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CHINA SUPPLY CHAIN HOLDINGS LIMITED

中國供應鏈產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3708)

KEY FINDINGS OF THE INDEPENDENT INVESTIGATION REPORT

The Company had misused the term ‘misappropriation of assets’ in its letter to the Stock Exchange in late 2021 for the Loss of the Outstanding Documents, even though there had NOT been any actual ‘misappropriation of assets’.

Certain Outstanding Documents have been recovered/retrieved by the Company, and its auditor has completed the audit of the 2021 Annual Results and the 2022 Annual Results with unmodified/unqualified opinion. All of the underlying receivables/deposit of the Outstanding Documents have been settled/repaid after 31 December 2022, being the balance sheet date of the Company’s interim results for the six months ended 31 December 2022.

The independent Expert appointed by the Company for the purpose of Resumption Guidance (iii) has confirmed in its Investigation Report that it does not aware there is material potential loss or obligation for the Outstanding Documents and it does not aware there is material impact on the Company’s business operation and financial position from the Outstanding Document. As such, no particular remedial actions are required from the Company.

Primary cause of the Suspension was the Company’s failure to provide the draft consolidated accounts to auditor on time due to communication breakdown between the PRC Executive Directors and the Former Employees which was caused by unprecedented pandemic situation and travel restrictions between Hong Kong and PRC during the pandemic period.

With the appointment and maintenance of an Executive Director in Hong Kong since 12 April 2022, reopening of borders of Hong Kong with Mainland China in early 2023 and removal of all travelling restrictions, the Company believes there won’t be any communication breakdown or recurrence of the Loss in future.

This announcement is made by the Company pursuant to Rules 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 30 September 2021, 29 October 2021 and 30 November 2021 in relation to, among other things, (i) the delay in the publication of the announcement of 2021 Annual Results and delay in despatch of the 2021 Annual Report; (ii) postponement of the Board Meeting; and (iii) suspension of trading in the shares of the Company on the Stock Exchange from 9:00 a.m. on 4 October 2021, and the Company's announcement dated 24 December 2021 containing the Resumption Guidance issued to the Company by the Stock Exchange.

According to the Resumption Guidance, the Company is required to:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- (iii) conduct an appropriate independent investigation into the misappropriation of assets, announce the investigation findings, assess and announce the impact on the Company's business operation and financial position and take appropriate remedial actions;
- (iv) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules; and
- (v) announce all material information for the Company's shareholders and investors to appraise the Company's position.

This announcement is made by the Company in response to the Resumption Guidance (iii).

CLARIFICATION ON MISUSE OF THE TERM 'MISAPPROPRIATION OF ASSETS' BY THE COMPANY AND THAT THERE HAD NOT BEEN ANY ACTUAL 'MISAPPROPRIATION OF ASSETS'

The Company would like to clarify that subsequent to the Suspension, the Company had misused the term 'misappropriation of assets' in its letter to the Stock Exchange in late 2021 for the Loss of the Outstanding Documents, even though there had NOT been any actual 'misappropriation of assets'.

The source of this misuse can be traced back to late 2021.

In November 2021, the Company's then Investigation Committee for the Suspension *misused* the term 'misappropriation of assets' in its Preliminary Investigation Committee Report *to define* the Loss of the Outstanding Documents even though no actual misappropriation had even been identified and the assets actually refer to the Outstanding Documents rather than any valuable assets.

This misuse of term resulted in the Company to adopt the same misused term in its letter to the Stock Exchange at late November 2021 which created an inappropriate impression to the Stock Exchange that there had been 'misappropriation of assets'. This misuse of term further resulted in the Stock Exchange setting out the Resumption Guidance (iii) with the scope of investigation referring to 'misappropriation of assets'.

Majority of the Directors are from the Mainland China (7 out of 8 in 2021 and 2022) and they considered a company's assets include books and records. This made them failed to realise the misuse of the term 'misappropriation of assets' in the letter of later November 2021 to the Stock Exchange, until the Board found out the misuse of the term subsequently.

In view of the MISUSE of the term 'misappropriation of assets' by the Company and there had NOT been any actual misappropriation of assets, the Resumption Guidance (iii) from the Stock Exchange in relation to independent investigation should be read as follows:

(iii) conduct an appropriate independent investigation into the Loss, announce the investigation findings, assess and announce the impact on the Company's business operation and financial position and take appropriate remedial actions

The Company confirms that certain Outstanding Documents have been recovered/retrieved and subsequent to 31 December 2022, being the balance sheet date of the Company's interim results for the six months ended 31 December 2022, all of the underlying receivables/deposit of the Outstanding Documents have been settled/repaid.

BACKGROUND

Financial year end date of the Company is 30 June.

Suspension took place on 4 October 2021 as the Company could not publish its 2021 Annual Results on time.

The principal business of the Group is provision of Building Maintenance and Renovation Services in Hong Kong. The Group maintains two physical offices in Hong Kong as below:

- (a) The Company and its subsidiary companies in the non-Building Maintenance and Renovation Services sector, including Richwise, share one physical office at the Hong Kong Island;

- (b) Sing Fat and ABO, subsidiary companies of the Company relating to the Building Maintenance and Renovation Services sector, maintains a separate physical office at Lai Chi Kok where they keep their books and records.

The Outstanding Documents are related to the Company and Richwise only, i.e. NOT related to Sing Fat and ABO at all.

The Former Employees, who were initially suspected to be related to the Loss, worked in the Gold Shine Tower Office at the Hong Kong island and were employed by Richwise. Richwise has minimal operation and mainly serves as major cost centre of the non-Building Maintenance and Renovation Services sector of the Group.

Prior to the appointment of an additional executive director located in Hong Kong to the Board on 12 April 2022, the Company's Executive Directors only consisted of four PRC Executive Directors. Due to COVID-19, which outbreaked in early 2020, all of the PRC Executive Directors stayed in the Mainland China and had not visited Hong Kong until reopening of borders of Hong Kong with Mainland China until early 2023. This, together with the bad relationship of the Company's PRC Executive Director with the Former Employees, caused communication breakdown.

INDEPENDENT INVESTIGATION ON THE LOSS

At late December 2022, an independent Expert was engaged to conduct the required independent Investigation required under the Resumption Guidance (iii).

The Company has received the Independent Investigation Report dated 3 April 2023 issued by the Expert and the key findings of the Independent Investigation Report are summarised as follows:

Scope of the investigation

1. Purpose of the investigation

Facilitate the Investigation Committee to ascertain:

- a. facts and circumstances in which the Loss (such term was defined as "Misappropriation of Assets" in the letter from the Company at late 2021 to the Stock Exchange) happened;
- b. the relevant facts and circumstances leading to the Loss;
- c. when the Loss happened;
- d. the reasons for and how the Loss happened;
- e. the parties involved (particularly if any board members or management were involved);

- f. the assets or properties involved and any damages to the Company;
 - g. how the Loss affected the delay in publishing the Company's financial results; and
 - h. whether there are any fraud or irregularities.
2. To identify the impact on the Company's business operation and financial position from the main Outstanding Documents
 3. Other key reasons leading to delay in 2021 Annual Results publication
To identify any other key reasons leading to the delay in 2021 Annual Results publication and identify any other significant impacts on the Company's business operation and financial position.
 4. Disputes and the reasons for and how the Loss happened
To understand the disputes with the Former Employees, the reasons for and how the Loss happened, and identify any other significant impact on the Company's business operation and financial position.

Summary of the major findings of the investigation report

1. *facts and circumstances in which the Loss happened;*
2. *the relevant facts and circumstances leading to the Loss;*
3. *when the Loss happened;*
4. *the reasons for and how the Loss happened;*

The Company has twice relocated, i.e. on 10 September 2020 from an old address to the Gold Shine Tower Office (**1st Relocation**) and on 4 August 2021 from the Gold Shine Tower Office to the Guangdong Finance Building Office (**2nd Relocation**) and, there is doubt as to whether the Outstanding Documents were misplaced and/or lost during the relocation exercise on 10 September 2020 and/or 4 August 2021.

Based on the interview conducted, the Loss had come to the attention of the new company secretary, appointed on 29 July 2021 when he tried to prepare for the 2021 Annual Audit.

The relationship of the Company's director with the Former Employees was not good. Also, it appears that there was communication breakdown between the PRC Executive Directors and the Former Employees as the Company did not have any Executive Director in Hong Kong in the past until April 2022, and the PRC Executive Directors could not visit Hong Kong when the PRC and Hong Kong applied various travel restrictions in view of the COVID-19 until early 2023.

5. *the parties involved (particularly if any board members or management were involved);*

The Expert is not aware of misappropriation. The Expert is not aware of the parties (particularly board members or Management) involved.

For the Loss, the Management considered that it appears the Former Employees were involved but, there is currently insufficient evidence for the initiation of civil legal proceedings against the Former Employees.

6. *the assets or properties involved and any damages to the Company;*

#1 — Consideration Receivable Documents

Based on the available information and interview conducted and assuming that the amount of the Consideration Receivable Documents as of 31 December 2020 and 30 June 2021 as mentioned in the Preliminary Investigation Committee Report (*Note 1*) is correct,

- The Expert does not aware there is material potential loss or obligation for the Outstanding Documents relating to Consideration Receivable Documents.
- The Expert does not aware there is material impact on the Company's business operation and financial position from the Outstanding Document relating to the consideration receivable.

Note 1: The results of the Group for the 2021 Annual Audit and 2022 Annual Audit contained clean audit opinion.

#2 — Loan Receivable Documents

Based on the available information and interview conducted, and assuming that the loan receivable balance as of 30 June 2021 as mentioned in the Preliminary Investigation Committee Report (*Note 2*) is correct,

- The Expert does not aware there is material potential loss or obligation for the Outstanding Documents relating to that Loan Receivable Documents.

- The Expert does not aware there is material impact on the Company's business operation and financial position from the Outstanding Document relating to the loan receivable balance.

Note 2: The results of the Group for the 2021 Annual Audit and 2022 Annual Audit contained clean audit opinion.

#3 — Deposit paid Documents

Based on the available information and interview conducted, and assuming that the purchase deposit as mentioned in the Preliminary Investigation Committee Report (*Note 3*) is correct,

- The Expert does not aware there is material potential loss or obligation for the Outstanding Documents relating to that purchase deposit.
- The Expert does not aware there is material impact on the Company's business operation and financial position from the Outstanding Document relating to the purchase deposit.

Note 3: The results of the Group for the 2021 Annual Audit and 2022 Annual Audit contained clean audit opinion.

4 — Rental Documents

Based on the available information and interview conducted,

- The Expert does not aware there is material potential loss or obligation for the Outstanding Documents relating to Rental Documents.
- The Expert does not aware there is material impact on the Company's business operation and financial position from the Outstanding Document relating to the Rental Documents.

7. *how the Loss affected the delay in publishing the Company's financial results;*

As per Management representation and the communication between Investigation Committee and the auditor, the major reason for the Company's delay in publishing its 2021 Annual Results was the Company had not yet provided the draft consolidated accounts to auditor for commencement of the 2021 Annual Audit on time by 30 September 2021.

The Management further represented that the reason for the Company's failure to provide the draft consolidated accounts to auditor is communication breakdown between the PRC Executive Directors and the Former Employees, which was caused by unprecedented pandemic situation and travel restrictions between Hong Kong and PRC during the pandemic period.

8. *whether there are any fraud or irregularities.*

Based on the available information and interview conducted, none of the interviewees aware of fraud or irregularities or misappropriation in relation to the Loss.

For the Loss, the Management considered that it appears the Former Employees were involved but, there is currently insufficient evidence for the initiation of civil legal proceedings against the Former Employees.

CLEAN AUDIT OPINION FOR THE 2021 AND 2022 ANNUAL RESULTS AND RESPONSES OF THE BOARD

Certain Outstanding Documents have been recovered/retrieved by the Company, and its auditor has completed the audit of the 2021 Annual Results and the 2022 Annual Results with unmodified/unqualified opinion. All of the underlying receivables/deposit of the Outstanding Documents have been settled/repaid after 31 December 2022, being the balance sheet date of the Company's interim results for the six months ended 31 December 2022.

The Expert has confirmed in its Investigation Report that it does not aware there is material potential loss or obligation for the Outstanding Documents and it does not aware there is material impact on the Company's business operation and financial position from the Outstanding Document. As such, no particular remedial actions are required from the Company.

Primary cause of the Suspension was the Company's failure to provide the draft consolidated accounts to auditor on time due to communication breakdown between the PRC Executive Directors and the Former Employees which was caused by unprecedented pandemic situation and travel restrictions between Hong Kong and PRC during the pandemic period.

With the appointment and maintenance of an Executive Director in Hong Kong since 12 April 2022, reopening of borders of Hong Kong with Mainland China in early 2023 and removal of all travelling restrictions, the Company believes there won't be any communication breakdown or recurrence of the Loss in future.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect since 9:00 a.m. on 4 October 2021 and will remain in suspension until further notice.

Shareholders other investors of the Company are advised exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

2021 Annual Audit	audit of the Group's results for the year ended 30 June 2021
2021 Annual Results	audited annual results of the Group for the year ended 30 June 2021
2022 Annual Audit	audit of the Group's results for the year ended 30 June 2022
2022 Annual Results	audited annual results of the Group for the year ended 30 June 2022
ABO	ABO Group Limited, a subsidiary of the Company and an immediate holding company of Sing Fat
Board	the board of directors of the Company
Building Maintenance and Renovation Services	provision of building maintenance and renovation services, being the principal businesses of the Group since the track record period of Company's initial public offering in early 2015
Company	China Supply Chain Holdings Limited
Executive Director(s)	executive director(s) of the Company

Expert	an independent expert engaged by the Company to carry out independent investigation pursuant to Resumption Guidance (iii)
Former Employees	a group of former employees of Richwise
Gold Shine Tower Office	Flat A, 12/F, Gold Shine Tower, 346–348 Queen’s Road Central, Hong Kong, principal place of business of the Company and physical office of Richwise for the period from 10 September 2020 to 3 August 2021
Guangdong Finance Building Office	12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong, principal place of business of the Company and physical office of Richwise since 4 August 2021
Group	the Company and its subsidiaries
Listing Rules	the Rules Governing the Listing of the Securities on the Stock Exchange
Loss	the alleged withholding of the Outstanding Documents by the Former Employees in relation to: <ul style="list-style-type: none"> 1 — Consideration Receivable Documents; 2 — Loan Receivable Documents; 3 — Deposit Paid Documents; and 4 — Rental Documents
Management	Executive Directors and management team of the Group except for Sing Fat, ABO and the Former Employees
Outstanding Documents	(1) relevant transaction documents including the sale and purchase agreement for the disposal of the Company’s wholly owned subsidiary, Sino Kaiser Limited, as disclosed in the Company annual report for the year ended 30 June 2020, and the subsequent documents related to decrease of the outstanding consideration receivables from HK\$21.4 million as at 30 June 2020 to the amount of approximately HK\$10.5 million as at 31 December 2020 and 30 June 2021; (“1 — Consideration Receivable Documents ”)

- (2) relevant loan document for figures of loan receivables in the amount of approximately HK\$11.8 million as at 30 June 2021 (“**2 — Loan Receivable Documents**”);
- (3) relevant documents in relation to a deposit paid by the Group in the amount of approximately HK\$14.0 million as at 30 June 2021 (“**3 — Deposit Paid Documents**”); and
- (4) relevant rental agreement in relation to a prepayment by the Group in the amount of approximately HK\$1.3 million as at 30 June 2021 (“**4 — Rental Documents**”)

PRC Executive Directors	executive directors of the Company resided in the PRC
Preliminary Investigation Committee Report	preliminary findings and recommendations issued by the then Investigation Committee dated 26 November 2021 regarding the delay in publication of the 2021 Annual Results leading to the Suspension
Resumption Guidance	resumption guidance from the Stock Exchange
Richwise	Richwise Power Investment Limited, an indirect wholly owned subsidiary of the Company It was the employer of the Former Employee and it has minimal operation and mainly serves as major cost centre of the non-Building Maintenance and Renovation Services sector of the Group
Sing Fat	Sing Fat Construction Company Limited, the sole principal operating subsidiary of the Company for the Building Management and Renovation Services, indirectly held via ABO

Stock Exchange

The Hong Kong Stock Exchange Limited

Suspension

suspension in trading of the shares of the Company on the Stock Exchange on 4 October 2021

By order of the Board
China Supply Chain Holdings Limited
Ma Huijun
Chairman

Hong Kong, 3 May 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Ma Huijun (Chairman), Mr. Dai Jian (Vice Chairman and Chief Executive Officer), Mr. Lai Aizhong and Mr. Wong Ka Shing; and three independent non-executive Directors, namely Mr. Huang Shuhui, Ms. Wang Ying and Mr. Liew Swee Yean.