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## **Rosan Resources Holdings Limited**

**融信資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 578)**

### **KEY FINDINGS OF THE FORENSIC INVESTIGATION REPORT AND THE INDEPENDENT INVESTIGATION COMMITTEE**

This announcement is made by the board of directors (the “**Board**”) of Rosan Resources Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) and 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 30 March 2021, 10 May 2021, 26 May 2021, 30 June 2021, 27 July 2021, 1 September 2021, 4 October 2021, 31 December 2021, 31 March 2022 and 30 June 2022 (“**Announcements**”) in relation to, among other things, (i) the delay in publication of the annual results of the Company for the year ended 31 December 2020, (ii) certain guarantees provided by a subsidiary of the Group, (iii) the resumption guidance issued by the Stock Exchange, (iv) quarterly update on suspension of trading and (v) the delay in publication of the interim results of the Company for the six months ended 30 June 2021, respectively. Unless otherwise stated, capitalised term used in this announcement shall have the same meaning as those defined in the Announcements.

## BACKGROUND

As disclosed in the announcement of the Company dated 9 May 2021, during the course of preparation for the annual results of the Company for the year ended 31 December 2020 (the “**2020 Annual Results**”), the Company was informed by its former auditors (the “**Former Auditors**”) that a subsidiary of the Company, namely Xiangyang Coal Industry Company Limited\* (“**Xiangyang**”) (登封市向陽煤業有限公司) purportedly provided a number of guarantees in favour of certain independent third parties in support of borrowings concerning certain connected persons of the Company (as defined under Listing Rules) which the Board was not being properly informed.

At the time of discovery of the above loans and guarantees, the loans were defaulted. The Former Auditors have expressed their concerns to the Company regarding the potential failure in recognition of liabilities and contingent liabilities in the financial statements. The Board has therefore established an independent investigation committee consists of all the independent non-executive Directors (the “**Independent Investigation Committee**”), namely, Mr. Kelvin Kin-cheong Ho, Mr. Ma Geng and Mr. Wan Tse Fan Terrence (Mr. Wan Tze Fan was appointed on 5 July 2021 preceded by Mr. Wan Man Wah who resigned as independent non-executive director on the same date), to investigate into the issues. The Investigation Committee has then engaged FTI Consulting (China) Limited (the “**Forensic Investigator**”) as the independent third party investigator through its legal advisers, to conduct the independent forensic investigation (the “**Investigation**”) and produce a report of findings on such Investigation to the Company.

The relevant loans and guarantees are summarized as follows:

### Loan A and Guarantee A

- (i) A guarantee (“**Guarantee A**”) was provided by Xiangyang for the liabilities of Henan Jinfeng Coal Industrial Group Company Limited\* (“**Jinfeng**”) (河南金豐煤業集團有限公司) in November 2018 under a loan in the principal amount of RMB25 million (“**Loan A**”), which was borrowed by Jinfeng from Dengfeng Construction Investment Group Co., Ltd.\* (登封市建設投資集團有限公司), which is an independent third party. At the time when Xiangyang provided this guarantee, Jinfeng was a subsidiary of the Company and it was disposed by the Group to the chairman of the Company and the substantial shareholder of the Company, Mr. Bao Hongkai (“**Mr. Bao**”) on 30 December 2019.

### Loan B and Guarantee B

- (ii) A guarantee (“**Guarantee B**”) was provided by Xiangyang for the liabilities of Jinfeng in July 2019 for a loan in the principal amount of RMB5 million (“**Loan B**”), which was borrowed by Jinfeng from a micro finance company in China (being an independent third party to the Group), namely Dengfeng Jinyuan Microloans Co., Ltd. (“**Jinyuan**”, 登封市金源小額貸款有限公司).

### **Loan C and Guarantee C**

- (iii) A guarantee (“**Guarantee C**”) was provided by Xiangyang for the liabilities of Jinfeng in 2019 for a loan in the principal amount of RMB30 million (“**Loan C**”), which was borrowed by Jinfeng from CITIC Fortis Financial Leasing Co., Ltd. Shenzhen Branch\* (中信富通融資租賃有限公司深圳分公司), which is an independent third party.

### **Loan D and Guarantee D**

- (iv) A guarantee (“**Guarantee D**”) was provided by Xiangyang for the liabilities of Mr. Bao and his spouse in July 2019 in the principal amount of RMB5 million (“**Loan D**”) from Jinyuan.

(The above Guarantee A, Guarantee B, Guarantee C and Guarantee D, collectively, are defined as “**Loan Guarantees**”)

Moreover, during the course of the Investigation, there are actual or potential guarantees by Xiangyang identified:

### **Loan E, Loan F and Guarantee E, Guarantee F**

- (v) A guarantee (“**Guarantee E**”) was provided by Xiangyang in favour of Henan Dengfeng Rural Commercial Bank Company Limited (河南登封農村商業銀行股份有限公司\*) in January 2017 for a loan borrowed by Zhengzhou Guangxian Industrial and Trading Company Limited (鄭州廣賢工貿有限公司\*) with principal amount of RMB50 million (“**Loan E**”). Such loan and guarantee were both renewed with the revised amount of HK\$49.94 million on 17 January 2020 (“**Loan F**” and “**Guarantee F**” respectively). Based on the information available to the Directors so far and to the best of the information, knowledge and belief of the Directors, each of the lender and the borrower mentioned above is a third party independent of the Company and its connected persons, and the borrower is a subsidiary of a trading partner of Xiangyang for coal mining products.

### **Potential Loan G and Potential Guarantee G**

- (vi) Based on the electronic records as identified from the forensic review, it was discovered that on 31 December 2019, a guarantee (“**Guarantee G**”) had purportedly been given by Xiangyang for the loan borrowed by Henan Yangguang carborundum Company Limited (河南陽光碳化矽有限公司\*) in the amount of RMB5 million (“**Loan G**”). Based on the information that the Company have gathered so far and currently made available to the Company, the borrower is a company owned as to 40% by the chairman and executive Director, Mr. Bao, and therefore is an associate of Mr. Bao, and hence a connected person (as defined in the Listing Rules) of the Company. The borrower is also owned as to 10% by another executive Director of the Company, Mr. Dong Cunling. However, based on interview conducted by the Forensic Investigator with the management and a representative of the lender Jinyuan that the aforementioned potential guarantee did not ever materialise, and it is considered by both the management and the lender that the information contained in the electronic records as identified from the forensic review may be erroneous in nature.

(The above Guarantee E, Guarantee F and Guarantee G, collectively, are defined as “**Additional Loan Guarantees**”)

As disclosed in the Company’s announcement dated 26 May 2021, one of the conditions of the Resumption Guidance is for the Company to conduct the Investigation, announce the investigation findings, assess and announce the impact on the Company’s financial and operation position, and take appropriate remedial actions.

Since the Forensic Investigation has commenced, as disclosed in the quarterly update announcements of the Company dated 4 October 2021, 31 December 2021, 31 March 2022 and 30 June 2022, it took much time for the process of the investigation and the finalization of the investigation results, due to the difficulties brought by the flooding in Henan Province, the travel limitations caused by the COVID-19, additional findings of potential guarantees during the course of investigation and additional investigation work to be conducted.

On 26 September 2022, the Forensic Investigator finalised and submitted a forensic investigation report (the “**Forensic Investigation Report**”) to the Independent Investigation Committee. The Independent Investigation Committee reviewed and assessed the findings of the Forensic Investigation Report, and submitted the same together with the opinion of the Independent Investigation Committee to the Board for approval, which have been adopted by the Board on 28 September 2022.

## **SCOPE OF THE INVESTIGATION**

The primary objectives of the work plan of the Investigation was to independently collate and analyse relevant records and documents from management of the Group, together with electronic data from computer devices of selected staff personnel and other external sources (including public domain records) regarding the background, circumstances, commercial rationale, management approval, completeness of Company’s internal books and records, etc., in connection with the Loan Guarantees and the Additional Loan Guarantees.

Furthermore, as part of the Investigation, the Forensic Investigator sought to (a) ascertain, based on the available information and documents, whether there is evidence indicative of the existence of other loan guarantees of the Company and/or its main subsidiaries that have not been properly recognised in the internal books and records; and (b) assess, based on the findings of the Investigation, whether there are apparent potential weaknesses or deficiencies in the Company’s internal control systems, environment and processes in relation to management approval, record keeping and upward reporting and disclosure of the Loan Guarantees and the Additional Loan Guarantees.

## SUMMARY OF KEY FINDINGS

### In relation to the Loan Guarantees

In summary, subject to the limitation that the staff personnel of Jinfeng and Xiangyang have not been able to locate the complete set of contemporaneous supporting documentation to evidence management approval and authorisation of the Loan Guarantees and the associated borrowing agreements, the Forensic Investigator have, based on the available information and documents, identified the following in relation to the nature and substance of the Loan Guarantees:

- (a) The borrowing agreements associated with the Loan Guarantees were supported by evidence of commercial substance and business rationale, as the result of the Forensic Investigator's targeted fund tracing analysis indicates that that the borrowing proceeds were used for working capital or repayment of existing debts of the Group;
- (b) It is noted that the liabilities arising from the borrowing agreements were recorded in the general accounting ledgers of Jinfeng and Xiangyang and where applicable, the consolidated financial statements of the Company during the relevant financial years;
- (c) It is noted that Jinfeng, as the borrower in three of the four borrowing agreements (specifically, Loan A to Loan C) was a former subsidiary of the Company and the immediate holding company of Xiangyang at the time when the borrowing agreements and the Loan Guarantees were entered into. The Forensic Investigator were informed by management that the provision of the Loan Guarantees by Xiangyang in favour of Jinfeng was supported by the business rationale to provide financial support to group subsidiaries in the ordinary course of business;
- (d) Whilst one of the borrowing agreements associated with Loan D was entered into by Mr Bao and his spouse as the borrowers in the form of a personal loan, the Forensic Investigator were informed by a representative of the lender (i.e., Jinyuan) that this loan was structured as part of an overall financing arrangement for the Group, which appeared to be affirmed by the analysis of the actual usage of the borrowing proceeds to settle the Group's operating expenses and working capital. On the basis of the above, the Forensic Investigator was informed by management that Xiangyang's provision of the loan guarantee in connection with Loan D was also related to the provision of financial support to group subsidiaries; and

(e) It was represented by management that the borrowing agreements and the associated Loan Guarantees were properly approved and authorised in accordance with the Company's then policies and procedures, although it is noted that some of the contemporaneous supporting documentation can no longer be located by staff personnel reportedly due to loss and/or destruction of records during office relocation in or around March 2020. Alternatively, during interviews conducted, the Forensic Investigator were informed by the then designated approvers from Jinfeng's and Xiangyang's Corporate Finance Department (融資部), Finance & Accounting Department (財務部), as well as the General Managers and Legal Representatives, insofar as the staff personnel were available for interviews, that formal management approval procedures had been completed for the Loan Guarantees and the associated borrowing agreements at the time.

The Forensic Investigator were informed by management that it holds the view that the Company's failure to recognise the Loan Guarantees in the internal books and records was likely caused by errors and omission, which did not involve any known improprieties of employees.

In connection with this, the Forensic Investigator has identified certain deficiencies in the Company's internal record keeping and upward reporting processes, which likely contributed to the Company's failure to recognise the Loan Guarantees in the internal books and records.

In summary, it is noted that at all material times relevant to the forensic investigation, no employees of Jinfeng or Xiangyang were delegated the responsibility to retain formal records of the borrowing agreements and/or loan guarantees executed, as a result of a lack of written procedures for identification and reporting of relevant transactions. There also appeared to be no formal upward reporting requirements on subsidiaries to report any known material loan guarantee transactions and/or matters of contingent liabilities to the Company including the Board. The Company, on the other hand, had not implemented a formal system to monitor subsidiaries in respect of their reporting responsibility.

Further, pursuant to the result of various tailored investigative procedures performed, the Forensic Investigator has identified, during the course of the forensic investigation, three actual or potential guarantees of Xiangyang dated between January 2017 and January 2020, which were referred to as the Guarantee E, Guarantee F and Potential Guarantee G in this report, from searches of electronic records stored in computer devices of staff personnel of Xiangyang.

## **In relation to the Additional Loan Guarantees**

### **Loan E, Loan F, Guarantee E and Guarantee F**

Based on information provided by management, the Forensic Investigator were informed that, as far as the Company's internal records show, from at least 2016 onwards, when Jinfeng was a subsidiary of the Company, it had entered into a framework agreement, albeit in the absence of a written contract to formalise the terms thereof, with an independent third party named Henan Zhongfu Industry Company Limited (河南中孚實業股份有限公司 (“**Zhongfu**”)) to provide guarantee for each other's loans as mutual benefit to facilitate business operations (referred to as the “**Framework Agreement**”).

Based on information provided by the management, a subsidiary of Zhongfu named Henan Zhongfu Electric Power Co., Ltd. (“**Zhongfu Electric Power**”, 河南中孚電力有限公司) was a main customer of Jinfeng prior to the Company’s disposal of Jinfeng on 30 December 2019.

It is noted that at the time when the Guarantee E and Guarantee F were entered into, Xiangyang was a subsidiary of Jinfeng, which acted as a guarantor in favour of a subsidiary of Zhongfu pursuant to the Framework Agreement.

The Forensic Investigator has conducted an interview with a representative of Zhongfu to confirm the existence of the Framework Agreement, and were advised that no service fee or commission income was earned by either party for the provision of loan guarantees under the Framework Agreement.

Irrespective of the above, based on the available information and documents, it is noted that the Forensic Investigator’s current understanding of the operation of the Framework Agreement remains potentially limited or incomplete, which may require, where applicable, further inquiry and explanation, as follows:

- (a) Although the Forensic Investigator has been provided by management with a list of the loan guarantee agreements entered into by Jinfeng and/or other subsidiaries of the Company in favour of Zhongfu, or vice versa, under the Framework Agreement, the Forensic Investigator has further identified based on the forensic review of electronic records stored in computer devices of selected staff personnel, at least four additional guarantees of Jinfeng, being the Past Guarantees, which were executed under the Framework Agreement at a time when Jinfeng was a subsidiary of the Company between 2016 and 2019 that had not been captured in the aforementioned list provided by management (see the paragraph “**Past Guarantees**” below);
- (b) the Forensic Investigator was informed by staff personnel of Jinfeng that each of aforementioned guarantees identified from forensic review of electronic records had been fully discharged by Zhongfu, although no supporting documentation has been provided in support of the above statement. Based on the available information, the Forensic Investigator is unable to definitely ascertain whether there were any other additional loan guarantee(s) of the Company and/or its main subsidiaries under the Framework Agreement; and
- (c) In addition, with respect to the Guarantee E and Guarantee F, it is noted that staff personnel of Xiangyang have not been able to locate the contemporaneous supporting documentation to evidence management approval and authorisation. In particular, with respect to the Guarantee F, the Forensic Investigator was informed by staff that the “Use of Company Seal Application Form”, which was mandated by the Company’s then internal policies and procedures was not adopted prior to the final execution of the relevant loan guarantee agreement.

In common with the Forensic Investigator's findings in relation to the Loan Guarantees, a number of deficiencies in the Company's internal record keeping and upward reporting processes in connection with the Guarantee E and Guarantee F were identified.

### **Potential Guarantee G**

In relation to the Potential Guarantee G, it is suspected that Xiangyang had provided a loan guarantee in support of a purported borrowing with the principal amount of RMB5 million purportedly obtained by Henan Yangguang Silicon Carbide Company Limited (河南陽光碳化矽有限公司) from the lender Jinyuan, which was binding as at 31 December 2019.

During interviews, the Forensic Investigator was informed by management and a representative of the lender Jinyuan that the aforementioned potential guarantee did not ever materialise, and the information contained in the electronic records as identified from the forensic review may be erroneous in nature.

Nevertheless, the Forensic Investigator had not been able to independently verify the above representation based on the available limited contemporaneous supporting documentation. It is also noted that the authenticity of a certain purported written declaration issued by Jinyuan as identified during the forensic investigation which indicated the possible existence of the Potential Guarantee G appeared to have been called into question.

### **Additional Findings**

Furthermore, it is noted that based on the available information and documents, the Forensic Investigator had not been able to definitely ascertain that apart from the Additional Loan Guarantees, whether there is evidence indicative of the existence of other loan guarantees of the Company and/or its main subsidiaries that have not been properly recognised in the internal books and records due to the various limitations.

### **Additional guarantees**

(vii) as disclosed in the announcement of the Company dated 31 March 2022, It was further discovered that four additional guarantees of Jinfeng that were provided before 30 December 2019, in accordance with various written confirmations purportedly issued by Jinfeng to Zhongfu during the period between May 2018 and June 2020. Based on the information provided by the PRC management to the Independent Investigation Committee, since the year 2016 and in the subsequent years, Jinfeng has such additional guarantees in favour of various lenders in the PRC for a number of loans borrowed by Henan Zhongfu Industries Company Limited (河南中孚實業股份有限公司\*) ("**Henan Zhongfu**"), with the aggregate amount of such loans amounted to approximately RMB559 million immediately prior to the completion of Jinfeng's disposal by the Company (the "**Past Guarantees**").



Also, based on the Forensic Investigator’s review of the available Company Seal Usage Register, the Forensic Investigator identified six additional potential loan guarantees (“**Other Potential Guarantees**”) of Jinfeng and/or Xiangyang during the financial year ended 31 December 2018. Nevertheless, as at the date of the Independent Forensic Report, the Forensic Investigator has not been provided by management with sufficient explanations, together with supporting documentation to ascertain the relevant facts and circumstances surrounding those potential additional loan guarantees.

## **RECOMMENDATION OF REMEDIAL ACITONS**

Set out is a summary of the main potential weaknesses or deficiencies identified by the Forensic Investigator in the Company’s internal control systems, environment and processes in relation to management approval, record keeping and upward reporting and disclosure of the Loan Guarantees and Additional Loan Guarantees, together with the corresponding remedial action recommendations.

	<b>Main issues identified</b>	<b>Remedial actions recommended</b>
1.	<p>The Company did not maintain a formal, written document retention policy and filing system for loan, pledge and/or guarantee agreements. In addition, the Corporate Finance Department and Finance &amp; Accounting Department had not maintained a complete list of the loan, pledge and/or guarantee agreements executed, nor were they delegated the responsibility to do so. There was also a failure by either department to effectively share information regarding material liabilities or contingent liabilities for performance of duties.</p> <p>The contract registration forms were generally used by operational staff to keep track of non-financing transactions, primarily in relation to customer and supplier contracts only.</p>	<p>The Company should formulate its internal system and guidelines in relation to the document retention, filing and documentation archive procedures for loan, pledge and/or guarantee agreements in a formal, written policy, and to specify the roles and responsibilities of department(s) or staff personnel(s) responsible for maintaining copies of signed agreements and any related internal lists and/or registers for formal records.</p> <p>Regular and effective communication, particularly between the Corporate Finance Department and Finance &amp; Accounting Department should occur to ensure that department heads and main employees are continually and timely appraised of any latest loan, pledge and/or guarantee agreements executed.</p> <p>In addition, the relevant documentation criteria for contract registration forms should be properly defined to ensure consistencies in the approach to be adopted by employees, and where appropriate, covering both financing and non-financing transactions.</p>

2.	<p>The use of company seals was governed by existing policies and procedures. However, based on the review, it is noted that the internal records in relation to usage of company seals as maintained by the Integrated Management Department was incomplete as some of the Company Use of Seal Application Forms had not been properly retained after office relocation in or around March 2020; the internal records of company seal usage did not appear to have been periodically reviewed by the General Managers (given the lack of corresponding audit trails); and the descriptions in the Company Seal Usage Register generally lacked sufficient details for effective use.</p>	<p>All relevant staff should strictly enforce existing policies and procedures in relation to the usage of company seals, including management approval, record keeping and archive, as well as periodic (i.e., monthly) management review and corresponding audit trail requirements.</p> <p>The Company should provide training to staff personnel to ensure they have sufficient understanding of the relevant policies and procedures and establish a review process to monitor compliance with relevant policies and procedures as part of the employees' overall performance assessment.</p>
3.	<p>The Company had not implemented formal, upward reporting requirements on the Finance &amp; Accounting Department to report any known material loan guarantee transactions and/or matters of contingent liabilities to the Company including the Board.</p>	<p>The Company should establish a set of written policies and procedures, together with operation handbook defining the respective roles and responsibilities at both the parent and subsidiary entity levels in respect of approval and upward reporting of any loan, pledge and/or guarantee agreements executed.</p> <p>In so doing, a comprehensive loan and guarantee management and reporting procedures should be established and timely monitored by management to prevent deviation.</p> <p>The aforementioned policy and procedure should specify, amongst other things, the relevant threshold amounts, and corresponding approval levels required, frequency and formats of information to be provided by subsidiaries to the parent entity, including, where appropriate, the Board of Directors. In particular, business units and subsidiaries should provide timely and regular management reports to the Board of Directors covering key aspects of financial and operational results, including matters concerning material liabilities or contingent liabilities.</p> <p>The Company may also implement a formal system to monitor subsidiaries in respect of their reporting responsibility, to conduct periodic checks on management reports provided by subsidiaries on any loan, pledge and/or guarantee agreements executed to ensure completeness and accuracy of information, and to conduct public domain records retrieval for verification purposes.</p>

## **INVESTIGATION BY AND VIEW OF THE INDEPENDENT INVESTIGATION COMMITTEE**

The Independent Investigation Committee had taken the following steps in the investigation:–

- (i) reviewed the Forensic Investigation Report;
- (ii) discussed with the Forensic Investigator in relation to its findings, the limitations of the Forensic Investigation Report, and difficulties or challenges encountered by the Forensic Investigator during the course of investigation; and
- (iii) enquired senior management of the Company in relation to the certain findings of the Forensic Investigator.

### **Non-compliance with listing rules for Loan A to Loan D**

The Independent Investigation Committee, based on the Investigation and the explanation of the management of Jinfeng and Xiangyang, was informed that (i) there Loan A, Loan B, Loan C and Loan D were borrowed for the operation of the Group and hence the provision of the Loan Guarantees were normal transactions of the Group, albeit the Loan Guarantees continued after the disposal of Jinfeng in 2019, and that the substantial part of the principal of those loans have been repaid as at the date of this announcement; and (ii) there were commercial rationale for the provisional of the Additional Loan Guarantee in the course of operation of the Group.

According to the Forensic Investigation Report, the Forensic Investigator noted that each of the borrowers in connection with Loan A to Loan D was a connected person of the Company as defined by Chapter 14A of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

It is noted that the Guarantee A to Guarantee D shall constitute connected transactions on the part of the Company upon disposal of Jinfeng, which shall be subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. It is noted that no relevant compliance work has been taken by the Company at the material time.

### **Guarantee E and Guarantee F**

In relation to Guarantee E and Guarantee F, the Investigation Committee has questioned the management staff members of Jinfeng and Xiangyang for further information but no additional information could be gathered in addition to those obtained during the Investigation. The Investigation Committee adopts the findings and recommendations made by the Forensic Investigation in respect thereof.

The Investigation Committee also noted from the 2021 annual report of Henan Zhongfu that Henan Zhongfu had issued shares to settle the debt. Also, since the completion of the disposal of Jinfeng by the Group, those contingent liabilities under the relevant guarantees given by Jinfeng ceased to be the contingent liabilities of the Group.

## **Guarantee G**

In relation to Guarantee G, the Investigation Committee was also informed by the management staff member of Jinfeng that such loan and hence the guarantee did not materialised. The Investigation Committee also noted that the Forensic Investigation has conducted interview with the representative of the lender and such saying was confirmed. However, the Investigation Committee also noted the findings of the Forensic Investigator that there was authenticity issue in records found during the Investigation and although the PRC management and the lender provided further explanation, the Investigation Committee is unable to independently verify the content thereof. The Investigation Committee considered this an example showing the deficiencies in proper recording and a system to ensure correct documentation of the transactions concerning the Group, and remedial action as recommended must be taken.

## **Potential additional loans and guarantees**

### ***Past Guarantees***

The Forensic Investigator noted that although it has been provided by management with a list of the loan guarantee agreements entered into by Jinfeng and/or other subsidiaries of the Company in favour of Zhongfu, or vice versa, under the Framework Agreement, at least four Past Guarantees of Jinfeng, which were executed under the Framework Agreement at a time when Jinfeng was a subsidiary of the Company between 2016 and 2019 that had not been captured in the aforementioned list provided by management of the Company, were identified based on the Forensic Investigator's forensic review of electronic records stored in computer devices of selected staff personnel. However, based on the available information, the Forensic Investigator was unable to definitely ascertain whether there were any other additional loan guarantee(s) of the Company and/or its main subsidiaries under the Framework Agreement.

The Independent Investigation Committee had enquired the relevant senior management in relation to the four additional guarantees mentioned above, however no supporting documentation to evidence management approval and authorization can be found. The Investigation Committee has also questioned the management staff members of Jinfeng and Xiangyang, and based on the information that have gathered so far and currently made available, the borrower is a third party independent of the Company and its connected persons. Such Past Guarantees have ceased to be contingent liability of the Group after the disposal of Jinfeng. Also, in around the same period, it appears that such borrower has also provided guarantees for a total amount of approximately RMB512 million against the loans of Jinfeng due to other third-party lenders. According to the PRC management, Henan Zhongfu is a business partner of Jinfeng and both parties have provided guarantees for each other's loans as mutual benefit to facilitate the business operations. However as the date of this Report, the Independent Investigation Committee is unable to independently verify the content of such explanation.

### ***Other Potential Guarantees***

In relation to the Other Potential Guarantees, since the Investigation Committee lacks sufficient information and evidence to assess the situation, the Investigation Committee adopts the findings of the Forensic Investigator with no supplement. According to the explanation and representations of the staff of Jinfeng and Xiangyang, three of such additionally identified loans were bridging loans and had a short repayment term, which had already been repaid and hence the liabilities associated therewith have extinguished. While the other three of such additionally identified loans did not materialised. However, since the Independent Investigation Committee lacks sufficient information and evidence to assess the situation, and sufficient supporting information or documents are pending and yet to retrieved and provided by the management, the Independent Investigation Committee adopts the findings of the Forensic Investigator with no further comment or observation could be made.

### **Deficiencies in the Company's internal record keeping and upward reporting processes**

The Investigation Committee noted the Forensic Investigator's key summary findings in the deficiencies in the Company's internal record keeping and upward reporting process. The Forensic Investigator noted that at all material times relevant to the forensic investigation, no employees of Jinfeng or Xiangyang were delegated the responsibility to retain formal records of the borrowing agreements and/or loan guarantees executed, as a result of a lack of written procedures for identification and reporting of relevant transactions. There also appeared to be no formal upward reporting requirements on subsidiaries to report any known material loan guarantee transactions and/or matters of contingent liabilities to the Company including the Board of Directors. The Independent Investigation Committee noted the Forensic Investigator has encountered a number of challenges which have limited the nature and extent of work that it has been able to undertake, for instance certain contemporaneous documentation requested by the Forensic Investigator are not available and appeared to have been lost or misplaced. Therefore, the Forensic Investigator's current understanding of, including, but not limited to the operation of the Framework Agreement remains potentially limited or incomplete due to a number of deficiencies in the Company's internal record keeping and upward reporting processes.

The Investigation Committee considers that the deficiencies in the internal control system and record keeping policy concerning the entering into and approval of the Loan Guarantees and Additional Loan Guarantees are unsatisfactory and led to the Group's failure to comply with the Listing Rules, and may have posed substantial risks to the Group with the creation of the contingent liabilities, which the Board was not properly informed and therefore lack the opportunities to fully assess the risk and benefit of these transactions and well as the compliance requirements. Measures shall be adopted to improve the internal control, reporting and approval system of the Group in relation to all kinds of transactions (including financial transactions) and the management shall be provided in-depth and thorough training on good corporate governance, risk management of the Group and compliance requirement of the Listing Rules. The executive Directors, in particular, those with common positions in the subsidiaries, are also advised to take a more proactive approach in understanding and monitoring the transactions conducted by the subsidiaries and to identify any potential risk and compliance needs brought by those transactions.

## **RECOMMENDATIONS FROM THE INDEPENDENT INVESTIGATION COMMITTEE**

Based on the above, the Independent Investigation Committee therefore adopt the recommendations made by the Forensic Investigator as set out in the section headed “Recommendations and Remedial Action” above. In addition, the Independent Investigation Committee has also made the following additional recommendations.

1. the management of the subsidiaries as well as the Directors shall receive in-depth training on corporate governance, risk management and compliance requirement of Listing Rules to strengthen their understanding and sense of good management of the Group’s operation;
2. In order to minimize the risk of Xiangyang or the Company, Mr. Bao, as the substantial shareholder and the Chairman of the Board and the indirect owner of Jinfeng as of now, could provide a counter indemnity in favour of the Company and Xiangyang for the Loan Guarantees, the Additional Loan Guarantees as well as any guarantees which may have given by the Group which have not been properly reported to and approved by the Board;
3. the Company shall also consult with the auditors and review if any adjustment to the previous financial statements in light of the additional loans and guarantees identified during the Investigation, including the Past Guarantees as well as the other potential guarantees, and to ensure the proper or sufficient disclosure in the financial statements of the Company.

## **CONTINUED TRADING SUSPENSION OF THE SHARES OF THE COMPANY**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 and shall remain suspended until further notice.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Resources Holdings Limited**  
**Bao Hongkai**  
*Chairman*

Hong Kong, 28 September 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Bao Hongkai, Mr. Dong Cunling, Mr. Li Xiangfei, Mr. Sun Shusheng and Mr. Zhang Yi; the non-executive directors of the Company is Mr. Li Chunyan; and the independent non-executive directors of the Company are Mr. Kelvin Kin-cheong Ho, Mr. Ma Geng and Mr. Wan Tze Fan Terence.*