March 2022, WLXY Hong Kong recorded a prepayment balance in the amount of approximately HK\$300 million, involving 13 trade suppliers, two of which were suppliers of the e-commerce trading business of WLXY Hong Kong (Supplier A and Supplier D).
- (s) Based on the review of available bank documents related to the prepayments paid to the aforementioned 13 trade suppliers, WLXY Hong Kong prepaid HK\$355 million in total, with the support of bank documents, to the aforementioned 13 trade suppliers during May 2018 to February 2021. There were no relevant bank documents for another 19 prepayments (representing a total amount of HK\$65.7 million). Accordingly, recipients of such prepayments were not verified.
- (t) Based on the review of the prepayments paid to the aforementioned 13 trade suppliers and the underlying supporting documents:
- i) WLXY Hong Kong entered into purchase contracts with 12 suppliers, except for a supplier with outstanding balance of prepayment in the amount of HK\$14.8 million as at 31 March 2022. Most of the purchase contracts merely stated that the purchase amount would be agreed by subsequent purchase orders without explicitly stating the purchase amount in the contract.

- ii) According to the accounting records of WLXY Hong Kong, WLXY Hong Kong prepaid approximately HK\$420 million in total to 13 trade suppliers during the period from May 2018 to February 2021, among which only HK\$105 million of the prepayments were supported by purchasing agent authorization letters.
 - iii) There were no underlying transactions between WLXY Hong Kong and five trade suppliers with relevant prepayment balance of approximately HK\$85.3 million as at 31 March 2022. Except for signed purchase contracts, there were no other trade documents.
 - iv) Eight out of the 13 trade suppliers have conducted trade transactions with WLXY Hong Kong. Three out of the 16 sampled transactions with the abovementioned eight trade suppliers under the Forensic Investigator's sampling review had no trade documents (e.g. purchase invoices, delivery notes of sales or sales invoices, etc.) to support the authenticity of the transactions.
- (u) WLXY Hong Kong tried to arrange interviews between the Forensic Investigator and all 13 trade suppliers mentioned above, only two of them attended the interview. Owners of the two trade suppliers of WLXY Hong Kong told the Forensic Investigator in the interviews that:
- i) They had no business dealing with WLXY Hong Kong or WLXY Shenzhen.
 - ii) They received money from Mr. Chow and in return they helped Mr. Chow to purchase gold in the mainland China. Both of them passed the gold to Mr. Chow in Shenzhen at Company C³, a company established in the PRC.
 - iii) They did not sign any purchase contracts with WLXY Hong Kong (when purchase contracts signed between WLXY Hong Kong and the respective trade suppliers were shown to the two owners, they confirmed their signatures on the contracts, but could not explain and recall the signing of relevant contracts).

³ Individual C, a loan customer of BL Finance, was a former legal representative and director of Company C.

Background search on the trading counterparties and other counterparties of WLXY Shenzhen

- (v) Based on the public information of 83 counterparties with outstanding balance of receivables or payables with WLXY Shenzhen as at 31 March 2022 or had business dealings with WLXY Shenzhen:
 - i) five of them had the same legal representative, shareholder or senior management as WLXY Shenzhen. In particular, Mr. Chow⁴ was a former shareholder of Company C from 30 December 2006 to 17 March 2011 and Mr. Wang was a former shareholder and key personnel of Company D, a company established in the PRC, from 23 January 1997 to 13 December 2001. Both companies contributed RMB24.37 million (approximately HK\$28.34 million) and RMB3.36 million (approximately HK\$3.91 million), respectively, to the other receivables of WLXY Shenzhen as at 31 March 2022;
 - ii) another 15 counterparties had potential relationship with Individual F, the responsible person for the outsourcing of the trading business of WLXY Shenzhen; and
 - iii) 12 counterparties in six pairs were related companies with overlapping legal representatives, shareholders, senior management or contact details.

Trade receivables and overview of the trading business of WLXY Shenzhen

- (w) Based on the accounting ledger of WLXY Shenzhen, as at 31 March 2022, WLXY Shenzhen recorded net trade receivables in the amount of RMB82.4 million (approximately HK\$95.81 million). According to Mr. Wang, WLXY Shenzhen outsourced the entire trading business of WLXY Shenzhen to an external third party, Individual F, for its day-to-day operation. WLXY Shenzhen would pay 0.3% of the revenue as commission income to Individual F.

Other businesses and other receivables of WLXY Shenzhen

- (x) Based on the accounting ledger of WLXY Shenzhen, as at 31 March 2022, WLXY Shenzhen recorded other receivables in the amount of approximately RMB146 million (approximately HK\$170 million), among which the top 20 accounts accounted for approximately RMB142 million (approximately HK\$165 million), representing 97% of the total other receivables.

⁴ Under another name which the Forensic Investigator was advised by the Company that Mr. Chow once used in the PRC.

- (y) Based on the Forensic Investigator’s sample walkthrough on transactions contributing to the other receivables of WLXY Shenzhen as at 31 March 2022, save for certain third-party borrowings which were supported by loan agreements, other transactions did not have sufficient supporting documents. For most of the payments, there were only payment application forms approved by Mr. Wang and bank slips (some of which were approved by the Company’s finance department with stamp affixed) without stating the commercial substance or purpose of the relevant transactions.

Transactions between WLXY Shenzhen and the Five External Third Parties

- (z) Additional procedures have been performed on the outstanding balance of payables or receivables of WLXY Shenzhen with five external third parties which were companies established in the PRC, namely External Third Party A, External Third Party B, External Third Party C, External Third Party D and External Third Party E (collectively, the “**Five External Third Parties**”), to understand the commercial substance of the outstanding balances between WLXY Shenzhen and the Five External Third Parties as at 30 September 2022 to the extent possible. The Five External Third Parties were suspected to be related to Individual F.
- (aa) Based on the transaction ledger of WLXY Shenzhen in relation to the Five External Third Parties, a total of 335 transactions were selected according to first-in-first-out principle for the purpose of tracing back the respective balance of payables or receivables as at 30 September 2022 to the extent possible. According to the vouchers and relevant supporting documents provided by WLXY Shenzhen, the nature of selected transactions could be divided into two types, namely i) purchase and sales transactions; and ii) bank transfers and other fund transactions. Summary of the sampled vouchers are as follows:

External Third Parties	Balance of receivables/ (payables) as at 30 September 2022 (RMB)	Number of sample vouchers	Corresponding net transaction amount receivables/ (payables) (RMB)	Transactions			
				i) Purchase and sales transactions (note)		ii) Bank transfers and other fund transactions (note)	
				Quantity	Net amount (RMB)	Quantity	Net amount (RMB)
External Third Party A	(70,850,057)	84	(70,433,284)	6	46,910,036	78	(117,343,320)
External Third Party B	(30,592,571)	27	(30,663,100)	2	163,081	25	(30,826,181)
External Third Party C	(9,405,000)	187	(13,669,612)	64	(49,990,491)	123	36,320,879
External Third Party D	89,091,022	19	96,711,909	–	–	19	96,711,909
External Third Party E	(55,939)	18	(55,939)	–	–	18	(55,939)

Note: For illustration purpose, (i) purchase is presented as increase in payable while sales is presented as increase in receivables; and (ii) receipt of fund is presented as increase in payables while payment of fund is presented as increase in receivables.

- i) Purchase and sales transactions mainly referred to transactions in relation to the purchase and sales of oil and white sugar. When a purchase or sales transaction occurred, WLXY Shenzhen recorded accounts payable due to supplier and accounts receivable due from customer.
- ii) For bank transfers and other fund transactions, bank transfers mainly referred to the bank payments and deposits in relation to the corresponding purchase and sales transactions, and other bank transfers that could not match with the corresponding purchase and sales transactions or without supporting documents. Other fund transactions mainly referred to fund transactions that were not made through the means of a bank transfer (e.g. transfer of electronic bill of exchange) between WLXY Shenzhen and three of the Five External Third Parties, namely External Third Party A, External Third Party C and External Third Party D.
- (bb) For all the selected purchase and sales transactions, special VAT invoices were available as supporting documents. However, according to the staff of the Group, since WLXY Shenzhen recorded transactions according to the received/issued invoices and bank slips, without matching the amounts with the corresponding contracts, receipt notes and/or power of attorney for bill of lading, the accounting records of sales, purchases, receipts and payments were not totally matched with available contracts and other documents. During the review process, the Forensic Investigator has tried to match the accounting records with the corresponding contracts and receipt notes/bill of lading based on the contract numbers stated on the invoices or the transaction amounts stated on the contract/receipt/bill of lading to the extent possible. Summary of the findings are as follows:

	Receivables/(payables) (RMB)		
	External Third Party A	External Third Party B	External Third Party C
Purchase and sales transactions			
<i>With contracts and invoices</i>			
– Purchases	–	–	(51,608,263)
– Sales	46,910,036	–	–
Sub-total	46,910,036	–	(51,608,263)
<i>With invoices only</i>			
– Purchases	–	–	(2,735,248)
– Sales	–	163,081	4,353,021
Sub-total	–	163,081	1,617,772
Total	46,910,036	163,081	(49,990,491)

- (cc) For all the receipt notes and power of attorney for bill of lading attached to certain selected purchase or sales transactions, there was only company chop of purchaser on them without the signature of other relevant personnel of shipment, warehouse, etc. Besides, logistics documents were unavailable for all the selected purchase or sales transactions.
- (dd) For the selected bank transfers and other fund transactions, save for certain bank transfers that could match with the corresponding purchase and sales transactions, other bank transfers and fund transactions were merely supported by bank slips or records on the transfers of electronic bill of exchange without corresponding agreements or other supporting documents showing its commercial substance. Summary of the findings are as follows:

Bank transfers and other fund transactions	Receivables/(payables) (RMB)				
	External Third Party A	External Third Party B	External Third Party C	External Third Party D	External Third Party E
<i>Bank transfer for trade</i>					
<i>transactions with contracts and</i>					
<i>bank slips</i>					
- Purchase payments	-	-	2,674,347	-	-
- Sales receipts	-	(21,794,960)	-	-	-
Sub-total	-	(21,794,960)	2,674,347	-	-
<i>Bank transfer or other fund</i>					
<i>transactions without contracts</i>					
A. Bank transfers					
- Payments with bank slips only	-	-	58,798,479	2,532,787	4,010,329
- Deposits with bank slips only	(37,343,320)	(9,031,221)	(4,711,947)	(5,820,879)	(4,066,268)
B. Other fund transactions					
- Funds on accounting record without supporting documents	-	-	-	20,000,000	-
- Transfer of electronic bill of exchange with transfer record of the relevant bill of exchange only	(80,000,000)	-	(20,440,000)	80,000,000	-
Sub-total	(117,343,320)	(9,031,221)	33,646,531	96,711,909	(55,939)
Total	(117,343,320)	(30,826,181)	36,320,879	96,711,909	(55,939)

Note: For illustration purpose, receipt of fund is presented as increase in payables while payment of fund is presented as increase in receivables.

- (ee) As illustrated above, save for the sales receipts of RMB21,794,960 from External Third Party B and the purchase payments of RMB2,674,347 to External Third Party C that could match with contracts and bank slips, (i) other bank transfers failed to match with the corresponding purchase or sales contracts or lacked contracts/agreements and other supporting documents; and (ii) other fund transactions (i.e. transfers of electronic bill of exchange and funds on account) with External Third Party A, External Third Party C and External Third Party D also lacked agreements or other supporting documents to show their commercial substance.
- (ff) In order to understand the operating status of the Five External Third Parties, background checks and site visits were conducted on the Five External Third Parties, and telephone inquiries were made to 11 randomly selected delivery drivers and two randomly selected sugar factories⁵. Findings are as follows:
- i) Registered address of External Third Party C was its grain and oil warehouse. It was observed that porters at the warehouse were handling bottled oil. Public videos on Douyin (a video-sharing platform in the PRC) also showed that External Third Party C had frequent daily and warehouse operations. Four delivery drivers of External Third Party C mentioned that they had delivered oil for External Third Party C.
 - ii) Actual working place of External Third Party A was next to its registered address. It was observed that porters and trucks were handling bagged goods on the first floor of the building where External Third Party A was registered. However, two drivers whose names were shown on the bill of lading of External Third Party A denied that they had delivered oil for External Third Party A.
 - iii) External Third Party B was deregistered on 11 November 2022. It was observed that the company name displayed at its registered address was suspected to be related to Individual F based on the public information. One person whose name was shown on the bill of lading of External Third Party B as goods recipient confirmed that he/she was an employee of the sugar factory at the place of delivery.
 - iv) External Third Party D was deregistered on 12 October 2022. Location of its registered office was used as a mahjong room and there was a signboard with name which was suspected to be External Third Party D at the adjacent room of its registered address. The room was closed during the site visit.
 - v) External Third Party E was deregistered on 14 February 2022. No signboard of the external third party was found around its registered address.

⁵ Save for the replies from the delivery drivers mentioned, other delivery drivers and the two sugar factories did not provide explicit response or answer phone call.

- (gg) In order to verify the specific operation process and commercial substance of the transactions between WLXY Shenzhen and the Five External Third Parties, the Forensic Investigator tried to contact and interview Individual F, whereas Individual F rejected the interview request and stated that “WLXY Shenzhen does not owe its suppliers any money and customers of WLXY Shenzhen do not owe WLXY Shenzhen any money”.

d. Key Limitations of the Forensic Investigation

The Forensic Investigation Report stated that the Forensic Investigation was subject to the following key limitations:

- (a) The Forensic Investigator stated the sources of materials and information obtained in the Forensic Investigation Report. While the Forensic Investigator has not ascertained the completeness of these materials and the reliability of their sources, the Forensic Investigator endeavored to confirm that the materials and information provided are consistent with other information obtained through the course of their work. The Forensic Investigator was unable to express any opinion on the individuals involved or the authenticity of their representations made during the Forensic Investigation. The Forensic Investigator assumed that the information mentioned in the Forensic Investigation Report was in good faith and such information would not be deliberately misleading, nor would it be intended to mislead others.
- (b) Part of the electronic data (such as the backup copy of emails server) was provided by an external IT service provider of the Company after applying keyword filters. The Forensic Investigator could not ascertain the completeness of the data provided.
- (c) Findings on potential relationships between the counterparties of the Company were derived from publicly available information. The Forensic Investigator could not ascertain the completeness or accuracy of such information.
- (d) The Forensic Investigator has tried to approach, through the Company, certain former key personnel (such as Mr. Chow or his driver) and key external third parties (such as Individual F) for an interview or other means of communication so to understand their explanations/views on the relevant businesses of the Group, but did not receive any positive response.
- (e) Except for the interviews and site visits with certain external third parties mentioned in the Forensic Investigation Report, the Forensic Investigator has also tried to approach, through the Company, the rest of the loan customers and trade suppliers with outstanding loan receivables balances under BL Finance or outstanding balances under WLXY Hong Kong and WLXY Shenzhen respectively as at 31 March 2022 to obtain information about the relevant business and transactions of the Group, but to no avail. Site-visits were not conducted on them either.

- (f) Since WLXY Shenzhen recorded transactions based on received/issued invoices and bank slips, without matching the amounts with the corresponding contracts, receipt notes and/or power of attorney for bill of lading, the accounting records of sales, purchases, receipts and payments could not be totally matched with available contracts and other documents. During the review process, the Forensic Investigator has tried to match the accounting records with the corresponding contracts and receipt notes/bill of lading based on the contract numbers stated on the invoices or the transaction amounts stated on the contract/receipt/bill of lading to the extent possible, but the Forensic Investigator was unable to ascertain the accuracy of such matching.
- (g) As the Forensic Investigator did not have the authority to check the bank transaction records of the loan customers, the Forensic Investigator was unable to confirm their source of repayment.
- (h) As BL Finance may have allocated repayments of certain loan customers to other different loan customers, the Forensic Investigator was unable to ascertain the accuracy of the transaction breakdown of the loan customers and their corresponding outstanding balances as set out in BL Finance's accounting records.

e. Views of the Independent Investigation Committee, the Audit Committee and the Board

View of the Independent Investigation Committee

The Independent Investigation Committee has reviewed and considered the contents of the Forensic Investigation Report. Having considered that (a) the Forensic Investigation has investigated the Investigated Subsidiaries which were the major operating subsidiaries of the Group operating the Money Lending Business and the Trading of Goods and Commodities Business at the relevant time when the Financial Losses were concerned; and (b) the total revenue generated by such subsidiaries accounted for more than 90% of the total revenue of the Group for the year ended 31 March 2021 based on the annual report of the Company for the year ended 31 March 2021, the Independent Investigation Committee considered that the scope of the Forensic Investigation is adequate.

Subject to the various limitations which the Forensic Investigator encountered or observed as stated in the sub-section headed "d. Key Limitations of the Forensic Investigation" above, the Independent Investigation Committee is of the view that the Forensic Investigator had performed appropriate and comprehensive procedures in respect of the Forensic Investigation. The Independent Investigation Committee accepted the findings of the Forensic Investigation.

Having considered the findings of the Forensic Investigation Report, the Independent Investigation Committee noted that:

- (a) There were irregularities in the operations of the Money Lending Business and the Trading of Goods and Commodities Business under the Investigated Subsidiaries.
- (b) The irregularities of the Investigated Subsidiaries involved the Four Individuals, namely Mr. Chow and Mr. Lee who were responsible for both the Money Lending Business and the trading business of WLXY Hong Kong, Mr. Chu who was mainly responsible for the Money Lending Business of BL Finance and Mr. Wang who was mainly responsible for the trading business of WLXY Shenzhen.
- (c) There were deficiencies in the Group's corporate governance and internal control system in the following aspects:
 - i) Lack of proper segregation of duties and monitoring mechanism (the “**IC Deficiency 1**”) – the Four Individuals, in particular, Mr. Chow controlled majority of the crucial decision-making and major operational duties throughout the business process of the Money Lending Business of BL Finance and the trading business of WLXY Hong Kong. There was no established mechanism in place to monitor his behavior, which might result in a loophole for him to potentially override the corporate procedures and internal control system of the Group. While the Group assigned employee(s) to manage the outsourced business of WLXY Shenzhen, the monitoring mechanism failed to ensure proper supervision of the business.
 - ii) Loopholes in financial reporting procedures (the “**IC Deficiency 2**”) – findings of the Forensic Investigation showed that accounting records failed to accurately reflect certain actual transactions (e.g. only approximately HK\$7.58 million out of the total HK\$88.31 million repayments from six loan customers were recorded as their corresponding repayments in BL Finance's accounting records, whereas the rest of the repayments were allocated to 54 other different loan customers in BL Finance's accounting records). Some transactions were recorded in the accounts solely based on the instructions of Mr. Chow or even external third party (such as Individual A).
 - iii) Lack of a comprehensive system for transaction document management and a standardized process of sales and purchase (the “**IC Deficiency 3**”) – findings of the Forensic Investigation showed that sales and purchase vouchers/banking documents were incomplete for numerous transactions; and certain contracts were in simple form without specifying major transaction details.

- iv) Lack of a sound mechanism for declaration and monitoring of conflict of interest (the “**IC Deficiency 4**”) – findings of the Forensic Investigation showed that there were certain relationships between members of the Four Individuals and counterparties of the Investigated Subsidiaries, but policies and requirements for the declaration of conflict of interest were absent.
- v) Lack of a sound anti-money laundering mechanism (the “**IC Deficiency 5**”) – findings of the Forensic Investigation showed that high-value cash repayments were allowed in the Money Lending Business, in particular, some of the cash repayments were conducted through Mr. Chow or his driver.
- vi) Other corporate governance matters (the “**IC Deficiency 6**”) – various queries and recommendations raised in the Board meetings were not properly followed up and remained unresolved.

View of the Audit Committee and the Board

The Audit Committee and the Board have reviewed the contents of the Forensic Investigation Report and shared the same views of the Independent Investigation Committee towards the scope, procedures and findings of the Forensic Investigation.

The Audit Committee and the Board concurred with the view of the Independent Investigation Committee that there are certain irregularities identified in the course of the Forensic Investigation in respect of the Money Lending Business and the Trading of Goods and Commodities Business under the Investigated Subsidiaries. The Audit Committee and the Board also concurred with the Independent Investigation Committee’s observations that there were deficiencies in the Group’s corporate governance and internal control system.

Recommendations from the Independent Investigation Committee and progress of implementation

In light of the findings of the Forensic Investigation, the Forensic Investigator suggested certain remedial measures to the Board which are summarized as below:

- (a) strengthen and enhance the payment authorization processes, so as to ensure due supervision, authorization and approval (the “**Forensic Investigator’s Suggestion 1**”);
- (b) strengthen the supervision of material contract approval and signing, and segregate the approval and supervision thereof (the “**Forensic Investigator’s Suggestion 2**”);
- (c) designate the roles and responsibilities within senior management and the Board, and which members to have access rights to or be the designated owners, signatories or reviewers of particular classes of documents (the “**Forensic Investigator’s Suggestion 3**”);

- (d) implement check and balance at the Company level and the subsidiaries level to avoid any Director and senior management exercising his/her power without proper monitoring (the “**Forensic Investigator’s Suggestion 4**”);
- (e) establish, enhance or implement the policies and procedures in relation to (i) anti-money laundering; (ii) bookkeeping and business/financial records management; (iii) declaration of conflict of interest; and (iv) standardization of sales and purchase process; (the “**Forensic Investigator’s Suggestion 5**”);
- (f) in respect of the findings of the Forensic Investigation, to revisit the business relationship of WLXY Hong Kong and WLXY Shenzhen with external third parties and consider terminating the business relationship without commercial substance (the “**Forensic Investigator’s Suggestion 6**”);
- (g) to engage an internal control consultant and establish internal audit team to conduct annual review on the adequacy and effectiveness of the Group’s internal control system (the “**Forensic Investigator’s Suggestion 7**”);
- (h) in respect of the findings of the Forensic Investigation, to obtain legal advice and, if necessary, to report the irregularities to the relevant law enforcement authorities (the “**Forensic Investigator’s Suggestion 8**”);
- (i) to obtain legal advice on the necessity and/or feasibility of taking any legal actions against any loan customers, other business counterparties and/or the relevant former management of the Company (the “**Forensic Investigator’s Suggestion 9**”);
- (j) to establish an in-house legal department to ensure the compliance with the Listing Rules (the “**Forensic Investigator’s Suggestion 10**”); and
- (k) to provide trainings to the management and employees of the Group to improve their knowledge in accounting, financial and business management, and regulatory and legal knowledge and awareness, so as to comply with the requirement of the Listing Rules (the “**Forensic Investigator’s Suggestion 11**”).

Having considered the recommendations made by the Forensic Investigator in the Forensic Investigation Report, the Independent Investigation Committee has made recommendations to the Audit Committee and the Board for consideration and implementation. The Audit Committee and the Board agreed with the recommendations of the Independent Investigation Committee and has resolved that the recommendations of the Independent Investigation Committee be implemented as soon as practicable. As at the date of this announcement, the Group has undertaken the following remedial actions in response to the recommendations suggested by the Independent Investigation Committee:

- (a) Recommendation 1: to implement enhancements recommended by the Internal Control Consultant to the Company's internal controls to address the internal control deficiencies identified from the findings of the Forensic Investigation:
 - i) enhance the policies and procedures in the aspects of, including but not limited to, the process of payment, sales and purchase, contract signing, etc., specifying the requirement for the approvers and the supporting document requirement for approval to ensure that monitoring mechanism has been established for all the major processes (in response to the IC Deficiency 1, the Forensic Investigator's Suggestion 1, the Forensic Investigator's Suggestion 2, the Forensic Investigator's Suggestion 3 and the Forensic Investigator's Suggestion 4);
 - ii) establish appropriate review mechanism for the financial reporting process where finance staff shall pass the accounting vouchers together with supporting documents as attachments to an independent personnel for double checking whether the corresponding accounting entries and accounting periods were accurate and then signing on the accounting vouchers, and include the process into the policies and procedures (in response to the IC Deficiency 2 and the Forensic Investigator's Suggestion 5);
 - iii) establish policies and procedures specifying the scope of document management, process, filing requirement and record keeping period. The management shall also enhance policies and procedures in the aspects of sales and purchase management, specifying the workflow for sales and purchase and the segregation of duties and authority of the relevant personnel. The policies shall be circulated to employees in a timely manner to ensure that all employees are aware of the relevant requirements and the policies are strictly implemented (in response to the IC Deficiency 3 and the Forensic Investigator's Suggestion 5);
 - iv) establish comprehensive policy on conflict of interest and require new employees to make a declaration in relation to conflict of interest and all employees to declare potential conflict of interest annually and upon triggering the relevant events (in response to IC Deficiency 4 and the Forensic Investigator's Suggestion 5);

- v) establish comprehensive guideline on anti-money laundering to set out the corresponding definitions, monitoring and follow-up procedures, and regularly circulate the relevant guidelines to employees (in response to the IC Deficiency 5 and the Forensic Investigator’s Suggestion 5); and
- vi) enhance policies and procedures in relation to corporate governance to specify the composition, roles and responsibilities of the Board and other committees and to illustrate the monitoring and follow-up requirements for the matters being raised in meetings (in response to the IC Deficiency 6 and the Forensic Investigator’s Suggestion 3).

Status:

- The Company has implemented the following remedial actions subsequently reviewed by the Internal Control Consultant in respect of the internal control deficiencies identified from the findings of the Forensic Investigation:
 - (1) The Company has enhanced its policies and procedures, specifying the authority of each management personnel in the aspects of payment, sales and purchase, contract signing, relevant workflow and documents involved, including but not limited to the followings:

Payment

The management has included bank account management into the Fund Management Policy to ensure that sufficient mutual monitoring is in place for online payment. The responsible staff of the relevant business affairs is responsible for initiating an application for online payment on the Enterprise Collaboration Platform adopted by the Company and WLXY Hong Kong (collectively, the “**Hong Kong Headquarters**”). Online payment could only be executed after obtaining the approval from the person-in-charge of the relevant business affairs, the person-in-charge of the financial management department, the chief executive officer, the chief financial officer and the vice president in charge. PIN-protected security devices are kept by each of the designated authorized personnel and passwords shall not be disclosed to others. The Company has also implemented dual-signature control, and cheques could only become effective after being signed by two authorized persons (including the chief executive officer, the chief financial officer or the vice president in charge) to reduce the risk of unauthorized transactions.

Signing of sales and purchase contracts

The management has included the signing process of sales and purchase contracts into the Purchase and Accounts Payable Policy, the Sales and Accounts Receivable Policy and the Contract Management Policy, which stipulate that all contracts shall be approved by the chief executive officer, the chief financial officer, the vice president in charge and the person-in-charge of the legal affairs department via the Enterprise Collaboration Platform before being signed by a Director or his/her authorized person to ensure proper segregation of duties

- (2) The management has included the financial reporting process into the Financial Management Policy to ensure that each entry in the accounting ledger has been properly approved and effective segregation of duties has been achieved. Before recording the transactions, the relevant personnel from the financial management department need to compile the accounting vouchers together with supporting documents as attachments and pass the relevant documents to the person-in-charge of the financial management department to check whether the corresponding accounting entries and accounting periods are accurate and then to approve by signing on the accounting vouchers for ensuring their accuracy and completeness.
- (3) The Company has modified the content of the Purchase and Accounts Payable Policy and the Sales and Accounts Receivable Policy, specifying the documents involved in each business process, such as purchase contracts, purchase invoices and delivery notes, stock-out notes, etc., to ensure that the execution team is aware of the relevant filing requirements. The policies mentioned above also standardize the process of sales, including order acceptance, drafting of sales contract, delivery, receipt of payment, etc., and process of purchase, including selection of suppliers, purchase requisition, drafting of purchase contract and approval, acceptance check, payment, etc. The Company has also established the Document Management Policy, which specifies the responsibilities and work procedures of the document management department, and stipulates the authority and access permission of the document management personnel.
- (4) The management has established the Staff Handbook, which contains code of conduct and ethical guidelines. The management has also established the declaration form for conflict of interest for employees to declare their interests or conflicts directly or indirectly related to the Group. The Directors and all employees have completed and signed the declaration form mentioned above.

- (5) The Company has established the Anti-Money Laundering and Anti-Terrorism Financing Policy, which sets out the following monitoring and follow-up procedures:
- (a) If a single fund transaction or a series of fund transactions when aggregated exceeds a specified amount, relevant department shall report to the legal affairs department of the Company timely. Such report shall include information of customer's identity, account information, transaction information, source and whereabouts of funding, reasons and basis for suspicious transaction(s), etc. The financial management department of the Company shall summarize and report the suspicious transactions in the previous quarter to the management and the Board in the first business week of each quarter.
 - (b) Relevant department shall analyze the high-value transactions occurred in the month. In the case of obvious inconsistency between the amount, frequency, method, flow direction and/or purpose of a transaction and the customer's identity, account purpose, financial status and/or business operation, the relevant department should carefully screen the transaction(s) with reference to the relevant requirements, record and analyze the suspicious transaction(s), and submit the matter to the legal affairs department for review.
 - (c) After receiving a report on suspicious transaction(s) from the relevant department, the legal affairs department shall investigate or cause investigation on the matter in a timely manner and provide opinion on the investigation to the management and the Board. Confirmed suspicious transactions shall be reported to the local competent authorities in a timely manner.
- (6) The Company has established corporate governance policies, among which, the (Inside) Information Management Policy covers the responsibilities of the directors, senior management and company secretary of the Company, and clearly states that the company secretary shall record pending matters arising during meetings in the meeting minutes and remind the chairmen of the Board committees, the audit committee, the nomination committee and the remuneration committee of the Company to follow up the pending matters in the next meeting. Chairmen of the Board committees, the audit committee, the nomination committee and the remuneration committee of the Company shall also ensure all pending matters to be discussed and followed up in next meeting.

- (b) Recommendation 2: in respect of the findings of the Forensic Investigation, to obtain legal advice and, if necessary, to report the irregularities to the relevant law enforcement authorities as soon as possible (in response to the Forensic Investigator's Suggestion 8);

Status:

- The Group has reported the irregularities in the Money Lending Business under BL Finance and the Trading of Goods and Commodities Business under WLXY Hong Kong to Commercial Crime Bureau of the Hong Kong Police Force and Independent Commission Against Corruption. As at the date of this announcement, to the best of the Company's knowledge, Mr. Chow and Mr. Chu have been charged by the HKSAR for fraud (case no.: ESCC2191/2023).
 - The Group has reported Mr. Wang's alleged duty encroachment to Longgang Branch of Shenzhen Municipal Public Security Bureau (深圳市公安局龍崗分局). As at the date of this announcement, to the best of the Company's knowledge, the conditions for filing a case have been met and Longgang Branch of Shenzhen Municipal Public Security Bureau has filed the case for investigation.
- (c) Recommendation 3: to obtain legal advice on the necessity and/or feasibility of taking any legal actions against any loan customers, other business counterparties and/or the relevant former management of the Company (in response to the Forensic Investigator's Suggestion 9);

Status:

- The Company has reviewed all the underlying transactions in relation to the outstanding balance of loan receivables, prepayments, trade and other receivables of the Investigated Subsidiaries as at 31 March 2022.
- The Company has taken certain legal actions according to the opinions of the lawyers:
 - (1) Demand letters to borrowers and guarantors (where applicable) in respect of all defaulted loans were issued. While writs were also issued to a few of the loan customers, having considered legal advice from its lawyers, the Company has held on the issuance of writs to loan customers (where applicable) after it has come to its attention that the repayment status of the loan customers was pending verification and was under the Forensic Investigation. Further legal actions will be taken/continued to the loan customers after the Forensic Investigation has been concluded and the outstanding balances of the loan customers have been confirmed;

- (2) writs were issued in respect of all the 13 trade suppliers of WLXY Hong Kong mentioned above except Supplier A and Supplier D which did not contribute to the outstanding prepayments balances of the Company as at 31 August 2023 according to its accounting records; and
 - (3) save for debtors that have been deregistered or whose debts were being disputed/negotiated, demand letters were issued to all of the debtors of WLXY Shenzhen. The Company is working with its PRC lawyers to consider the potential claims in relation to the deregistered or disputing debtors.
- The Company has obtained legal advice on the feasibility of taking civil actions against Mr. Chow, Mr. Chu and Mr. Wang and/or other relevant directors and senior management. As advised by the lawyers, the Company will further assess the necessity and/or feasibility of taking legal actions against the Four Individuals after conclusion of the Forensic Investigation, obtaining further updates from the relevant regulatory and law enforcement authorities and considering the evidence obtained by the Company by then.
 - All the Four Individuals no longer held any position in the Group as at the date of this announcement.
- (d) Recommendation 4: to provide trainings to the management and employees of the Group to improve their knowledge in accounting, financial and business management, and regulatory and legal knowledge and awareness (in response to the Forensic Investigator’s Suggestion 11);

Status:

- The Group has established a comprehensive training system and encourages and provides subsidies to employees to participate training courses held by other institutions in a compensated way, allowing continuous updating of job knowledge and skills of employees (including but not limited to knowledge in accounting, financial and business management, and regulatory and legal knowledge).
- In September 2023, all Directors have attended a training prepared by Hong Kong legal advisers of the Company to fully appreciate and understand the obligations, duties and responsibilities of a director of a company listed on the Stock Exchange, including without limitation, fiduciary duties, integrity and corporate governance.

- (e) Recommendation 5: to revisit the business relationship with the counterparties of the Investigated Subsidiaries that were established prior to 31 March 2022 and terminate such relationship upon discovery of such irregularities (in response to the Forensic Investigator's Suggestion 6);

Status:

- The Money Lending Business under BL Finance has been ceased since June 2022.
 - The Trading of Goods and Commodities business under WLXY Shenzhen has been suspended since July 2022.
 - The Company has revisited all business relationships with the counterparties of WLXY Hong Kong that were established prior to 31 March 2022.
 - Since 1 April 2022, save for two customers which are well-known e-commerce platforms, the Group has ceased to have any business relationship with other customers and suppliers of WLXY Hong Kong which it had conducted business with on or prior to 31 March 2022.
- (f) Recommendation 6: to reflect the financial impact of the irregularities on the Company's accounts;

Status:

- To the best knowledge of the Directors, impairment losses have been made in the Company's accounts in respect of the balances of trade receivables, other receivables, deposits and prepayments, and loan and interest receivables of the Company based on the information available to the Directors. The annual results and annual reports for FY2021/2022 and FY2022/2023 are being finalised in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules, and will be published in due course.

- (g) Recommendation 7: to engage an internal control consultant and establish internal audit team to conduct annual review on the adequacy and effectiveness of the Group's internal control system (in response to the Forensic Investigator's Suggestion 7); and

Status:

- The Company has established internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group.
 - The Company has appointed an internal control consultant, to perform internal control review for FY2023 and will continue to appoint an internal control consultant to conduct annual reviews in the subsequent financial years.
- (h) Recommendation 8: to establish an in-house legal department to ensure the Group's compliance with the Listing Rules as well as applicable laws and regulations (in response to the Forensic Investigator's Suggestion 10).

Status:

- The legal affairs department of the Company has been responsible for ensuring the Group's compliance with the Listing Rules as well as applicable laws and regulations and would seek external legal advice when necessary.

Having considered the fact that (a) the Money Lending Business under BL Finance and the Trading of Goods and Commodities Business under WLXY Shenzhen have completely been ceased since June 2022 and suspended since July 2022, respectively; (b) the Four Individuals responsible for the Money Lending Business and/or the Trading of Goods and Commodities Business of the Investigated Subsidiaries have either resigned or been removed from all positions of the Group before 31 December 2022; (c) the internal control deficiencies identified in the Forensic Investigation have been rectified, with enhancement measures taken to improve the corporate governance and internal control environment of the Group; and (d) appropriate remedial actions have been taken in respect of the recommendations made by the Forensic Investigator, the Internal Control Consultant and the Independent Investigation Committee to the extent possible, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that the Company has sufficiently rectified the irregularities identified in the Forensic Investigation to the extent possible, and is satisfied that there exists sufficient safeguards and measures to monitor the businesses of the Group to ensure compliance with the laws of the relevant jurisdictions where the Group operates and the Listing Rules.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

The Board has appointed SHINEWING Risk Services Limited as the Internal Control Consultant in September 2022. As at the date of this announcement, the Internal Control Consultant has completed the Internal Control Review and the follow-up review on the remedial measures adopted by the Company.

a. Scope of the Internal Control Review

The Internal Control Review covered a review period from 1 April 2022 to 30 June 2023, which also covered a follow-up review principally for assessing the remediation status of the deficiencies identified and reviewing the latest status and operational procedures of the e-commerce trading business.

The scope of the Internal Control Review covered, among others, (a) entity-level review under the Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission in 2013; (b) activity-level review of the key operating subsidiaries of the Group, including financial reporting process, revenue and accounts receivable management, cost, procurement and other expenditures, inventory management, bank and cash management, fixed assets management, human resources and payroll process and taxation; (c) review on information technology general controls; and (d) review of compliance procedures on certain Listing Rules and regulations.

The Internal Control Review was initiated to primarily review the Group's existing internal control and risk management systems and procedures at the time of the review, and make recommendations on remedial actions in response to its findings, with a view to identify any material deficiencies in the internal control systems and procedures relating to the existing businesses of the Group. The Internal Control Review was not tailored to address internal control weaknesses existed in the Money Lending Business of BL Finance and trading business of WLXY Shenzhen, since such businesses were completely ceased in June 2022 and suspended in July 2022, respectively. Nonetheless, the Internal Control Review has taken into account the internal control deficiencies identified from the findings of the Forensic Investigation Report.

b. Summary of the Key Findings

Based on the Internal Control Review Report, 27 internal control deficiencies have been identified, which included deficiencies on the existing business segment and internal control system and procedures of the Group. The breakdown of the 27 internal control deficiencies in terms of risk ratings are as follows:

Review process	Risk rating			Total
	High	Medium	Low	
Entity-level review	N/A	N/A	N/A	4
Activity-level review	4	6	10	20
Review of compliance procedures on certain Listing Rules and regulations	N/A	N/A	N/A	3
				<u>27</u>

The key internal control findings identified by the Internal Control Consultant throughout the Internal Control Review, corresponding recommendations for rectification and the Company’s response and the remediation status are summarized as follow:

i) Key finding 1: Control Environment – Mechanism for Declaration of Conflict of Interest

- There were no formal code of conduct or ethical guidelines for informing employees of acceptable behavior and relevant declaration requirements regarding conflict of interest. The Group also lacked a formal written policy for the management of possible conflict of interest (direct or indirect, actual or perceived) faced by the Board.
- The Group encouraged employees to report any potential/actual conflict of interest voluntarily. However, no formal mechanism (e.g. annual declaration) was in place to monitor and identify any conflict of interest among the employees.

Rectification recommendations:

- The management shall consider:
 - formulating code of conducts and ethical guidelines for the Group, including conflict of interest policy, so as to provide guidelines on behavior which are expected by the Group; and

- requiring new employees to make a declaration in relation to conflict of interest and requiring all employees to declare potential interest annually and when necessary.

Company's response and remedial status:

- The management has established the Staff Handbook, which contains code of conduct and ethical guidelines. The management has also established the declaration form for conflict of interest for employees to declare their interests or conflicts directly or indirectly related to the Group. The Directors and all employees have completed and signed the declaration form mentioned above.
- The management has established the Policy on Whistleblowing Mechanism and the Anti-corruption Policy, which clearly set out the definition of inappropriate and fraudulent behaviors, corresponding investigation procedures, employees' reporting methods, protection and support for whistleblowers, etc. The management has reviewed and approved the policies mentioned above and circulated them to all employees. The management has also set up anonymous reporting channels such as email and postal address to collect employees' opinions and reports. Chairman/chairlady of the Audit Committee is responsible for discussing the action plan.

ii) Key finding 2: Control Environment – Staff Handbook

- The management did not establish a formal staff handbook to set out the relevant code of conduct, including but not limited to, standards of employees' daily behavior, benefits and holidays, professional ethics, reporting procedures for illegal acts and other misconduct, etc.

Rectification recommendations:

- The management shall consider establishing a staff handbook applicable to all employees to illustrate standards of employees' behavior, reporting of illegal acts and other misconduct and the relevant rewards and disciplinary actions in detail, and distribute staff handbook to new and existing employees. The management shall also consider requiring the relevant employees to sign a consent statement to ensure that they understand and are willing to abide by the contents of the staff handbook.

Company's response and remedial status:

- The management has established the Staff Handbook, which contains standards of employees' behavior, reporting of illegal acts and other misconduct and the relevant rewards and disciplinary actions, etc. Such Staff Handbook has been approved by the management. In order to ensure that all employees have read and understood the content of the Staff Handbook, the Group has also prepared the staff handbook consent statement for all employees to confirm by signing.
- The Company also responded that after signing employment contract, all employees have agreed to abide by the content of the Staff Handbook of the Group. The Staff Handbook would be placed in the Company's intranet system and employees could access it at any time. If there is any update, the human resources department will upload the latest version to the system and will also send a notification via company email.

iii) Key finding 3: Financial Reporting Process – Recording of accounting entries

- Signing records of the preparers and approvers of all the Company's accounting vouchers under sampling review were not retained. In addition, accounting books or accounting vouchers of WLXY Hong Kong and Wanma Technology Yunnan Co., Ltd.* (萬麻科技雲南有限公司), a wholly-owned subsidiary of the Company, were not properly approved.

Rectification recommendations:

- The management shall consider:
 - establishing appropriate review mechanism for the financial reporting process where finance staff shall pass the accounting vouchers together with supporting documents as attachments to an independent personnel for double checking whether the corresponding accounting entries and accounting periods were accurate and then signing on the accounting vouchers; and
 - including the process mentioned above into the policies and procedures.

Company's response and remedial status:

- The management has included the financial reporting process into the Financial Management Policy to ensure that each entry in the accounting ledger has been properly approved and effective segregation of duties has been achieved. Before recording the transactions, the relevant personnel from the financial management department need to compile the accounting vouchers together with supporting documents as attachments and pass the relevant documents to the person-in-charge of the financial management department to check whether the corresponding accounting entries and accounting periods are accurate and then to approve by signing on the accounting vouchers for ensuring their accuracy and completeness.

iv) Key finding 4: Bank and Cash Management – Online Banking Management

- Online banking function is attached to the bank accounts of the Hong Kong Headquarters and a PIN-protected security device is required for confirming online payment. However, login passwords of the online banking accounts and PIN-protected security devices were kept by the person-in-charge of the fund management department alone. There was no proper segregation of duty.

Rectification recommendations:

- The management shall consider:
 - adopting dual approval control towards all online banking accounts, for example, assigning another finance staff (e.g. head of fund management department) to keep the PIN-protected security devices in order to reduce the risk of unauthorized transactions; and
 - including the process mentioned above into the policies and procedures.

Company's response and remedial status:

- The responsible staff of the relevant business affairs is responsible for initiating an application for online payment on the Enterprise Collaboration Platform adopted by the Hong Kong Headquarters. Online payment could only be executed after obtaining the approval from the person-in-charge of the relevant business affairs, the person-in-charge of the financial management department, the chief executive officer, the chief financial officer and the vice president in charge. PIN-protected security devices are kept by each of the designated authorized personnel and passwords shall not be disclosed to others. The devices for online banking shall be kept properly and only taken out when in use. When online banking services are not in use, they shall be removed from the external port of computer.

v) *Key finding 5: Bank and Cash Management – Cheque Usage*

- To make a payment through the Hong Kong Headquarters, it was required that approval from two Directors under the payment application and approval form shall be obtained. However, in practices, cheques could become effective once after getting one Director's signature regardless of the underlying amount. Dual control was not established in this regard.

Rectification recommendations:

- The management shall consider:
 - adopting the dual-signature control towards all cheques in order to reduce the risk of unauthorized transactions; and
 - including the process mentioned above into the policies and procedures.

Company's response and remedial status:

- The management has included the cheques and petty cash process and the authority matrix based on payment amount into the Cheques and Cash Management Policy to ensure that payments would be properly approved by the management. According to the authority matrix based on payment amount, the Hong Kong Headquarters has implemented dual-signature control, and cheques could only become effective after being signed by two of the chief executive officer, the chief financial officer and the vice president in charge to reduce the risk of unauthorized transactions.

c. Views of the Independent Investigation Committee, the Audit Committee and the Board

The management of the Company acknowledged and agreed with the review results of the Internal Control Review. The Company has taken all of the advices and rectification recommendations from the Internal Control Consultant and adopted, revised or enhanced, as the case maybe, the relevant policies and procedures of the Group, and the Internal Control Consultant had performed a follow-up review after the Group has taken the relevant remedial actions. Having reviewed the results of the Internal Control Review, the Internal Control Consultant has not identified any material internal control weakness after the follow-up review. The Internal Control Consultant is of the view that, nothing has come to their attention that would reasonably cause them to doubt that the Group has not put in place adequate internal controls and procedures to meet its obligations under the Listing Rules according to the samples and documents received from the relevant entities of the Group pursuant to the scope of the Internal Control Review.

Having considered the Internal Control Review Report and the remedial actions taken by the Company, the Independent Investigation Committee is of the view, which the Audit Committee and the Board concurred, that (a) all the internal control deficiencies identified in the Internal Control Review have been fully remediated; (b) the remedial actions and enhancement measures implemented by the Group are adequate and sufficient; and (c) the Company has in place adequate and reliable corporate governance, internal control and financial reporting systems and procedures to fulfill its obligations under the Listing Rules. The Company will continue to monitor the effectiveness of the Group's corporate governance and internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate corporate governance and internal control policies and procedures are in place.

UPDATE ON PROGRESS OF RESUMPTION

The Company wishes to inform the Shareholders that on 27 September 2023, the Company has submitted a resumption proposal (the “**Resumption Proposal**”) to the Stock Exchange to seek resumption of trading of the Shares. The Resumption Proposal sets out, among others, actions taken and proposed to be taken by the Company to fulfill the conditions under the Resumption Guidance.

As at the date of this announcement, the Company is still pending the response from the Stock Exchange in relation to the Resumption Proposal. Further announcements will be made as and when appropriate should there be any material development on the resumption.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 21 June 2022 and will remain suspended. The Company will publish further announcement(s) to inform the Shareholders and potential investors of any material developments in connection with the above matter as and when appropriate.

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

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless otherwise defined or the context otherwise requires:

“Audit Committee”	the audit committee of the Company, comprising Mr. Qian Yinghui, the non-executive Director, and all the independent non-executive Directors with Ms. Wong Chui San, Susan as the chairlady
“BL Finance”	Ban Loong Finance Company Limited (萬隆財務有限公司), a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	YNBY International Limited (雲白國際有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00030)
“Directors”	the directors of the Company
“Enterprise Collaboration Platform”	the enterprise collaboration platform adopted by the Company and WLXY Hong Kong
“Five External Third Parties”	has the meaning as defined in section headed “KEY FINDINGS OF THE FORENSIC INVESTIGATION – c. Summary of the Key Findings of the Forensic Investigation Report – Transactions between WLXY Shenzhen and the Five External Third Parties” in this announcement
“Forensic Investigation”	the independent investigation conducted by the Forensic Investigator on all matters as mentioned in the section headed “KEY FINDINGS OF THE FORENSIC INVESTIGATION – b. Scope and Major Procedures of the Forensic Investigation” in this announcement

“Forensic Investigation Report”	the report prepared by the Forensic Investigator on the Forensic Investigation
“Forensic Investigator”	the independent professional advisor appointed by the Independent Investigation Committee in April 2022 and the Board in September 2022 as the independent third-party investigator to conduct the Forensic Investigation
“Four Individuals”	four former key personnel of the Group, namely Mr. Chow, Mr. Lee, Mr. Chu and Mr. Wang
“FY2021/2022”	the financial year ended 31 March 2022
“FY2022/2023”	the financial year ended 31 March 2023
“FY2023”	the financial year ending 31 December 2023
“Group”	the Company and its subsidiaries
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Independent Investigation Committee”	the independent investigation committee of the Company, comprising its executive Directors, namely Mr. Dong Ming (as the chairman) and Mr. Liu Zhouyang, and its independent non-executive Directors, namely Mr. Leung Ka Kui, Johnny and Ms. Wong Chui San, Susan, which was formed on 20 April 2022
“Internal Control Consultant”	SHINEWING Risk Services Limited, the internal control consultant of the Company
“Internal Control Review”	the internal control review conducted by the Internal Control Consultant on all matters as mentioned in the section headed “KEY FINDINGS OF THE INTERNAL CONTROL REVIEW – a. Scope of the Internal Control Review” in this announcement
“Internal Control Review Report”	the report prepared by the Internal Control Consultant on the Internal Control Review
“Investigated Subsidiaries”	collectively, BL Finance, WLXY Hong Kong and WLXY Shenzhen
“Investigation”	the independent investigation conducted by the Forensic Investigator on all matters relating to the Scope of Investigation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Money Lending Business”	the money lending business of the Company which has been completely ceased since June 2022
“Mr. Chow”	Mr. Chow Wang (周泓), the former executive Director and chief executive officer of the Company
“Mr. Chu”	Mr. Chu Ka Wa (朱嘉華), the former chief financial officer of the Company
“Mr. Lee”	Mr. Lee Chun Man (李俊文), the former deputy chief operating officer of the Company
“Mr. Wang”	Mr. Wang Zhao Qing (王兆慶), the former executive Director and chief operating officer of the Company and former legal representative and general manager of WLXY Shenzhen
“New Executive Management”	Mr. Dong Ming, Mr. Tang Ming, and Mr. Liu Zhouyang
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Resumption Guidance”	the resumption guidance dated 26 July 2022 issued by the Stock Exchange to the Company
“Scope of Investigation”	matters and events relating to the outstanding loans and the then existing businesses of the Company, details of which were set out in the announcement of the Company dated 20 June 2022
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading of Goods and Commodities Business”	the trading of goods and commodities business (mainly including e-commerce trading and raw materials trading) of the Company
“WLXY Hong Kong”	Wan Long Xing Ye Commercial Trading (Hong Kong) Limited (萬隆興業商貿(香港)有限公司), a direct wholly-owned subsidiary of the Company

“WLXY Shenzhen”	Wan Long Xing Ye Commercial Trading (Shenzhen) Limited* (萬隆興業商貿(深圳)有限公司), a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
YNBY International Limited
Tang Ming
Executive Director
 &
Chief Executive Officer

* *For identification purpose only*

Hong Kong, 25 October 2023

As at the date of this announcement, the executive Directors are Mr. Dong Ming (Chairman), Mr. Tang Ming (Chief Executive Officer), and Mr. Liu Zhouyang; the non-executive Directors are Mr. Qian Yinghui and Mr. Huang Bin; and the independent non-executive Directors are Ms. Wong Chui San, Susan, Mr. Leung Ka Kui, Johnny and Mr. Jiang Zhi.