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**中国忠旺控股有限公司\***  
**China Zhongwang Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 01333)**

**SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020  
AND  
POLL RESULTS ANNOUNCEMENT DATED 28 MAY 2021**

We refer to the annual report of China Zhongwang Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the poll results announcement dated 28 May 2021 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report and the Announcement.

**I. FURTHER DETAILS OF THE BASIS OF THE QUALIFIED OPINION**

As disclosed in the 2020 Annual Report, the auditors of the Company issued a qualified opinion (the “**Qualified Opinion**”) on the Group’s consolidated financial statements for the year ended 31 December 2020. The Company hereby provides further details in respect of the Qualified Opinion.

The Qualified Opinion is related to the Group’s finished goods amounted to approximately RMB631 million included in the inventories (the “**Inventories**”) and kept at the overseas ports (the “**Ports**”).

Since the outbreak of the COVID-19 pandemic, the global shipping industry had experienced severe adverse impact. Upon the receipt of the order from the original customer (the “**Customer**”), the Company took prompt actions including getting the cargo ready and engaging the shipping agent, but the deliveries of the Inventories at their corresponding destinations were still delayed, due to, among others: (i) the prolonged period of transshipment resulting from the geographical long distance between the mainland China and the Ports and the pandemic prevention and control measures; and (ii) limited manpower, or even suspended operation, of the Ports and shipping companies resulting from the local lockdown restrictions and prevention measures.

After arm's length negotiation with the Company and upon the delivery of the Inventories at the Ports, the Customer dismissed the order due to the delayed delivery of the Inventories. Taking into consideration of the transportation difficulty caused by the COVID-19 pandemic and the increasing market price of aluminium products in the regions where the Ports locate, the management of the Company decided to temporarily store the Inventories at the Ports and seek for new customers to sell the Inventories and make proper benefits.

The Company was not able to arrange the stocktake inspections for the Inventories under the COVID-19 pandemic during the preparation process of the 2020 Annual Report given that external visitors were not permitted to enter the warehouse area, not only from the perspective of pandemic prevention, but also because of the traditional security requirements of the Ports. On the other hand, for the purpose of protecting the physical health of the Company's staff, it was also not appropriate and of high risk to arrange the onsite inspections in the Ports under the COVID-19 pandemic.

Based on the discussion with the Company's auditors, the only alternative procedure acceptable to the auditors is to send direct confirmation request to the Ports in relation to the existence and several metrics of the Inventories as at 31 December 2020. However, due to the limited manpower resulting from the COVID-19 pandemic and according to several rounds of discussion with the relevant staff of the Ports, the Company was advised that the Ports would not reply any such confirmation request for the audit purpose.

Based on the situations mentioned above, the auditors of the Company were unable to perform necessary audit procedures and obtain relevant supporting documents on the Inventories and therefore issued the Qualified Opinion.

## **II. THE PROPOSED PLAN TO ADDRESS THE QUALIFIED OPINION**

The Inventories have been kept at the Ports since their arrival at the Ports and up to the date of this announcement, and the quality of the Inventories have not been affected by long-term storage due to their nature of corrosion resistance.

The Company has been proactively seeking new customers in the regions where the Ports locate since the dismissal of the original order. As at the date of this announcement, the Company has approached certain potential reputable customers for the Inventories. In the meantime, the Company will continue to actively seek more new customers and target to sell all the remaining Inventories in the regions where the Ports locate. If sales were not completed within a reasonable period since the date of this announcement and subject to the development of the COVID-19 pandemic and the revival of the global shipping industry, the Company will ship the remaining Inventories back to China, in which case there will be no obstacle for the auditors of the Company to perform the ordinary stocktake inspections and other relevant audit procedures.

### **III. MANAGEMENT’S POSITION AND ASSESSMENT ON THE QUALIFIED OPINION**

The management of the Company had made due enquires and performed sufficient work to assess the Qualified Opinion and there was no disagreement on the Qualified Opinion between the management of the Company and the Company’s auditors. The work performed by the management of the Company to assess the Qualified Opinion include:

- (i). reviewing the management account of the Company for the year ended 31 December 2020, including the “Inventories” part;
- (ii). liaising with the relevant departments of the Ports and being advised that (a) all the Inventories had been properly kept at the Ports, (b) no stocktake inspection could be arranged at the Ports at the relevant period, and (c) the Ports would not issue any confirmation letter to prove the existence or any other metrics of the Inventories;
- (iii). discussing with the Company’s auditors in relation to the situation and the financial treatment of the Inventories and whether there was any alternative procedures that could be performed by the Company’s auditors; and
- (iv). submitting the management account and the auditors’ report (including the Qualified Opinion) for the year ended 31 December 2020 to the Audit Committee and discussed the financial treatment and the Qualified Opinion with the Audit Committee. The Audit Committee had reviewed the auditors’ report including the Qualified Opinion expressed therein and concurred with the treatment adopted by the Company’s auditors. For the year ended 31 December 2020, there was no disagreement on the Qualified Opinion between the Audit Committee and the management of the Company.

In view of work performed above and the proposed plan set out in this announcement, the management of the Company is of the view that the Qualified Opinion has been properly addressed.

### **IV. REMOVAL OF THE QUALIFIED OPINION**

Based on the proposed plan for the Inventories set out above, the Company expects that the Qualified Opinion would be removed in the auditor’s report of the Company for the year ending 31 December 2021, but the Qualified Opinion for relevant comparative figures will remain unchanged.

## V. SUPPLEMENTAL INFORMATION IN RELATION TO THE ANNOUNCEMENT

The total number of shares voted against resolution 4(A) disclosed in the Announcement, i.e. “to grant a general mandate to the Directors to allot, issue and deal with the shares of the Company in accordance with ordinary resolution number 4(A) as set out in the Notice”, should be **105,399,452**.

Save as disclosed above, the other information contained in the Announcement remains unchanged.

By order of the Board  
**China Zhongwang Holdings Limited**  
*Chairman*  
**Lu Changqing**

Hong Kong, 7 June 2021

As at the date of this announcement, the Board consists of:

***Executive Directors***

Mr. Lu Changqing and Ms. Ma Qingmei

***Non-executive Directors***

Mr. Chen Yan, Mr. Lin Jun and Mr. Wei Qiang

***Independent Non-executive Directors***

Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy

\* *For identification purpose only*