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GOOD RESOURCES

GOOD RESOURCES HOLDINGS LIMITED

天成國際集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 109)

KEY FINDINGS OF FORENSIC REVIEW

This announcement is made by Good Resources Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the Company’s announcements dated 24 September 2020, 12 October 2020 and 24 March 2021 (the “**Announcements**”) in relation to, among others, the engagement of RSM Corporate Advisory (Hong Kong) Limited (“**RSM**”) as an independent forensic accountant to perform an independent investigation into the circumstances of the Loan Transactions (the “**Forensic Accounting Review**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings ascribed to them in the Announcements.

The Company wishes to inform the Shareholders that RSM has completed the Forensic Accounting Review and issued a report setting out its findings (the “**Report**”). The Investigation Committee has convened a meeting to adopt the Report and resolved to present the Report to the Board. Having considered RSM’s major findings in the Report, the Board has resolved to take a number of immediate steps to protect the Company’s interests. Key findings of the Forensic Accounting Review and the Company’s remedial steps are set forth below.

SUMMARY OF THE KEY FINDINGS OF THE FORENSIC ACCOUNTING REVIEW

(A) Scope of the Review

As disclosed in the Announcements, during the course of the preparation for the Company's 2020 Annual Results, it came to the Board's attention that between September 2019 and November 2019, Shanghai Yongsheng (an indirect wholly-owned subsidiary of the Company) had entered into certain unauthorised Loan Transactions with a third party borrower.

The Board established the Investigation Committee consisting of all the independent non-executive directors of the Company to investigate the matters relating to the Loan Transactions. Thereafter, RSM was engaged to conduct the Forensic Accounting Review.

(B) Summary of RSM's key findings

(i) Issues in relation to the Loan Transactions

1. Pledge Contracts were executed by Shanghai Yongsheng in favour of the Shanghai Branch of Bank of Beijing

During the Forensic Accounting Review, RSM received from Shanghai Yongsheng four pledge contracts executed by Shanghai Yongsheng in favour of the Shanghai Branch of Bank of Beijing (北京銀行上海分行) ("**Bank of Beijing**") in 2018 and 2019 (the "**Pledge Contracts**"). Set out below is the summary of the Pledge Contracts.

Date	Principal Terms
12 September 2018	<p>The pledge contract relates to the loan agreement between Bank of Beijing (as lender) and 上海世灝商貿發展有限公司 (Shanghai Shihao Commercial Development Company Limited*) ("Shanghai Shihao") (as borrower) in the sum of RMB389,000,000 for a term from 12 September 2018 to 12 September 2019.</p> <p>As security for Shanghai Shihao's obligations under the aforesaid loan agreement, Shanghai Yongsheng entered into this pledge contract with Bank of Beijing, pursuant to which Shanghai Yongsheng pledged its fixed deposits of RMB400,000,000 in favour of Bank of Beijing.</p>
28 May 2019	<p>The pledge contract relates to the loan agreement between Bank of Beijing (as lender) and 上海錢江文化科技(集團)有限公司 (Shanghai Qian Jiang Cultural and Technology (Group) Limited*) ("Shanghai Qianjiang") (as borrower) in the sum of RMB489,000,000 for a term from 28 May 2019 to 28 November 2019 (the "Shanghai Qianjiang Loan Agreement").</p>

Date	Principal Terms
29 May 2019	<p>As security for Shanghai Qianjiang’s obligations under the aforesaid loan agreement, Shanghai Yongsheng entered into this pledge contract with Bank of Beijing, pursuant to which Shanghai Yongsheng pledged its fixed deposits of RMB300,000,000 in favour of Bank of Beijing.</p>
29 May 2019	<p>The pledge contract is entered into as security for Shanghai Qianjiang’s obligations under the Shanghai Qianjiang Loan Agreement. Pursuant to this pledge contract, Shanghai Yongsheng pledged its fixed deposits of RMB200,000,000 in favour of Bank of Beijing.</p>
29 May 2019	<p>The pledge contract relates to the loan agreement between Bank of Beijing (as lender) and Shanghai Shihao (as borrower) in the sum of RMB74,000,000 for a term from 29 May 2019 to 29 November 2019.</p>
	<p>As security for Shanghai Shihao’s obligations under the aforesaid loan agreement, Shanghai Yongsheng entered into this pledge contract with Bank of Beijing, pursuant to which Shanghai Yongsheng pledged its fixed deposits of RMB76,000,000 in favour of Bank of Beijing.</p>

As a result of Shanghai Shihao’s and Shanghai Qianjiang’s defaults on repayments under the aforementioned loan agreements between Bank of Beijing and Shanghai Shihao/Shanghai Qianjiang, Bank of Beijing enforced the Pledge Contracts by deducting the pledged fixed deposits in the total sum of approximately RMB976,000,000 (the “**Fixed Deposits**”) in around September 2019 and November 2019 (the “**Enforcement**”). Neither the execution of the Pledge Contracts was reported to the Company nor the Enforcement was recorded in Shanghai Yongsheng’s accounting books at the relevant times.

RSM conducted interviews with the relevant employees of Shanghai Yongsheng and the Company. In summary, RSM's findings are:

Pledge Contracts and use of the company chop and legal representative chop

- (a) According to the current general manager cum director (the “**General Manager**”) and the current financial controller of Shanghai Yongsheng, they became aware of the deduction of the Fixed Deposits in around October 2019. However, they only discovered the existence of the Pledge Contracts in around July or August 2020.
- (b) At the relevant time, the former assistant to the former general manager of Shanghai Yongsheng was responsible for liaising with Bank of Beijing in relation to the Fixed Deposits. He and the former deputy general manager of Shanghai Yongsheng were in charge of the matters relating to the Pledge Contracts. Both of them left Shanghai Yongsheng in around 2018 and 2019.
- (c) The company chop of Shanghai Yongsheng and the legal representative chop of Mr. Chen Chuanjin (former chairman and director of the Company, and former chairman, director and legal representative of Shanghai Yongsheng) were affixed on the Pledge Contracts.
- (d) At the relevant time, the company chop and legal representative chop of Shanghai Yongsheng were kept by the manager of general affairs department of Shanghai Yongsheng. Based on RSM's review of the register for use of chops maintained by Shanghai Yongsheng, there was no entry relating to the execution of the Pledge Contracts.
- (e) Mr. Chen Chuanjin claimed that he learnt about the existence of the Pledge Contracts sometime during the COVID-19 pandemic in 2020. He was not aware of the use of his legal representative chop in the Pledge Contracts. At the relevant time, Shanghai Yongsheng's management did not report the discovery of the Pledge Contracts to the Company.
- (f) According to the understanding of the General Manager, Shanghai Yongsheng entered into the Pledge Contracts possibly because of its long-term business relationship with Shanghai Shihao and Shanghai Shihao and Shanghai Qianjiang were long-term business partners.
- (g) The Company and its management in Hong Kong only learnt about the existence of the Loan Transactions and the deduction of the Fixed Deposits in around September 2020, and the existence of the Pledge Contracts in around late October 2020.

Enforcement of the Pledge Contracts

- (h) Shortly after the General Manager joined Shanghai Yongsheng in around October 2019, he learnt about the Enforcement and considered that remedial measures should be taken to protect Shanghai Yongsheng's interests. As such, the General Manager negotiated with Shanghai Shihao and arranged for loan agreements to be executed (i.e. the Loan Transactions) as evidence of the debts owed by Shanghai Shihao to Shanghai Yongsheng. Details of the Loan Transactions are set forth in the next section of this announcement.
- (i) Upon becoming aware of the Enforcement, the current financial controller of Shanghai Yongsheng immediately reported to Mr. Chen Chuanjin. She did not know whether Mr Chen Chuanjin reported the matter to the Board.

Having examined the relevant correspondences and documents and conducting interviews with the relevant employees of Shanghai Yongsheng and the Company, RSM concluded that there was no evidence suggesting that the execution of the Pledge Contracts and the Enforcement at the relevant times were known to the Company, the Board (save for Mr. Chen Chuanjin) and the management in Hong Kong.

2. *Loan agreements between Shanghai Yongsheng and Shanghai Shihao*

Shanghai Yongsheng (as lender) entered into four loan agreements dated 11 September 2019, 28 November 2019 and 29 November 2019 with Shanghai Shihao (as borrower) (i.e. the Loan Transactions). Set out below is a summary of the Loan Transactions.

Date	Loan amount	Term	Interest rate (per annum)
11 September 2019	RMB406,200,000	3 years	4%
28 November 2019	RMB300,000,000	3 years	4%
29 November 2019	RMB76,000,000	3 years	4%
29 November 2019	RMB200,000,000	3 years	4%

Based on RSM's review of the relevant records and interviews with the relevant employees of Shanghai Yongsheng and the Company, the observations and findings of RSM are as follows:

- (a) The General Manager confirmed that he arranged for the Loan Transactions to be entered into with Shanghai Shihao as remedial measures for protecting the interests of Shanghai Yongsheng.
- (b) Prior to entering into the Loan Transactions, the General Manger had reported this to Mr. Chen Chuanjin and sought his instructions through a phone call. Mr. Chen Chuanjin told him that he would have full authority to handle this matter.
- (c) The General Manager confirmed that he did not inform the Company and the management in Hong Kong of the Loan Transactions. He did not know whether Mr. Chen Chuanjin had reported to the Board about the Enforcement and the Loan Transactions.
- (d) Mr. Chen Chuanjin confirmed that he did not inform the Board about the Loan Transactions because of his father's death and COVID-19 pandemic at the relevant times. He claimed that he only recently became aware that his legal representative chop had been affixed on the four loan agreements in respect of the Loan Transactions.
- (e) Despite the deduction of the Fixed Deposits (i.e. the Enforcement) in around September and November 2019, these deposits were still reflected in the financial statements of Shanghai Yongsheng as at 31 December 2019. The current financial controller of Shanghai Yongsheng explained that such deduction was not recorded in the accounting books of Shanghai Yongsheng as she did not know the underlying reason for such deduction.
- (f) Upon becoming clear to the current financial controller of Shanghai Yongsheng that the deduction was related to the Pledge Contracts and learning of the execution of the Loan Transactions, she instructed the finance staff of Shanghai Yongsheng to reflect the deduction of RMB976,000,000 in Shanghai Yongsheng's financial statements as at 30 June 2020. Such adjusted financial statements were subsequently provided to the Company in around October 2020.
- (g) In late November 2020, Shanghai Yongsheng provided the Company with the internal due diligence reports and the applications for the use of chops relating to the Loan Transactions. RSM noted that these reports and applications were dated after the execution of the Loan Transactions.

RSM made attempts to contact Shanghai Shihao and Shanghai Qianjiang, and requested interviews to be conducted with Shanghai Shihao and Shanghai Qianjiang. Shanghai Shihao and Shanghai Qianjiang did not respond to RSM's letters or requests.

3. *Share Pledge Agreement*

As disclosed in the Company's announcement dated 24 March 2021, during the course of the Forensic Accounting Review, it has come to RSM's attention that Shanghai Yongsheng entered into a share pledge agreement (the "**2021 Pledge Agreement**") with Shanghai Shihao on around 18 March 2021.

Pursuant to the 2021 Pledge Agreement, Shanghai Shihao agreed to pledge its 100% equity interest in 鎮江榮德新能源科技有限公司 (Zhenjiang Rongde New Energy Technology Co., Ltd.*) ("**Zhenjiang Rongde**") to Shanghai Yongsheng as security for Shanghai Shihao's obligations under the Loan Transactions. The secured maximum amount of debts is RMB982,200,000.

Based on the public search results, RSM noted that the shares of Zhenjiang Rongde held by Shanghai Shihao had been pledged to 中航信託股份有限公司 (AVIC Trust Co., Ltd) in April 2018.

(ii) *Issues in relation to the Wealth Management Products*

During the course of preparation for the Company's Annual Results 2020, on 17 July 2020, the Company received from Shanghai Yongsheng its financial statements as at 30 June 2020, which suggested that Shanghai Yongsheng might have subscribed for certain wealth management products in the amount of RMB602.98 million offered by China Minsheng Bank (the "**Wealth Management Products**"). The Wealth Management Products were subscribed without the knowledge of or approval from the Company at the relevant time. Therefore, the Board immediately requested Shanghai Yongsheng to arrange for redemption of the Wealth Management Products.

On 24 July 2020, Shanghai Yongsheng informed the Company that the Wealth Management Products were redeemed on 23 July 2020. However, in around September 2020, the Company's auditors informed the Company that they were not able to obtain China Minsheng Bank's confirmation with respect to the Wealth Management Products.

Based on the review of the correspondences and documents related to the Wealth Management Products and the interviews with the staff of Shanghai Yongsheng and the Company, RSM had the following observations and findings in respect of the purported subscription and redemption of the Wealth Management Products:

1. *Purported receipts relating to the subscription of the Wealth Management Products*

RSM reviewed the five purported receipts which were allegedly related to the subscription of the Wealth Management Products (the "**Purported Subscription Records**"). Although the Purported Subscription Records were each printed with a logo which resembled that of China Minsheng Bank, RSM noted that the logo and layout of these receipts were different from other electronic receipts issued by China Minsheng Bank to Shanghai Yongsheng.

Further, RSM could not locate any records evidencing the subscription of the Wealth Management Products on the account statements obtained from China Minsheng Bank.

2. *Purported bank records relating to the redemption of the Wealth Management Products*

Based on RSM's review of the purported bank records evidencing the redemption of the Wealth Management Products, RSM noted that these purported redemption records appeared to be the remittance records for the fund transfers from 10 call deposit accounts of Shanghai Yongsheng to the existing general bank account of Shanghai Yongsheng with China Minsheng Bank. RSM further noted that those 10 call deposit accounts were opened by Shanghai Yongsheng with China Minsheng Bank on 23 July 2020 (i.e. the date when the purported redemption was effected).

3. *Discrepancies between Shanghai Yongsheng's explanations and the supporting documents*

There were discrepancies between the explanations given by the staff of Shanghai Yongsheng and the records available to RSM as to whether the purported subscription and redemption of the Wealth Management Products had in fact taken place. The General Manager and the current financial controller of Shanghai Yongsheng claimed that the subscription of the Wealth Management Products was a misunderstanding.

4. *Remittances of RMB378 million from and to Shanghai Qianjiang*

According to RSM's review of the ledgers of Shanghai Yongsheng, there were no records evidencing the purported subscription of the Wealth Management Products on 30 June 2020. However, RSM noted that Shanghai Yongsheng recorded an incoming remittance of RMB378 million from Shanghai Qianjiang on 30 June 2020. On 1 July 2020, Shanghai Yongsheng transferred RMB378 million back to Shanghai Qianjiang. According to the General Manager, the finance staff of Shanghai Yongsheng understood from Shanghai Qianjiang that the remittance on 30 June 2020 was an operation error. As such, Shanghai Yongsheng remitted the same amount back to Shanghai Qianjiang on the next day.

(C) Next steps to be taken by the Company

The Company and the Board treat the findings of the Forensic Accounting Review seriously. The Board has serious concerns over the operation of Shanghai Yongsheng and the integrity of the staff concerned. The review findings show that there might have been misconduct against the Company's interest. The Company is determined to investigate further such misconduct and take all necessary steps to protect the interests of the Company.

As disclosed in the Company's announcement dated 30 April 2021, Mr. Chen Chuanjin has resigned from all his positions in the Company with effect from 30 April 2021. Mr. Chen Chuanjin has also resigned from all his positions in Shanghai Yongsheng. After careful discussion and due consideration, the Board has resolved that it is necessary to take the following immediate actions:

- (a) Suspend the duties of the staff of Shanghai Yongsheng who were involved in the matters highlighted in the Report;
- (b) Appoint Mr. Liu Bin (an executive director of the Company) to be the chairman, director and legal representative of Shanghai Yongsheng who shall be responsible for supervising and managing the operations of Shanghai Yongsheng (including all bank accounts of Shanghai Yongsheng) from the date of this announcement;
- (c) All chops and seals of Shanghai Yongsheng (including but not limited to the company chop and legal representative chop) shall be kept by Mr. Liu Bin;
- (d) Implement stringent control measures over any use of the chops and seals of Shanghai Yongsheng;
- (e) Engage RSM to conduct an independent internal control review;
- (f) Seek professional advice in relation to the enforceability of the 2021 Pledge Agreement and the value of the underlying pledged equity interest; and
- (g) Seek legal advice to determine and formulate the next steps to be carried out in order to protect the interests of the Company and the Shareholders.

The Company will make announcements to update the Shareholders and potential investors on any substantial development of the above actions as and when appropriate.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 1:00 p.m. on 23 September 2020, and shall remain suspended until further notice.

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

DEFINITIONS

“2021 Pledge Agreement”	the share pledge agreement dated 18 March 2021 pursuant to which Shanghai Shihao agreed to pledge its 100% equity interest in Zhenjiang Rongde to Shanghai Yongsheng as security for Shanghai Shihao’s obligations under the Loan Transactions
“Announcements”	the Company’s announcements dated 24 September 2020, 12 October 2020 and 24 March 2021
“Bank of Beijing”	the Shanghai Branch of Bank of Beijing (北京銀行上海分行)
“Board”	the board of directors of the Company
“Company”	Good Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the share of which are listed on the main board of the Stock Exchange
“Enforcement”	Bank of Beijing’s enforcement of the Pledge Contracts
“Fixed Deposits”	the fixed deposits pledged by Shanghai Yongsheng under the Pledge Contracts in a total sum of approximately RMB976,000,000 which were deducted by Bank of Beijing in September and November 2019
“Forensic Accounting Review”	an independent investigation into the circumstances of the Loan Transaction performed by RSM
“General Manager”	The current general manager cum director of Shanghai Yongsheng
“Loan Transactions”	four loan agreements entered into between Shanghai Yongsheng as lender and Shanghai Shihao as borrower on 11 September 2019, 28 November 2019 and 29 November 2019
“Pledge Contracts”	four pledge contracts executed by Shanghai Yongsheng in favour of Bank of Beijing in 2018 and 2019
“Purported Subscription Records”	five purported receipts totalling RMB602.98 million which were allegedly related to the subscription of the Wealth Management Products
“Report”	the report issued by RSM setting out the findings of its Forensic Accounting Review
“RSM”	RSM Corporate Advisory (Hong Kong) Limited, an independent professional accounting and consulting firm

“Shanghai Qianjiang”	上海錢江文化科技(集團)有限公司 (Shanghai Qian Jiang Cultural and Technology (Group) Limited*)
“Shanghai Qianjiang Loan Agreement”	the loan agreement between Bank of Beijing (as lender) and Shanghai Qianjiang (as borrower) in the sum of RMB489,000,000 for a term from 28 May 2019 to 28 November 2019
“Shanghai Shihao”	上海世灝商貿發展有限公司 (Shanghai Shihao Commercial Development Company Limited*)
“Shanghai Yongsheng”	上海永盛融資租賃有限公司 (Shanghai Yongsheng Capital Lease Co., Limited*), an indirect wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Management Products”	certain wealth management products in the amount of RMB602.98 million offered by China Minsheng Bank
“Zhenjiang Rongde”	鎮江榮德新能源科技有限公司 (Zhenjiang Rongde New Energy Technology Co., Ltd.*)

By order of the Board
Good Resources Holdings Limited
Liu Bin
Executive Director

Hong Kong, 3 May 2021

As at the date of this announcement, (i) the executive Directors are Mr. Chen Shi and Mr. Liu Bin and (ii) the independent non-executive Directors are Mr. Chau On Ta Yuen, Mr. Zhang Ning and Mr. Wong Hok Bun, Mario.

* For identification purpose only