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**Kangqiao Service Group Limited**

**康橋悅生活集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2205)**

## **UPDATE ON LITIGATION INVOLVING A WHOLLY-OWNED SUBSIDIARY**

This announcement is made by Kangqiao Service Group Limited (the “**Company**”, together with its subsidiary, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 the announcements of the Company dated July 7, 2024 and August 18, 2024 (the “**Previous Announcements**”) in respect of, among other things, the discovery of irregularity in the bank account of Kangqiao Yueshenghuo Service Group Co., Ltd.\* (康橋悅生活服務集團有限公司), a wholly-owned subsidiary of the Company (the “**Subsidiary**”), and a litigation involving the Subsidiary. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Previous Announcements.

### **1. BACKGROUND**

As disclosed in the Previous Announcements, the Subsidiary received a Summons from the Court regarding claims by the Bank against the Subsidiary in relation to a debt undertaking dispute (the “**Litigation**”). The dispute arises from the default of certain loan agreements by Henan Chengqiao, a company controlled by Mr. Song, the controlling shareholder of the Company. These loans were secured by a piece of land owned by Henan Chengqiao (the “**Collateral**”) as well as another piece of land owned by a real estate company controlled by Mr. Song. The Bank is seeking to recover compensation from the Subsidiary pursuant to the Purported Promissory Letter.

## 2. UPDATE ON THE LITIGATION

On December 25, 2024, the Subsidiary received a civil judgement (the “**Civil Judgment**”) from the Court in relation to the Litigation. Pursuant to the Civil Judgement, the Bank should have known at the time that the Subsidiary failed to follow the proper approval procedures in executing the Purported Promissory Letter. The Bank had also failed to fulfil its duty of reasonable diligence and cannot be considered a bona fide counterparty. As such, the Purported Promissory Letter is invalid as a guarantee.

While the Purported Promissory Letter was ruled by the Court to be invalid, both the creditor and the guarantor were found to be at fault. Consequently, the Subsidiary remains liable for 40% of any remaining debt unpaid after the realization of the Collateral. Based on preliminary estimates of the Board, the Company’s potential liabilities could range between RMB140 million to RMB180 million, where the final amount will depend on the actual value of the Collateral as determined by court auction, sale, discount or other means.

Based on the Board’s assessment, the assumption of the above estimated maximum potential liabilities of the Company will not impact the Group’s continuing operations. Furthermore, as stated in the Previous Announcements, Mr. Song, being the controlling shareholder of the Company, a non-executive Director and the chairman of the Board as well as the controlling shareholding of Henan Chengqiao, has committed to fully compensate and indemnify for any losses that may be suffered or incurred by the Company in relation to the Litigation.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above matter by way of further announcement(s) as and when appropriate.

On behalf of the Board  
**Kangqiao Service Group Limited**  
**Dai Wei**  
*Executive Director*

Hong Kong, December 30, 2024

*As at the date of this announcement, the Board comprises Mr. SONG Gewei as the chairman and non-executive Director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as the executive Directors; and Mr. KAM Hou Yin John, Dr. FAN Yun and Mr. WONG Yun Pun as the independent non-executive Directors.*

*\* For identification purpose only*