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GOLDBOND GROUP HOLDINGS LIMITED

金榜集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00172)

KEY FINDINGS OF THE INVESTIGATION

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Goldbond Group Holdings Limited (the “**Company**” and, collectively with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 28 June 2019, 22 July 2019, 3 September 2019, 27 September 2019, 29 November 2019, 27 December 2019 and 23 January 2020 in relation to, among others, the delay in the publication of the 2019 Annual Results and 2019 Interim Results, the delay in despatch of the 2019 Annual Report and 2019 Interim Report, the suspension of trading of the shares of the Company on the Stock Exchange, the Resumption Guidance, the quarterly updates on the business operations and resumption progress of the Company and the change of auditors of the Company. Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcements unless otherwise defined.

BACKGROUND, SCOPE AND MAJOR INVESTIGATION PROCEDURES OF THE INVESTIGATION

Background

As disclosed in the announcement of the Company dated 28 June 2019, on 25 June 2019, Deloitte Touche Tohmatsu (the “**Former Auditor**”), being the auditor of the Company since 10 November 2006, issued a letter to the Audit Committee, in which the Former Auditor requested the Audit Committee to undertake the Investigation in respect of the Trading Transactions by Shanghai Goldbond Trading Company Limited (“**Shanghai Goldbond**”), a wholly-owned subsidiary of the Company, involving an aggregate overdue account receivables for the Group in the amount of approximately RMB57,000,000 (equivalent to approximately HK\$65,000,000) (the “**Overdue Receivables**”). Subject to completion of the Investigation, the audit work of the Company’s consolidated financial statements for the year ended 31 March 2019 was suspended. As such, the Company was unable to publish the 2019 Annual Results in accordance with the requirements of the Listing Rules and trading in the Company’s shares on the Stock Exchange was suspended with effect from 28 June 2019.

On 18 July 2019, Ernst & Young (China) Advisory Limited, an independent professional accounting firm (the “**Independent Firm**”), was engaged to conduct the Investigation.

On 31 January 2020, the Independent Firm issued a final report on the Investigation (the “**Investigation Report**”) to the Audit Committee.

Scope

The primary scope of the Investigation is on the transactions in chemical products (the “**Trading Business**”) between Shanghai Goldbond and the following parties, namely (i) Aer Bota; (ii) Hengxuan; (iii) Gelong; (iv) Kubeike; and (v) Hangzhan (all as defined below). The review period for the Trading Business covered December 2016 to 31 March 2019 (the “**Review Period**”).

Major Investigation Procedures

The major investigation procedures conducted by the Independent Firm include, but are not limited to, the following:

1. obtaining and reviewing Shanghai Goldbond’s books, records, bank documentation and original documents relating to the trading transactions in the Trading Business;
2. to the extent possible and subject to availability, obtaining the financial data of third-party companies which were involved in the Trading Business through third-party credit reporting companies;
3. performing forensically sound data preservation and imaging of hard drives of selected persons of interest, developed search terms pertaining to the Trading Transactions, and reviewed electronic data including emails and user documents with responsive hits of the search terms;
4. obtaining a full list of all the Trading Transactions during the Review Period. Inspected the underlying supporting documents of the selected transactions, including but not limited to contracts, sales orders, purchase orders, invoices/fapiaos, payment request forms, bank advices, any supporting documents for delivery of goods to downstream customers, etc.;
5. conducting interviews with the management of the Group and relevant personnel of Shanghai Goldbond to understand the circumstances leading to the Trading Transactions and the Trading Business;
6. to the extent possible, conducting interviews with third parties involved subject to the response by and availability of the third parties;
7. performing searches of publicly available information on the suppliers, customers, guarantors and any other companies or individuals involved in the Trading Transactions as identified by the Former Auditor; and
8. carrying out physical visit to primary bank in which Shanghai Goldbond has opened its bank accounts to obtain the general bank accounts lists (已開立銀行結算賬戶清單) and physical visits to the Pudong branch of the People’s Bank of China to obtain the commercial credit reports of Shanghai Goldbond in order to reconcile certain information relating to the Trading Transactions and the Trading Business.

During the performance of the above procedures, there were certain limitations encountered by the Independent Firm as more fully described in the below section headed “Limitations of the Investigation”.

BACKGROUND OF THE TRADING BUSINESS

To the best of the knowledge of the Directors based on information available to them and having made all reasonable enquiries, the following sets out the background of the Trading Business engaged by Shanghai Goldbond:

1. Mr. Frank Chang (“**Mr. Chang**”), an independent consultant of Shanghai Goldbond since November 2016, introduced a business opportunity in trading of chemical products to Mr. Ding Chung Keung Vincent (“**Mr. Ding**”), the former chief executive officer of the Company and a former executive Director (who resigned with effect from 1 May 2019). For purpose of the Trading Business, Mr. Jiang Yuwei (“**Mr. Jiang**”), Mr. Gu Minfeng (“**Mr. Gu**”) and relevant companies were subsequently introduced by Mr. Chang to Shanghai Goldbond. Mr. Chang was also the former general manager of a state-owned enterprise (“**State-owned Enterprise A**”).
2. According to Mr. Chang, Mr. Jiang and Mr. Gu had been operating a chemical products trading business very similar to the Trading Business with State-owned Enterprise A at the time they were introduced to Shanghai Goldbond.
3. In December 2016, Shanghai Goldbond commenced the Trading Business. During the Review Period, Shanghai Goldbond entered into trading transactions with the following companies which were introduced by Mr. Chang:
 - (i) Yancheng Aer Bota Trading Co., Ltd.* (鹽城阿爾伯塔貿易有限公司) (“**Aer Bota**”) as a customer;
 - (ii) Jiangyin Hengxuan Trading Co., Ltd.* (江陰恒炫貿易有限公司) (“**Hengxuan**”) as a customer;
 - (iii) Jiangyin Gelong Trading Co., Ltd.* (江陰格隆貿易有限公司) (“**Gelong**”) as a supplier;
 - (iv) Jiangyin Kubeike Trading Co., Ltd.* (江陰魁北克貿易有限公司) (“**Kubeike**”) as a supplier; and
 - (v) Jiangyin Hangzhan Trading Co., Ltd.* (江陰杭展貿易有限公司) (“**Hangzhan**”) as a supplier.

(Aer Bota and Hengxuan are referred to as “**Customers**” and each a “**Customer**”; Gelong, Kubeike and Hangzhan are referred to as “**Suppliers**” and each a “**Supplier**”; and the Customers and the Suppliers are collectively referred to as the “**Five Companies**”)
4. In conducting the Trading Business, Shanghai Goldbond purchased chemical products from the Suppliers by entering into purchase contracts (the “**Purchase Contract(s)**”) with the respective Suppliers, and those chemical products were sold to the Customers with a credit term of 60 days by entering into sales contracts (the “**Sales Contract(s)**”) with the respective Customers.

5. Shanghai Goldbond derived its income of the Trading Business from two sources, being (i) income from the trading price difference; and (ii) the bank interest income.
 - (i) In respect of the income from the trading price difference, Shanghai Goldbond sold the chemical products to the Customers at selling prices which were RMB15 to RMB60 per ton higher than the price purchased from the Suppliers.
 - (ii) In respect of the bank interest income, after each purchase transaction was made, Shanghai Goldbond would seek to enter into a structural deposit arrangement with a bank in Shanghai, the PRC, whereby an amount equal to or greater than the purchase transaction amount would be deposited with the bank as collateral to apply for issuance of a bank acceptance bill (“**BA Bill**”) with a maturity period of six months. Upon receiving the confirmation of goods receipt from the relevant Customer of the purchased products, Shanghai Goldbond would deliver the BA Bill to the relevant Supplier to settle the purchase price. After Shanghai Goldbond received the payment from its Customers, Shanghai Goldbond would be able to place another structured deposit at a bank to earn the bank interest income.
6. During the Review Period, a total of 38 sales transactions in an aggregate amount of RMB567,568,000 (equivalent to approximately HK\$666,972,000) were entered into by Shanghai Goldbond and the Customers, of which (i) the selling price of 34 sales transactions in an aggregate amount of RMB510,789,000 (equivalent to approximately HK\$600,450,000) were settled by the Customers in accordance with the respective credit terms; and (ii) the selling price of 4 sales transactions in an aggregate amount of approximately RMB57,000,000 (equivalent to approximately HK\$65,000,000), being the Overdue Receivables, had not been settled by the Customers on the relevant due dates.
7. Since January 2019, the Trading Business has been suspended.
8. As disclosed in the announcements of the Company dated 2 January 2019 and 12 April 2019, Shanghai Goldbond has commenced legal proceeding against Aer Bota in the PRC in respect of the outstanding account receivable of one of the Trading Transactions in an amount of RMB13,850,000 (equivalent to approximately HK\$15,739,000). On 10 December 2019, a judgment from the relevant PRC court was obtained by Shanghai Goldbond under which Aer Bota was ordered to pay the outstanding account receivable of RMB13,850,000 (equivalent to approximately HK\$15,739,000) together with a penalty for breach of contract in the amount of RMB2,770,000 (equivalent to approximately HK\$3,078,000) (collectively the “**Judgement Debt**”) to Shanghai Goldbond.
9. As at the date of this announcement, none of the Judgement Debt had been paid by Aer Bota. Depending on the payment progress and subject to the legal advice to be sought by the Group, the Group will consider if any further action is to be taken in respect of the collection of the Judgement Debt.

10. As disclosed in the announcement of the Company dated 12 April 2019, on 20 March 2019 and 31 March 2019, Shanghai Goldbond entered into three settlement agreements (the “**Settlement Agreements**”) with Aer Bota and Hengxuan, respectively, in relation to the settlement of the outstanding account receivables of the remaining 3 Trading Transactions. Please refer to the announcement of the Company dated 12 April 2019 for further details of the Settlement Agreements.
11. As at the date of this announcement, an aggregate amount of RMB600,000 (equivalent to approximately HK\$698,000) have been received from Aer Bota and Hengxuan in settlement of the outstanding trade receivables. Depending on the repayment progress, the Group will consider if any further action is to be taken against any of Aer Bota and Hengxuan in this regard.
12. As at the date of this announcement, the directors of Shanghai Goldbond are Mr. Wong Yu Lung, Charles (“**Mr. Wong**”), who is also the Chairman of the Company and an executive Director, Ms. Zhou Xiaoqiong and Ms. Xu Yinglu, and the general manager of Shanghai Goldbond is Ms. Shen Xiaoxia (“**Ms. Shen**”). Ms. Shen is also the wife of Mr. Jiang. Mr. Wong has been the director of Shanghai Goldbond since 2 April 2019, while both of Ms. Zhou Xiaoqiong and Ms. Xu Yinglu have been the directors of Shanghai Goldbond since 1 September 2017.
13. To the best of the information and knowledge of the Directors having made all reasonable enquiries, each of Mr. Chang, Mr. Jiang and Mr. Gu is a party independent of the Company and its connected persons (as defined under the Listing Rules).

SUMMARY OF THE KEY FINDINGS OF THE INVESTIGATION

Subject to certain limitations of the Investigation as further set out in the below section headed “Limitations of the Investigation”, the Independent Firm has made the following key findings in relation to the Trading Transactions and the Trading Business:

(A) Connections among the Five Companies

1. According to Mr. Ding and a finance manager of Shanghai Goldbond (the “**Finance Manager**”), the Trading Business was introduced by Mr. Chang. However, neither the Company nor Shanghai Goldbond had performed any further due diligence or background check on the Five Companies, including but not limited to the relationship among the Five Companies and their shareholders, background, trading records, business and credibility.
2. According to the Finance Manager, Shanghai Goldbond did not perform such due diligence as the Five Companies had been involved in the same business with (i) State-owned Enterprise A; and (ii) another state-owned enterprise which was reportedly the downstream customer of the Trading Business and had good reputation for paying its suppliers in a timely manner.
3. According to the Finance Manager and Mr. Gu, during the Review Period, Mr. Jiang operated the Trading Business with Shanghai Goldbond on behalf of the Five Companies.

4. During the interviews conducted by the Independent Firm with Mr. Gu, the Finance Manager and Ms. Ren Hongxia (“**Ms. Ren**”), the major shareholder of Hengxuan, it was alleged that the Five Companies were either in effect controlled by and/or connected with Mr. Jiang. The connections between Mr. Jiang and the Five Companies identified and certain background of the Five Companies learnt during the interviews are set out below:

Companies	Connections with Mr. Jiang as identified during the interviews conducted by the Independent Firm
Customers	
Aer Bota	<ul style="list-style-type: none"> • Mr. Jiang was the supervisor of Aer Bota. • Aer Bota’s trading business was in effect controlled and operated by Mr. Jiang.
Hengxuan	<ul style="list-style-type: none"> • Hengxuan was owned by Ms. Ren, who was also the legal representative, as to 97.1%. • Ms. Ren was Mr. Gu’s cousin. • In 2015, Ms. Ren authorised Mr. Jiang to use Hengxuan to conduct the trading business.
Suppliers	
Gelong	<ul style="list-style-type: none"> • Gelong was established at the request of Mr. Jiang for the purpose of conducting the trading business with State-owned Enterprise A and Shanghai Goldbond. • Gelong was owned by Mr. Gu as to 70% and Mr. Li Lujun (“Mr. Li”) as to 30%. Both Mr. Gu and Mr. Li were high school classmates of Mr. Jiang. • Gelong’s business was in effect controlled and operated by Mr. Jiang.
Kubeike	<ul style="list-style-type: none"> • Kubeike was established at the request of Mr. Jiang for the purpose of conducting the trading business with State-owned Enterprise A. • Kubeike was owned by Mr. Gu as to 80%. • Kubeike’s business was in effect controlled and operated by Mr. Jiang.
Hangzhan	<ul style="list-style-type: none"> • Mr. Jiang was authorised to conduct the Trading Business on behalf of Hangzhan.

5. According to the Finance Manager and Mr. Chang, prior to the commencement of the Trading Business, the Company and Shanghai Goldbond were aware that the Five Companies were related to a certain extent. Based on the Independent Firm's interview with Mr. Ding, he had no knowledge of such connections.

In addition, based on the review of the data from two devices of Mr. Wong as provided by the Company using specific search terms and results of a telephone interview with Mr. Wong, the Independent Firm had not identified information relevant to Mr. Wong's knowledge of such connections.

6. The Independent Firm was of the view that the inadequate controls relating to supplier and customer due diligence and ongoing monitoring process increased the risks of entering into unauthorised transactions or transactions with conflict of interests.

(B) Downstream customers of Shanghai Goldbond

1. The chemical products in relation to the Trading Business were physically stored in a third-party warehouse (the "**Zhangjiagang Warehouse**") located in Zhangjiagang, Jiangsu Province, the PRC. The online system of the Zhangjiagang Warehouse retained the ownership transfer forms (the "**Ownership Transfer Forms**") which included the transaction information of the Trading Business (such as sellers, buyers, transaction dates, goods quantity, etc.) for a period of 12 months.
2. Out of the 38 sales transactions, 34 and 4 transactions were conducted with Aer Bota and Hengxuan, respectively. In addition, 10 out of the 38 sales transactions took place within the 12-month period from the date of the visit to the Zhangjiagang Warehouse by the Independent Firm. Among which, 6 and 4 transactions were conducted with Aer Bota and Hengxuan, respectively.
3. During the investigation process, the Independent Firm logged into Shanghai Goldbond's online warehouse account and reviewed the Ownership Transfer Forms for all of the 10 transactions that occurred during the period from August to December 2018 and found that the transactions were consistent with the transaction information stated on the relevant Sales Contracts and Purchase Contracts.
4. 6 out of the 10 transactions identified in paragraph 3 above were entered into between Shanghai Goldbond and Aer Bota. The Independent Firm obtained Aer Bota's warehouse account access right from Mr. Gu on 1 August 2019 and logged into Aer Bota's online warehouse account. Downstream customers for 6 out of 34 transactions between Shanghai Goldbond and Aer Bota during the period from August to November 2018 were located and identified by the Independent Firm in the system. It was found that the products sold by Shanghai Goldbond to Aer Bota were then subsequently sold to either (i) State-owned Enterprise A, (ii) a wholly-owned subsidiary of State-owned Enterprise A, (iii) Hangzhan, (iv) Hengxuan or (v) a company whose 70% shareholder is the legal representative of a company in which Mr. Jiang is a supervisor and 30% shareholder is also the legal representative of Gelong. 3 out of these 6 transactions constituted part of the Overdue Receivables. Please refer to the table in point 6 below for details.

5. 4 out of the 10 transactions identified in paragraph 3 above were entered into between Shanghai Goldbond and Hengxuan. The Independent Firm has requested for but was not able to receive assistance from Hengxuan to log into Hengxuan’s online warehouse account. Alternatively, the Independent Firm was presented copies of the Ownership Transfer Forms reportedly extracted from Hengxuan’s online warehouse account from Mr. Gu. Downstream customers for 3 out of 4 transactions between Shanghai Goldbond and Hengxuan occurred during the period from September to December 2018 were identified. The products sold by Shanghai Goldbond to Hengxuan under those transactions were further sold to Aer Bota and other third-party companies. 1 out of these 3 transactions constituted part of the Overdue Receivables. Please refer to the table in point 6 below for details.
6. The following table sets out the details of the Overdue Receivables:

Transaction date	Transaction amount, which constituted the Overdue Receivables (RMB)	Transaction volume (Ton)	Customer	Downstream customers of Aer Bota/Hengxuan identified by the Independent Firm
2018/10/31	13,850,000	2,000	Aer Bota	State-owned Enterprise A
2018/11/9	14,494,000	2,000		A company related to Mr. Jiang (1,000 Ton)
				Hangzhan, one of the Suppliers and the Five Companies (1,000 Ton)
2018/11/30	13,160,000	2,000		State-owned Enterprise A
2018/12/10	15,275,000	2,500	Hengxuan	Third-party companies (2,000 Ton)
				Aer Bota, one of the Customers and the Five Companies (500 Ton)
Total	56,779,000	8,500		

(C) Off-book transactions

1. During the Investigation, an off-book account record (the “**Account Record**”) in the form of excel spreadsheet was located by the Independent Firm. The Account Record captures the inflows and outflows of a personal bank account (the “**Personal Bank Account**”) owned by the Finance Manager. These inflows and outflows were principally related to the rebates from the Customers in an aggregate amount of RMB541,700 (equivalent to approximately HK\$634,000) and service fees paid to a company consultant, the spouse of the consultant and the Finance Manager in the aggregate amount of RMB528,050 (equivalent to approximately HK\$626,000), respectively.

2. According to the Finance Manager, Shanghai Goldbond and Aer Bota agreed that for those Trading Transactions where Shanghai Goldbond paid the Suppliers by bank transfer instead of BA Bill, Aer Bota shall pay Shanghai Goldbond an amount equivalent to interests for two months as rebate. The rebates were either (i) reflected through the price differences of the Trading Transactions between Shanghai Goldbond and Aer Bota; or (ii) paid in cash by Ms. Cui Yin, the former legal representative and sole shareholder of Aer Bota (“**Ms. Cui**”), to the Personal Bank Account.
3. According to the Account Record, certain outflow payments in an aggregate amount of RMB448,050 (equivalent to approximately HK\$503,000) were made to Mr. Liu Yongning (“**Mr. Liu**”) from the Personal Bank Account during the period from January 2017 to July 2018. According to Mr. Jiang, such payments were festive bonus and service fees paid to Mr. Liu. However, the description of those payments reflected in the Account Record was “consulting service fee for Mr. Jiang”. The Finance Manager refused to disclose the ultimate beneficiary of these payments to the Independent Firm. In addition, the Account Record shows that two outflow payments in the respective amounts of RMB30,000 (equivalent to approximately HK\$34,000) and RMB50,000 (equivalent to approximately HK\$62,000) were made to Ms. Shen and the Finance Manager in January 2017 and February 2018, respectively.
4. The Finance Manager represented that once she received payments in the Personal Bank Account, she transferred the funds to her other personal bank account(s) and via these other personal bank account(s) transferred the money to the payees stated in the Account Record. The Finance Manager provided certain bank advices and bank statements of the Personal Bank Account and her other personal bank accounts to support 17 out of the 18 outflow transactions recorded in the Account Record. However, the Independent Firm found that there are minor inconsistencies between the records shown in the bank advices and/or relevant bank statements and in the Account Record.
5. The Independent Firm is of the view that the use of off-book account records and personal bank account(s) for business purpose increases the risks of transactions being kept outside of the accounting system of Shanghai Goldbond and not being properly reflected in Shanghai Goldbond’s books and records. Besides, without monitoring the personal bank account(s) used for business purpose and maintaining a complete set of bank statements of the personal bank account(s) in use, employees may be given an opportunity to engage in misconducts or bribery or misappropriation of company funds.

(D) Use of substitute fapiaos

1. In November 2018 and December 2018, the Finance Manager applied to Shanghai Goldbond for reimbursement of two consulting expenses totalling RMB86,600 (equivalent to approximately HK\$98,000) (the “**Expenses**”) with the support of fapiaos issued by a third-party company, under a description of trading consulting service fee. Two payments were then made into the Finance Manager’s personal bank account, which were then transferred to Mr. Liu whom reportedly received the payments on behalf of Mr. Chang.
2. According to the Finance Manager, the Expenses represented the service fees paid by Shanghai Goldbond to Mr. Chang for the period from September to December 2018.

3. However, as noted by the Independent Firm, the two payments made to the Finance Manager were neither supported by service contracts nor any service delivery documentation.
4. The Independent Firm is of the view that such payment arrangement may also expose Shanghai Goldbond to potential tax implications. In addition, the use of substituted fapiaos in support of third-party payments may give rise to opportunities of facilitating unsubstantiated expenses.

(E) Self-approval of expense claims

1. During the Investigation, it was found from an email correspondence that Mr. Chang was also the approver of the Expenses.
2. The Independent Firm is of the view that lack of proper payment approval matrix increased the risks of expenses not subject to proper review and may give rise to opportunities of facilitating unsubstantiated expenses.

To the best of the information and knowledge of the Directors having made all reasonable enquiries, each of Ms. Ren, Mr. Li, Mr. Liu and Ms. Cui is a party independent of the Company and its connected persons (as defined under the Listing Rules).

LIMITATIONS OF THE INVESTIGATION

The Independent Firm encountered a number of limitations and challenges which may have limited both the nature and extent of the Investigation. The main limitations are set out below:

1. In respect of the collection and processing of electronic data, the Independent Firm has requested for but was unable to obtain certain company-provided electronic devices from one former employee and one current employee of Shanghai Goldbond, and encountered challenges including installation of file smasher tool and data deletion by the Finance Manager on her company-provided electronic device. Due to such restrictions, the Independent Firm reported that the information derived from their review of electronic data may be incomplete.
2. Certain third parties and one former employee were unable/refused to attend interviews with the Independent Firm; and despite several attempts had been made by the Independent Firm to reach out to them.
3. The Independent Firm was unable to obtain certain information including (i) delivery details from upstream suppliers of Kubeike, Gelong and Hangzhan from a third party warehouse in relation to 38 purchase transactions; and (ii) delivery details to downstream customers of Aer Bota and Hengxuan from a third party warehouse in relation to 29 out of 38 sales transactions.

VIEWS AND RECOMMENDATIONS OF THE AUDIT COMMITTEE

The Audit Committee has carefully considered the key findings of the Investigation Report and has formed the following views:

1. The Independent Firm, which is properly qualified and has the relevant credentials and experience in conducting investigations similar to the one that the Group has undertaken, has taken, to the extent that is reasonably practicable, all necessary and appropriate methods and procedures to investigate the Trading Transactions and the Trading Business.
2. Despite having conducted the investigation procedures under the Investigation, due to the limitations encountered in the Investigation, the Independent Firm was not able to assess whether (i) the trading transactions arising from the Trading Business were genuine transactions; and (ii) any fraudulent conduct was involved in the Trading Business. However, the Audit Committee noted that based on the Independent Firm's interviews with Mr. Wong and Mr. Ding and its review of the data of Mr. Wong's electronic devices, the connections among the Five Companies were unknown to Mr. Wong (being the Chairman of the Company and an executive Director) and Mr. Ding (being the former chief executive officer of the Company and a former executive Director). Further, to the best of the information and knowledge of the Audit Committee, Shanghai Goldbond was not aware of the identities of the downstream customers who subsequently purchased the chemical products from the Customers; and, as supported by the findings of the Independent Firm, the identified trading transactions arising from the Trading Business had been conducted in accordance with the terms of the relevant Sales Contracts and Purchase Contracts during the Review Period.
3. The Audit Committee noted from the Investigation Report that certain outflow payments were made from the Personal Bank Account to Mr. Liu. This is inconsistent with the record as described and reflected in the Account Record and the Finance Manager refused to disclose the ultimate beneficiary of these payments to the Independent Firm. In this connection, the Audit Committee considered that internal enquiries shall be made to the Finance Manager in this regard to clarify the reasons for making the payments and the ultimate beneficiary of the payments.
4. There are internal control deficiencies in the Trading Business, including but not limited to (i) failure by the Group to conduct the background check and due diligence; (ii) failure by the Group to identify the connections among the Five Companies; (iii) use of off-book bank account(s) and Account Record by the relevant persons; (iv) use of substitute fapiao(s) by an employee; and (v) self-approval of expenses by a consultant.

The Audit Committee has also carefully considered the limitations of the Investigation and was of the view that such limitations would not render the Investigation materially incomplete or unreliable for the following reasons:

1. Although there were certain restrictions on the collection and processing of electronic data, the Independent Firm has subsequently reviewed the backup files of the deleted data provided by the Finance Manager. The Finance Manager also explained that the reason for deleting the data was that they were personal files unrelated to the Trading Business. The Audit Committee was hence of the view that the risk of the Finance Manager deliberately concealing information in relation to the Trading Business by deleting the data is minimal.
2. After knowing that the Independent Firm was unable to reach out to certain third parties and one former employee of Shanghai Goldbond for interviews, the Audit Committee had instructed the management to provide their contact information (including mobile number and certain addresses, as available to the Company) to the Independent Firm for further follow up. Nevertheless, these parties were still out of contact. The Audit Committee considered that practicable steps have been taken in reaching out to these parties for purpose of the Investigation.
3. In respect of certain delivery details of upstream suppliers and downstream customers of the Five Companies which the Independent Firm was unable to obtain, following specific enquiry by the Audit Committee, neither the Company nor Shanghai Goldbond is able to obtain such information as they are internal records of the Five Companies and the online system of the Zhangjiagang Warehouse only retained the relevant information for a limited period. The Audit Committee considered that practicable steps have been taken in obtaining those information.

In view of the above, the Audit Committee has made the following recommendations to the Board:

1. an internal control consultant shall be engaged to review the internal control system of the Group and make recommendations;
2. internal enquiries shall be made to the Finance Manager in relation to the payments made to Mr. Liu from the Personal Bank Account, including but not limited to the reasons for the making of the payments and the ultimate beneficiary of the payments with a view to ascertaining if further legal actions should be taken; and
3. the Company may seek further legal or professional advice in the PRC as to whether the circumstances leading to the Trading Business indicate the existence of any fraudulent conducts which may warrant the Company taking further legal actions.

The Audit Committee will also communicate with ZHONGHUI ANDA CPA Limited, the auditor of the Company with effect from 23 January 2020, in respect of the key findings of the Investigation and business substance of the Trading Business for the purpose of audit work and preparation of the 2019 Annual Results.

REMEDIAL ACTIONS TO BE TAKEN

The Investigation Report and the views and recommendations from the Audit Committee have been reviewed, considered and endorsed by the Board. With the recommendations from the Audit Committee, the Board has resolved to take the following remedial actions to address the key findings identified in the Investigation Report:

1. to review the internal control systems and procedures of the Group including but not limited to all the internal control deficiencies identified in the Investigation Report;
2. to engage an internal control consultant to conduct an internal control review of the Company and its subsidiaries;
3. to strengthen the reporting mechanism of the subsidiaries of the Group, including monthly reporting of the financial and operation conditions of the relevant companies;
4. to conduct regular training sessions to all Directors, senior management and relevant personnel of the Group to ensure that necessary financial and internal control measures are able to be implemented and observed;
5. to conduct internal enquiries on the Finance Manager (who is currently still employed within the Group) in relation to the payments made to Mr. Liu, including but not limited to the reasons for the making of the payments and the ultimate beneficiary of the payments with a view to ascertaining if further legal actions should be taken. Such enquiries shall commence as soon as reasonably practicable and in any event not later than March 2020; and
6. to seek further legal or professional advice in the PRC as to whether the circumstances leading to the Trading Business indicate the existence of any fraudulent conducts which may warrant the Company taking further legal actions.

As at the date of this announcement, the Company is in the progress of engaging an internal control consultant to conduct an internal control review of the Company and its subsidiaries. The Company will proactively communicate with the relevant parties and the Stock Exchange in respect of the remedial actions to be taken in view of the key findings of the Investigation Report, and will make further announcement(s) on any material developments as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 June 2019 and will remain suspended until further notice.

Shareholders and potential investors should exercise extreme caution when dealing in the shares of the Company.

By order of the Board of
Goldbond Group Holdings Limited
Wong Yu Lung, Charles
Chairman

Hong Kong, 31 January 2020

As at the date of this announcement, the Board comprises Mr. Wong Yu Lung, Charles and Ms. Wong, Michelle Yatyee (all being executive Directors), Mr. Ma Ho Fai GBS JP, Mr. Cheng Yuk Wo and Mr. Yeh Shing Hang Kevin Arthur (all being independent non-executive Directors).

** English translated name is for identification purpose only*

Unless otherwise indicated, for the purpose of this announcement and for the purpose of illustration only, amounts in RMB have been translated into HK\$ using the following rates:

- for transactions during the period from December 2016 to August 2017, at the rate of RMB1: HK\$0.89;*
- for transactions during the period from September 2017 to January 2018, at the rate of RMB1: HK\$0.84;*
- for transactions during the period from February 2018 to July 2018, at the rate of RMB1: HK\$0.81; and*
- for transactions during the period from August 2018 to December 2018, at the rate of RMB1: HK\$0.88.*