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Link Holdings Limited
華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8237)

RESULTS OF INTERNAL CONTROL REVIEW

References are made to (i) the News Release and the Statement of Disciplinary Action (the “**Statement**”) published by the Stock Exchange on 16 May 2024 and (ii) the announcement of Link Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 May 2024 (the “**Announcement**”) in relation to the appointment of Internal Control Adviser. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcement and the Statement.

INTERNAL CONTROL REVIEW REPORT

As directed, the Company has appointed Riskory Consultancy Limited as Internal Control Adviser to conduct a thorough review (the “**Internal Control Review**”) of and make recommendations to improve the Company’s internal controls and to ensure compliance with Chapters 17 and 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The internal control findings by the Internal Control Adviser and the recommendations for improvement are set out below:

1. Insufficient awareness regarding compliance with the GEM Listing Rules concerning ongoing obligations and financial information (Risk level: High)

Findings

The Company breached Rule 17.21 of the GEM Listing Rules as it failed to announce the Default by 1 December 2020.

The Company further breached Rules 18.07 and 18.32(8)(c) of the GEM Listing Rules because it failed to disclose the change in the use of the Funds in its 2020 annual report published on 31 March 2021.

* For identification purposes only

Recommendations

It is recommended that the Directors and responsible staff of the Company undergo training related to the relevant GEM Listing Rules in order to strengthen their awareness and knowledge. Furthermore, it is recommended that the Company should review all of the existing loan agreements which are still effective and confirm if there are any cases of default or change in the use of proceeds. In addition, it is recommended that the Company should establish policies and procedures to:

- dedicate responsible personnel for on-going monitoring of Company's loan agreements;
- regularly review and report Company's situation in respect of fulfilling the loan agreements and use of proceeds; and
- report and disclose procedures in the case of default and change in use of proceeds.

2. Insufficient awareness regarding compliance with the GEM Listing Rules concerning the Director's and compliance officer's duties (Risk level: High)

Findings

Executive Directors and compliance officer failed to exercise their duties according to Rules 5.01 and 5.20 of the GEM Listing Rules

Most of the Funds were used for the repayment of certain shareholder loans advanced by Mr. Ngan to the Group (the “**Shareholder Loan Repayment**”), instead of the repayment of Old Bonds as previously announced by the Company. Both Datuk Siew and Mr. Ngan, being brothers-in-law and the only executive Directors at the material time, handled the repayment with the exclusion of other Directors at the material time without taking additional steps to address their conflict of interest.

At the same time, Datuk Siew (being the compliance officer at the material time) failed to advise on and assist the Board to ensure that the Company complied with the GEM Listing Rules, particularly in relation to the disclosure of the change in the use of the Funds and the Default.

Resignations of Mr. Ngan and Datuk Siew

In January 2023, Mr. Ngan tendered his resignation from his positions as the chairman of the Board and an executive Director, and ceased to be a member of the remuneration committee of the Company (the “**Remuneration Committee**”) and the chairman of the nomination and corporate governance committee of the Company (the “**Nomination and Corporate Governance Committee**”).

In May 2023, Datuk Siew tendered his resignation from his positions as the chairman of the Board, an executive Director and compliance officer, and ceased to be a member of the Remuneration Committee, the chairman of the Nomination and Corporate Governance Committee and the authorised representative of the Company.

Recommendations

It is recommended that the Directors and compliance officer of the Company undergo training related to relevant GEM Listing Rules in order to strengthen their awareness and knowledge of their duties as Directors and compliance officer.

3. Lack of detailed policies and procedures (including Board approval or monitoring) to govern the repayment of shareholder loan (Risk level: High)

Findings

The Company has in place a Capital Management Policy (資金管理制度). Although certain procedures regarding management of amount due to/from directors are mentioned in the policy, there are no detailed policies and procedures regarding repayment of shareholder loan (including Board approval or monitoring).

Recommendations

It is recommended that the Company should establish detailed policies and procedures governing the repayment of shareholder loan, including but not limited to:

- Dedicated role for monitoring the movement of shareholder loan (including loan drawdown and repayment);
- Repayment terms and limitations;
- Procedures of obtaining legal opinion of impact of repayment on the GEM Listing Rules;
- Approval process (including authorised personnel, check-and-balance procedures, documentation, etc.);
- Procedures of preventing conflict of interest;
- Regular monitoring by the Board (e.g. monthly reporting of latest shareholder loan balance and repayment); and
- Documentation.

4. Lack of comprehensive mechanism for managing conflict of interest (Risk level: High)

Findings

Datuk Siew and Mr. Ngan, being brothers-in-law and the only two executive Directors at the material time, did not take further steps to avoid or address conflicts, such as signing a declaration, in respect of the Shareholder Loan Repayment. This incident demonstrates deficiencies in the management system of conflict of interest.

Recommendations

It is recommended that the Company should establish a comprehensive approval matrix to table the name and position of each responsible approval personnel and their corresponding items for approval. Furthermore, it is recommended that the Company should adopt measures such as requiring responsible personnels to declare any relationship with other management of the Company and regularly submit the approval matrix to the Board for review to prevent conflict of interest.

It is also recommended that the Company should establish comprehensive policies and procedures in relation to conflicts of interest, providing standardized guidelines for employees and management when dealing with relevant matters. This should include, but not be limited to:

- Examples of conflicts of interest;
- Scope, roles, and responsibilities;
- Declaration process; and
- Guidelines for developing action plans, as well as immediate actions to address or mitigate the impact of specific conflict-of-interest situations.

OPINIONS OF THE AUDIT COMMITTEE AND THE BOARD OF DIRECTORS

After considering the Internal Control Review report and the actions that the Group has to be taken, both the audit committee of the Company and the Board agree with the findings and recommendations in the Internal Control Review report and will implement the recommendations accordingly, and consider that the measures recommended are adequate and sufficient to deal with the findings of the Internal Control Review report.

The Company will furnish the Stock Exchange with the written report of the Internal Control Adviser on the Company's full implementation of such recommendations within four months from the date of the News Release.

By order of the Board
Link Holdings Limited
He Dingding

Chief Executive Officer and Executive Director

Hong Kong, 2 August 2024

As at the date of this announcement, the executive Directors are Mr. He Dingding and Mr. Lui Tin Shun; the non-executive Directors are Mr. Wong Chun Hung Hanson, Mr. Chiu Kung Chik and Mr. Gao Zhaoyuan; and the independent non-executive Directors are Mr. Chan So Kuen, Ms. Tam Mei Chu, Ms. Chan Wai Ki, Joffe and Mr. Ho Sing Wai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.irasia.com/listco/hk/linkholdings.