

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XIN YUAN ENTERPRISES GROUP LIMITED

信源企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1748)

INSIDE INFORMATION KEY FINDINGS OF THE FORENSIC INVESTIGATION AND CONTINUED SUSPENSION OF TRADING

This announcement is made by Xin Yuan Enterprises Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in accordance with Rule 13.09(2)(a) 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 (Chapter 571 of the laws of Hong Kong).

References are made to the announcements of the Company dated 21 February 2025, 29 May 2025, 5 June 2025, 18 March 2026, 22 April 2026 and 15 May 2026 (collectively, the “**Announcements**”) in relation to, among others, (i) certain allegations against the Company and the directors of the Company; (ii) the resumption guidance for the resumption of trading in the shares in the Company; and (iii) the change of independent forensic investigator to conduct an independent forensic investigation. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

I. BACKGROUND

As disclosed in the Company’s announcement dated 21 February 2025, the Company received two complaint letters (the “**Complaint Letters**”, each a “**Complaint Letter**”) purportedly issued in the name of two shareholders (namely, Well Grace Trading Co., Limited* (華欣貿易有限公司) (“**Well Grace**”) and HJ Technology Co., Limited* (華景科技有限公司) (“**HJ Technology**”)) (the “**Complainants**”) containing complaints and allegations against the Company and certain materials relating to such allegations.

On 26 May 2025, the Company received a letter from the Stock Exchange setting out the Resumption Guidance which, among others, requires the Company to conduct an appropriate independent forensic investigation into each of the allegations (the “**Allegations**”) in the Complaint Letters, assess their truth, accuracy, substance and impact on the Company’s business operations and financial position, announce the findings of the investigation and take appropriate remedial actions.

As further disclosed in the Company’s announcement dated 5 June 2025, the Company appointed an external independent accounting firm (the “**Former Forensic Investigator**”) to conduct the Forensic Investigation. As disclosed in the Company’s announcements dated 22 April 2026 and 15 May 2026, the Former Forensic Investigator resigned with effect from 22 April 2026 and the Special Committee appointed Grant Thornton Zhitong Certified Public Accountants LLP (致同會計師事務所(特殊普通合夥)廣州分所) (the “**Forensic Investigator**”) for the purposes of continuing and/or supplementing the Forensic Investigation.

On 10 August 2026, the Forensic Investigator issued the report of the Forensic Investigation (the “**Investigation Report**”).

II. SCOPE OF THE FORENSIC INVESTIGATION

The Forensic Investigator conducted the Forensic Investigation over the Allegations, which mainly include (i) the alleged off-balance sheet borrowings of RMB212 million (the “**RMB212 Million Loan**”)/RMB162 million funding arrangements (the “**RMB162 Million Funding Arrangement**”) and the USD22.75 million overseas borrowings in November 2019 (the “**USD22.75 Million Loan**”) (the “**Allegation 1**”); (ii) the alleged acquisition of 65% shareholding interests in the Company by Mr. Chen Maochun (陳茂春) (“**Mr. Chen MC**”) in 2019 (the “**65% Equity Transfer**”) and the disputes relating to the settlement of debts and obligations among the parties (the “**Allegation 2**”); (iii) the allegations in relation to the placing (the “**Placing**”) of 40 million placing shares (the “**Placing Shares**”) by the Company in 2020 and the arrangement for the acquisition of 7.92 million shares in the Company (the “**7.92 Million Shares**”) (the “**Allegation 3**”); and (iv) the allegations in relation to the USD42 million construction contracts for two vessels (the “**Two Vessels**”, each a “**Vessel**”) in 2024 (the “**Allegation 4**”). The Forensic Investigation covered the period from 1 January 2019 to 31 December 2024 (the “**Review Period**”).

For the purpose of the Forensic Investigation, the procedures performed by the Forensic Investigator include but not limited to, the following:

1. undertaking the relevant work conducted by the Former Forensic Investigator, including but not limited to, (a) contacting and obtaining information and the initial investigation report from the Former Forensic Investigator, summarizing the objective facts, verification procedures implemented, observations, and unresolved inquiries recorded in the report; and (b) identifying deficiencies in the initial investigation procedures and designed supplementary procedures accordingly;

2. reviewing information and documents provided by the Group, including but not limited to, (a) the Group's corporate governance documents including the constitutional documents, corporate structure, shareholding structure and job descriptions for different positions; (b) the Group's internal control policies and records for the use of the company's chop; (c) relevant agreements in relation to the Allegations; and (d) the Group's approval records and board minutes;
3. verifying the materials (the "**Mr. Chen MC Documents**") provided by Mr. Chen MC at the Company's extraordinary general meeting held on 8 May 2026 (the "**EGM**") and the information provided by Mr. Chen MC to the Forensic Investigator via WeChat during the period between 31 July 2026 and 3 August 2026. The Forensic Investigator reviewed the Mr. Chen MC Documents and noted that the documents provided at the EGM mainly include (a) a mind map outlining the events including a timeline of facts concerning the 65% Equity Transfer, the RMB90.81 Million Debt (as defined below), the 40 million Placing Shares and the RMB212 Million Loan mentioned in the two Complaint Letters; (b) a counsel opinion entitled "Legal Opinion regarding Relevant Circumstances of Xinyuan Enterprise Group" (《關於信源企業集團相關情況的法律意見書》); (c) a counsel opinion entitled "Legal Opinion Regarding Chen Jiagan's Manipulation of the Board of Directors in Issuing New Shares at a Low Price" (《關於陳家幹操縱董事會低價發行新股相關情況的法律意見書》). The Forensic Investigator noted that this matter was not mentioned in the two Complaint Letters; (d) a receipt notice from the Gulou District People's Court of Fuzhou City (《福州市鼓樓區人民法院收件告知書》); and (e) a document entitled "Relevant Issues Regarding the Misconduct of Directors of Xinyuan Group Co., Ltd. (Stock Code HK.01748)" (《關於信源集團有限公司(股票代號HK.01748)相關董事行為失當的相關問題》);
4. comparing the information and documents provided by the Group with the Mr. Chen MC Documents. The Forensic Investigator conducted a comprehensive examination of the authenticity and completeness of Mr. Chen MC Documents through multiple dimensions, including cross-referencing documents provided by the source, conducting interviews and independent verification through electronic forensic examination, and searching through public channels;
5. conducting interviews with Mr. Chen MC, members of the Board, the Group's senior management and other relevant individuals;
6. independently obtaining and reviewing the Group's financial books and accounting records of the Group;
7. conducting background checks on the relevant individuals and companies;
8. conducting site visits in respect of the Two Vessels; and
9. conducting electronic forensic investigation over relevant key personnel's computers and/or mobile phones which are the Group's property.

III. SUMMARY OF THE KEY FINDINGS OF THE FORENSIC INVESTIGATION

Based on the investigation findings, the Forensic Investigator grouped the Allegations into three series of transactions, namely, (1) mingling of debts with off-balance sheet financing (i.e. Allegation 1 and Allegation 2) (the “**Transactions A**”); (2) the placing of the 40 million Placing Shares and the arrangement for the acquisition of 7.92 Million Shares (i.e. Allegation 3) (the “**Transactions B**”); and (3) the USD42 million construction contracts for the Two Vessels in 2024 (i.e. Allegation 4) (the “**Transactions C**”).

Set out below are the key findings of the Forensic Investigator for each of the series of transactions.

A. Transactions A — Mingling of debts with off-balance sheet financing (i.e. Allegation 1 and Allegation 2)

The Forensic Investigator noted that Allegation 1 and Allegation 2 are highly related in terms of fund transfers, contractual arrangements and final debt confirmation, ultimately leading to a series of events that resulted in a serious mingling of debts and liabilities at the shareholder level with those at the company level.

In Allegation 1, the Complainants allege that the Company has off-balance sheet financing involving the RMB212 Million Loan where the proceeds of which were directly paid to the personal bank account of Mr. Xu Wenjun (徐文均) (“**Mr. Xu**”), an executive Director until 20 July 2026. Mr. Xu did not repay the aforementioned loan to Mr. Chen MC and constituted a misappropriation of the Company’s funds by Mr. Xu and an off-balance sheet financing of the Company. Allegation 1 also alleges that Mr. Xu and Mr. Wang Faqing (王法清) (“**Mr. Wang**”), chairman and executive Director of the Company from 30 August 2019 to 20 December 2021, executed the relevant agreements on behalf of the Company without proper authorization from the Board.

Allegation 2 refers to (1) the debt dispute related to the 65% Equity Transfer; and (2) the RMB90.81 million debt arising from the mingling of the debts and liabilities under the 65% Equity Transfer and the RMB212 Million Loan (the “**RMB90.81 Million Debt**”).

1. The background and fund flows in connection with the 65% Equity Transfer

(a) Background of the 65% Equity Transfer and related agreements

According to the interview conducted by the Forensic Investigator with Mr. Xu, the documents provided by the Company and the Mr. Chen MC Documents, on 2 June 2019, the original three shareholders of the Company, namely, Mr. Xu, Mr. Ding Xiaoli (丁肖立) (“**Mr. Ding XL**”) and Mr. Ding Yuzhao (丁玉釗) (“**Mr. Ding YZ**”, together with Mr. Xu and Mr. Ding XL, the “**Vendors**”), entered into an equity transfer agreement (the “**Original Equity Transfer Agreement**”) with Mr. Chen MC, pursuant to which the Vendors shall transfer 65% equity interests in the Company to Mr. Chen MC at a consideration of RMB455 million (the “**65% Equity Transfer**”).

The RMB455 million consideration shall be settled by (i) cash payment of RMB319.05 million; and (ii) transfer of shares (the “**CUSI Shares**”) in China United Steel Information Co., Ltd.* (中聯鋼信公司) (“**CUSI**”), Mr. Chen MC’s related company, which was valued at RMB135.91 million.

Subsequently, the parties entered into the followings agreements to adjust the performance status and debt obligations among the parties:

- the first supplemental agreement dated 23 December 2019 (the “**First Supplemental Agreement**”);
- the financial adjustment agreement dated 24 March 2020 (the “**Financial Adjustment Agreement**”) — this is the first time when the debts under the 65% Equity Transfer was mingled with the debts under the RMB212 Million Loan;
- the second supplemental agreement dated 10 December 2022 (the “**Second Supplemental Agreement**”);
- the third supplemental agreement dated 27 January 2023 (the “**Third Supplemental Agreement**”); and
- the supplemental agreement to the debt settlement under the Third Supplemental Agreement dated 15 June 2026 (the “**Supplemental Debt Repayment Agreement**”) — the parties reached an agreement on (i) the settlement of their historical debts and claims; and (ii) the repayment plan of the RMB90.81 Million Debt with Mr. Xu assuming personal liability.

Set out below are the key terms of the aforementioned agreements:

(i) The Original Equity Transfer Agreement

Date of agreement: 2 June 2019

Parties: Vendors:
Mr. Xu
Mr. Ding XL
Mr. Ding YZ

Purchaser:
Mr. Chen MC

Subject matter: The Vendors shall transfer an aggregate of 65% equity interests in the Company to Mr. Chen MC at a consideration of RMB455 million.

Payment of consideration: The RMB455 million consideration shall be settled by Mr. Chen MC in the following manner:

- Cash payment of RMB319.05 million, payable in two instalments of RMB249.145 million and RMB69.905 million respectively.
- Transfer of CUSI Shares valued at RMB135.91 million.

(ii) The First Supplemental Agreement

Date of agreement: 23 December 2019

Parties: Vendors:
Mr. Xu
Mr. Ding XL
Mr. Ding YZ

Purchaser:
Mr. Chen MC

Acknowledgment of the status of the 65% Equity Transfer:

- The parties acknowledged that the 65% Equity Transfer was completed whereby the Vendors have transferred 65% equity interests in the Company to the securities accounts designated by Mr. Chen MC.
- Mr. Chen MC has paid the first instalment of RMB249.145 million in cash to the Vendors.

- Agreement among the parties regarding the payment of the remaining consideration:
- Mr. Chen MC shall pay the second instalment of RMB69.905 million together with accrued interest thereon of RMB1,289,359 in cash (totalling RMB71,194,359).
 - Upon the transfer of the CUSI Shares by Mr. Chen MC to the Vendors, the Vendors shall be granted with an option to request Mr. Chen MC to buyback 5.6256% interests in CUSI which was valued at RMB84.385 million. Such option is exercisable on or after 2 September 2022.

(iii) The Financial Adjustment Agreement

Date of agreement: 24 March 2020

- Parties:
- Xinghua Wealth Group Co., Ltd.* (興華財富集團有限公司) (“**Xinghua Wealth**”) (a company controlled by Mr. Chen MC)
 - The Company
- Subject matter:
- The Company, Jishan County Mingfu Steel Products Co., Ltd* (稷山縣銘福鋼鐵製品有限公司) (“**Mingfu Steel**”) and Xinghua Wealth entered into a loan agreement dated 11 November 2019 (the “**RMB200 Million Loan Agreement**”) in relation to the provision of a loan in the amount of RMB200 million by Mingfu Steel to the Company (the “**RMB200 Million Loan**”). Out of the RMB200 Million Loan, RMB50 million was used by Xinghua Wealth. As such, the parties agreed that Xinghua Wealth shall be liable for repaying RMB50 million principal and accrued interests to the Company.
 - The parties agreed that the Company received USD18 million from its offshore borrowings. According to the First Supplemental Agreement, Xinghua Wealth is yet to pay the Vendors a sum of RMB71,194,359 (the “**Outstanding 2nd Instalment**”).

- The parties hereby agreed to:
 - use part of the proceeds of the USD18 million to offset the Outstanding 2nd Instalment, of which RMB36,859,949, RMB20,802,339 and RMB13,532,071 shall be used to offset the debt owed to Mr. Xu, Mr. Ding XL and Mr. Ding YZ, respectively;
 - Xinghua Wealth shall be regarded as utilizing RMB71,194,359 of the RMB200 Million Loan advanced by Mingfu Steel to the Company and hence Xinghua Wealth shall be liable for repaying RMB71,194,359 principal and accrued interests to the Company.
- The RMB200 Million Loan relationship with Mingfu Steel remains unchanged. Whoever (i.e. the Company or Xinghua Wealth) uses the funds shall pay the interest.

(iv) The Second Supplemental Agreement

Date of agreement: 10 December 2022

Parties:

Vendors:

Mr. Xu

Mr. Ding XL

Mr. Ding YZ

Purchaser:

Mr. Chen MC

Acknowledgment
of the status of
the 65% Equity
Transfer:

- The parties acknowledged that the 65% Equity Transfer was completed whereby the Vendors have transferred 65% equity interests in the Company to the securities accounts designated by Mr. Chen MC.
- Mr. Chen MC has paid the instalment of RMB319.05 million and accrued interests of RMB1,289,359 in cash to the Vendors.
- Transfer of the CUSI Shares was completed and the Vendors held shares in CUSI which was valued at RMB135.91 million.

Note: The Forensic Investigator noted that the statement in the agreement is inconsistent with the facts. Mr. Xu stated in the interview that the transfer of CUSI Shares was never completed. Based on the Forensic Investigator's assessment, the original consideration payment arrangement for the 65% Equity Transfer included the transfer of the CUSI Shares by the purchaser to the Vendors which was valued at RMB135.91 million but such CUSI Shares were not transferred as agreed. The mutual agreement to transfer back such CUSI Shares under the Second Supplemental Agreement and the Third Supplemental Agreement is, in essence, a restoration of the original arrangement after the termination of the original consideration payment arrangement (i.e. the 77.66 million shares in the Company transferred by the purchaser to the Vendors correspond to the undelivered portion of the original consideration and is not a new transaction based on the interests transferred). Mr. Chen MC's obligation to return the shares in the Company is based on the restoration of the consideration settlement and does not contradict whether the CUSI Shares were ever registered and transferred. Based on the Forensic Investigator's verification through public channels, the Forensic Investigator did not notice any relevant equity change records. Since this fact does not affect the subsequent determination of the attribution of the RMB90.81 Million Debt, the Forensic Investigator did not conduct further investigation procedures.

Subject matter of
the Second
Supplemental
Agreement

The parties agreed that:

- the Vendors shall transfer such CUSI Shares with a value of RMB135.91 million back to Mr. Chen MC;
- Mr. Chen MC shall transfer 77.66 million shares in the Company to the Vendors before 15 January 2023;
- the Company borrowed RMB90.81 million from Xinghua Wealth and shall repay the principal and corresponding interests to Xinghua Wealth in one go before 15 January 2023. Details of the repayment shall be confirmed by the Company's chief executive officer.

(v) The Third Supplemental Agreement

Date of agreement: 27 January 2023

Parties:

Vendors:

Mr. Xu

Mr. Ding XL

Mr. Ding YZ

Purchaser:

Mr. Chen MC

Acknowledgment
of the status of
the 65% Equity
Transfer:

- The parties acknowledged that the 65% Equity Transfer was completed whereby the Vendors have transferred 65% equity interests in the Company to the securities accounts designated by Mr. Chen MC.
- Mr. Chen MC has paid the instalment of RMB319.05 million and accrued interests of RMB1,289,359 in cash to the Vendors.
- The Vendors have transferred the CUSI Shares valued at RMB135.91 million back to Mr. Chen MC.

Note: Such transfer was not completed in fact.

Subject matter of
the Third
Supplemental
Agreement

The parties agreed that:

- The Vendors shall pay an aggregate sum of RMB11,471,123 to the Company before 15 February 2023 and the Company shall use such proceeds to repay its debts to Mr. Chen MC.
- Mr. Chen MC shall transfer 77.66 million shares in the Company to the Vendors, of which 31,579,200, 32,506,971 and 13,576,686 shares shall be transferred to Mr. Xu, Mr. Ding XL and Mr. Ding YZ, respectively.

- Mr. Xu shall be responsible for resolving items 2 and 5 of the RMB90.81 Million Expenditure Breakdown (as defined below) within 3 months upon Mr. Wang's respective transfer of 5.023 million and 2.9 million shares in the Company to Mr. Xu's designated account. The principal and interest corresponding to the above-mentioned shares shall be borne by Mr. Xu, who also has the right to dispose of the same. The selling price of the above-mentioned shares shall not be lower than the cost (total principal and interest) and the Company shall be entitled to any amount exceeding the repaid principal and interest.

(vi) The Supplemental Debt Repayment Agreement

Date of agreement: 15 June 2026

Parties: Representative of the Vendors:
Mr. Xu

Representative of the Purchaser:
Mr. Chen MC

Background: *Background of the debts and liabilities between the parties*

- On 27 January 2023, the Vendors and Mr. Chen MC executed the Third Supplemental Agreement, pursuant to which the parties thereto (A) confirmed the historical debts and liabilities of the four parties arising from the 65% Equity Transfer; and (B) agreed on the repayment plan and transfer of shares in the Company among the parties.

Confirmation of debts of the Vendors

- Mr. Ding XL and Mr. Ding YZ have settled the debts and liabilities with Mr. Chen MC who has also transferred the shares in the Company to Mr. Ding XL and Mr. Ding YZ. As at the date thereof, Mr. Ding XL and Mr. Ding YZ have disposed of all their shares in the Company. Other than the dividends, there are no other outstanding debts or claims among the three parties.

Purpose of the Supplemental Debt Repayment Agreement

- To address the issues that were not covered in the Third Supplemental Agreement and to reach an agreement on the debt balance as at 30 June 2026, the debt-for-equity swap arrangement and the repayment of the remaining debts.

Confirmation of
the debt
balances:

The principal of the RMB90.81 Million Debt

- Pursuant to the Third Supplemental Agreement, the principal of the debt in dispute is RMB90.81 million.

Repayment of RMB9.55 million principal and RMB1.92 million interests

- In February 2023, Mr. Ding XL, Mr. Xu and Mr. Ding YZ repaid RMB4,932,582, RMB4,817,872 and RMB1,720,668 (i.e. an aggregate of RMB11,471,123), of which RMB9,546,894 and RMB1,924,228 represented the repayment of principal and interest, respectively. The outstanding principal of RMB81,258,747 and interest of RMB9,113,702, totalling RMB90,372,449 remain unpaid.

Repayment of principal by dividends

- In September 2023, pursuant to the Third Supplemental Agreement, the parties shall repay the debt principal of RMB25,898,747 and interest of RMB3,951,554 by dividends, totalling RMB29,850,301, of which, the principal of RMB7,581,186 and its corresponding interest remain unpaid.

Confirmation of the principal and interest on the loan in relation to the 47.92 million shares in the Company

- The loan principal of RMB55.36 million in relation to the 47.92 million shares in the Company as stipulated in the Third Supplemental Agreement and its corresponding interest remain unpaid.

Confirmation of final outstanding debts

- In light of the above, the parties agreed that as at 30 June 2026, the final debts which remain outstanding comprise principal of RMB62,941,186 and interest of RMB25,056,691, totalling RMB87,997,877.

Repayment plan:

Repayment entity

- The parties agreed that Mr. Xu shall be responsible for repaying all the outstanding debts. Such repayment includes the advance payment by Mr. Xu for the difference between the principal and interest of RMB6,020,039 owed by Mr. Ding XL, RMB2,720,398 owed by Mr. Ding YZ and RMB1,261,132 owed by Yihai (億海).

Debt-for-equity swap arrangement

- The parties agreed that the 31,579,200 shares in the Company which Mr. Chen MC should have returned to Mr. Xu shall be used to offset the remaining debt. The debt-for-equity swap was valued at RMB61,011,014. Upon completion of the debt settlement, Mr. Chen MC shall not be liable for returning the 31,579,200 shares in the Company to Mr. Xu and paying the corresponding interest.

Cash repayment of the remaining debts

- After the completion of the debt-for-equity swap arrangement, the remaining debt amounted to RMB26,986,863, of which Mr. Chen MC agreed to waive RMB3,000,000. Hence, Mr. Xu shall pay the remaining debt of RMB23,986,863 to Mr. Chen MC in cash by 20 July 2026.

Others

- Mr. Xu shall be responsible for disposing the 47.923 million shares in the Company as mentioned in the Third Supplemental Agreement and all proceeds from the disposal shall belong to Mr. Xu.

(b) Completion of the 65% Equity Transfer and related disclosure of information

Prior to the completion of the 65% Equity Transfer, the Vendors held 66.03% interests in the Company through Centennial Best Limited (“**Centennial**”), a company incorporated in the British Virgin Islands. Centennial is owned as to 42%, 15% and 43% by Perfect Bliss Limited (a company controlled by Mr. Xu), Gigantic Path Limited (a company controlled by Mr. Ding YZ) and Golden Boomer Limited (a company controlled by Mr. Ding XL), respectively.

In the 65% Equity Transfer, the Vendors shall transfer 65% equity interests in the Company to Mr. Chen MC and such 65% equity interests shall comprise (i) 50.25% equity interests in the Company to be transferred by Centennial; and (ii) 14.75% equity interests in the Company to be transferred by the Vendors and/or their related parties. Upon completion of the 65% Equity Transfer, Mr. Chen MC shall hold 65% equity interests in the Company.

As set out in the First Supplemental Agreement dated 13 December 2019, the 65% Equity Transfer was completed with the 65% equity interests in the Company being transferred to securities accounts designated by Mr. Chen MC. Regarding the identities of these designated securities accounts and their relationships with Mr. Chen MC, since the Forensic Investigator was unable to interview Mr. Chen MC, the Forensic Investigator could only confirm from the Original Equity Transfer Agreement that the following shareholders were accounts designated by Mr. Chen MC. The Forensic Investigator was also unable to obtain relevant information from other interviewees.

Timeline for the changes in the shareholding interests in the Company held by Mr. Chen MC and parties acting in concert with him

Mr. Chen MC and parties acting in concert him	As at completion of the 65% Equity Transfer in 2019 ^(Note 1)		As at the completion of the Placing and transfer of shares by Fortune Harvest to UIT (Hong Kong) in 2020 ^(Note 4)		Between 2023 — 2024: After the transfer of shares in the Company back to Mr. Ding XL and Mr. Ding YZ ^(Notes 5, 6)		Present	
	Number of shares	% ^(Note 2)	Number of shares	% ^(Note 3)	Number of shares	%	Number of shares	%
Fortune Harvest Materials Hongkong Limited (香港瑞豐物產國際有限公司) (“Fortune Harvest”) (Shareholder: Chen Minghua (陳明華)) (“Mr. Chen MH”))	116,000,000	29.00%	—	—	—	—	—	—
Universal International Technology (Hong Kong) Limited (“UIT (Hong Kong)”) (Shareholder: Mr. Chen MC)	—	—	116,000,000	26.36%	116,000,000	26.36%	116,000,000	26.36%
Well Grace (Shareholder: Lin Kaiquan (林開泉)) (“Mr. Lin KQ”))	49,000,000	12.25%	49,000,000	11.14%	16,493,029	3.75%	16,493,029	3.75%
HJ Technology (Shareholder: Wu Kai (吳凱)) (“Mr. Wu”))	36,000,000	9.00%	36,000,000	8.18%	36,000,000	8.18%	36,000,000	8.18%
Mr. Huang Lingsheng (黃玲生)	19,600,000	4.90%	19,600,000	4.45%	19,600,000	4.45%	19,600,000	4.45%
Mr. Chen Guiren (陳貴仁)	17,430,000	4.36%	17,430,000	3.96%	17,430,000	3.96%	17,430,000	3.96%
Xiao Zulong (肖祖龍)	15,010,000	3.75%	15,010,000	3.41%	15,010,000	3.41%	15,010,000	3.41%
Wu Xingsheng (吳興生)	6,960,000	1.74%	6,960,000	1.58%	6,960,000	1.58%	6,960,000	1.58%
Transfer of shares back to Mr. Ding YZ ^(Note 5)	—	—	—	—	-13,576,686	-3.09%	-13,576,686	-3.09%
Total for Mr. Chen MC and parties acting in concert with him	<u>260,000,000</u>	<u>65.00%</u>	<u>260,000,000</u>	<u>59.09%</u>	<u>213,916,343</u>	<u>48.62%</u>	<u>213,916,343</u>	<u>48.62%</u>

Notes:

- (1) The 65% Equity Transfer was completed in phases, namely: (a) on 23 July 2019, Centennial transferred 116,000,000 shares in the Company to Fortune Harvest, one of Mr. Chen MC’s designated securities accounts; (b) on 28 October 2019, Centennial transferred an aggregate of 85,000,000 shares in the Company to Well Grace and HJ Technology; and (c) 19,600,000 shares, 17,430,000 shares, 15,010,000 shares and 6,960,000 shares in the Company were transferred to Mr. Huang Lingsheng, Mr. Chen Guiren, Xiao Zulong and Wu Xingsheng, respectively. Since the remaining four designated individual accounts hold less than 5% of the equity interests in the Company, the Forensic Investigator is unable to obtain information publicly but as stated in the First Supplemental Agreement dated 23 December 2019, the transfer of 65% equity interests in the Company has been completed as at the date of the First Supplemental Agreement.
- (2) The total number of issued shares in the Company at the relevant time was 400,000,000 shares.
- (3) The total number of issued shares in the Company increased to 440,000,000 upon completion of the Placing of 40 million Placing Shares in June 2020.

- (4) In August 2020, Fortune Harvest transferred 116,000,000 shares in the Company to UIT (Hong Kong).
- (5) Pursuant to the Third Supplemental Agreement, Mr. Chen MC, via Well Grace, returned 32,506,971 shares in the Company to Golden Boomer Limited (a company controlled by Mr. Ding XL) in February 2023.
- (6) Between 2023 and 2024, Mr. Chen MC returned 13,576,686 shares in the Company to Mr. Ding YZ. However, given the shares returned to Mr. Ding YZ represented less than 5% of the shareholding interests in the Company, the Forensic Investigator is unable to obtain information from public channels to ascertain Mr. Chen MC used which of his designated accounts to transfer these 13,576,686 shares in the Company to Mr. Ding YZ.

Based on the Forensic Investigator's review of the changes in shareholding as disclosed on the Disclosure of Interests Online (DION) System and according to the Forensic Investigator's interview with Mr. Xu, upon the execution of the Third Supplemental Agreement, Mr. Chen MC returned 32,506,971 shares and 13,576,686 shares in the Company to Mr. Ding XL and Mr. Ding YZ, respectively, according to the terms of the Third Supplemental Agreement.

Due to the ongoing dispute between Mr. Chen MC and Mr. Xu regarding the RMB212 Million Loan which subsequently mingled with the debts arising from the 65% Equity Transfer, Mr. Chen MC has yet to return 31,579,200 shares in the Company to Mr. Xu in accordance with the Third Supplemental Agreement.

According to the Supplemental Debt Repayment Agreement entered into between Mr. Xu and Mr. Chen MC on 15 June 2026, the parties thereto agreed to settle the RMB90.81 Million Debt, of which the 31,579,200 shares in the Company (valued at RMB61,011,014) which Mr. Chen MC should return to Mr. Xu will be used to offset the debts payable by Mr. Xu to Mr. Chen MC.

(c) *Review of information disclosure*

The Forensic Investigator noted that the Company published three announcements in relation to the changes in the Company's controlling shareholder, details of which are set out below:

Date of announcement	Headline	Details
23 July 2019	Disposal of shares by controlling shareholder	The Board was informed by Centennial, the controlling shareholder of the Company, that a share sale and purchase agreement (the “Agreement”) was entered into on 23 July 2019 between Centennial as the seller and Fortune Harvest, which is owned by Mr. Chen MH, being an independent third party, save for his interest in the Agreement, as the purchaser, pursuant to which Fortune Harvest agreed to acquire 116,000,000 ordinary shares in the Company in aggregate from Centennial, representing approximately 29% of the issued share capital of the Company as at the date of the announcement at HK\$1.52 per ordinary share for an aggregate consideration of HK\$176,320,000.
28 October 2019	Disposal of shares by controlling shareholder	The Board was informed by Centennial, the controlling shareholder of the Company, that two share sale and purchase agreements (each an “Agreement”) have been entered into on 28 October 2019 between Centennial as the seller and each of Well Grace and HJ Technology as the purchaser, respectively. Each of Well Grace (which is owned by Mr. Lin KQ) and HJ Technology (which is owned by Mr. Wu), is an independent third party of the Company, save for its interest in the respective Agreement. In relation to Well Grace, the number of sale shares involved was 49 million shares, representing approximately 12.25% of the total issued share capital of the Company as at the date of the announcement. The price per share is HK\$1.55 and the total consideration is HK\$75.95 million.

Date of announcement	Headline	Details
		In relation to HJ Technology, the number of sale shares involved was 36 million, representing approximately 9% of the total issued share capital of the Company as at the date of the announcement. The price per share is HK\$1.55 and the total consideration is HK\$55.80 million.
12 August 2020	Change of substantial shareholder	The Board was informed that on 12 August 2020, Fortune Harvest entered into a sale and purchase agreement with UIT (Hong Kong), pursuant to which Fortune Harvest has agreed to sell, and UIT (Hong Kong) has agreed to purchase, 116,000,000 shares in the Company, representing approximately 26.36% of the Company's total issued share capital as at the date of the announcement, at a consideration of HK\$162,400,000 (the "Transfer"). Subject to the completion of the Transfer, Fortune Harvest shall cease to hold any shares in the Company and accordingly, Fortune Harvest will cease to be a substantial shareholder (as defined in the Listing Rules) of the Company.

According to the First Supplemental Agreement, Fortune Harvest, Well Grace and HJ Technology are Mr. Chen MC's designated purchasers for the 65% Equity Transfer and are in fact parties acting in concert. The three Vendors (who were also the then executive Directors) are the relevant parties to the 65% Equity Transfer but it appears that they have not disclosed the relationship among the aforementioned parties who were acting in concert in the announcements.

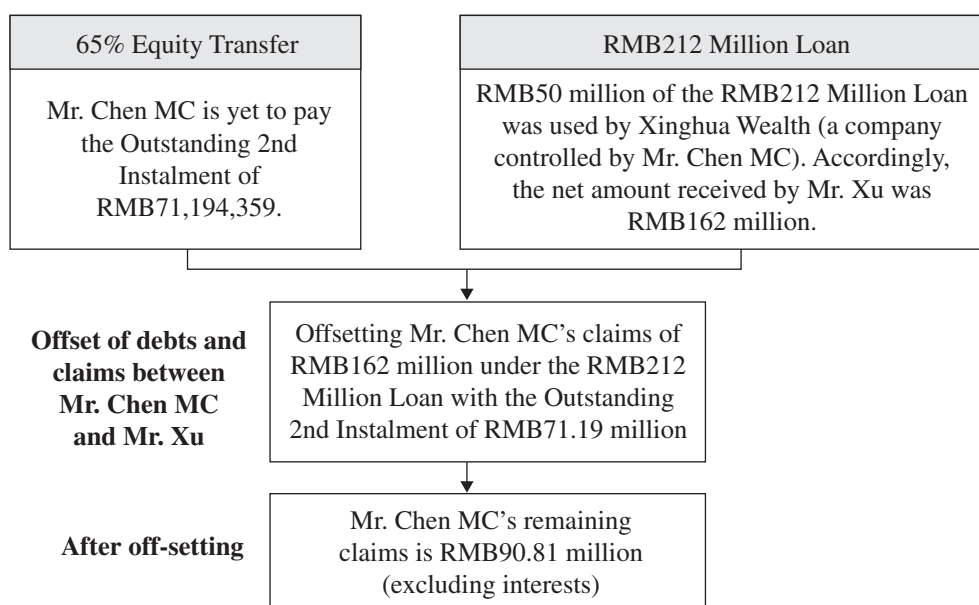
After the execution of the Original Equity Transfer Agreement, the 65% equity interests in the Company have been transferred to Mr. Chen MC's designated accounts by the end of 2019. The actual equity interests held by Mr. Chen MC and parties acting in concert with him had exceeded 30%. As the transferee of the 65% Equity Transfer, Mr. Chen MC did not seem to have disclosed such information or made any general offer as required by applicable regulations.

2. *Mingling of debts and the creation of the RMB90.81 Million Debt*

(a) *Mingling of creditor's rights and debts*

According to the documents relating to the 65% Equity Transfer, the relevant supporting documents and the interview conducted by the Forensic Investigator with Mr. Xu, the RMB90.81 Million Debt was created as a result of the mingling of the debts and liabilities relating to the 65% Equity Transfer and the RMB212 Million Loan. Specifically:

- (i) ***Debts and liabilities relating to the 65% Equity Transfer*** — according to the First Supplemental Agreement, Mr. Chen MC owed the Vendors cash consideration in an aggregate sum of RMB71.19 million.
- (ii) ***Liabilities under the “Domestic Guarantee” arrangement*** — Xinghua Wealth (a company controlled by Mr. Chen MC), via various individual accounts, made net payments totalling RMB162 million to Mr. Xu’s personal bank account.
- (iii) ***Mingling and offsetting of debts and liabilities*** — after the offsetting of the abovementioned personal debts between Mr. Chen MC and Mr. Xu and since Mr. Xu has received RMB162 million, Mr. Chen MC has a net claim of approximately RMB90.81 million against Mr. Xu personally.
- (iv) ***Transfer of debts*** — pursuant to the Second Supplemental Agreement dated 10 December 2022, the aforementioned personal debt of RMB90.81 million was regarded as a loan borrowed by the Company from Xinghua Wealth and the Company was dragged into the disputes between the individual shareholders.



(b) *Review of the expenses related to the RMB90.81 Million Debt and related dispute*

As mentioned above, after offsetting the debts and liabilities relating to the RMB212 Million Loan and the 65% Equity Transfer, it was agreed that the Company should repay Xinghua Wealth the sum of RMB90.81 million (i.e. the RMB90.81 Million Debt).

A document titled “Breakdown of expenditures for the RMB90.81 million borrowed by the Company from Xinghua Wealth” (《信源公司向興華財富集團借入9,081萬支出明細表》) (the “**RMB90.81 Million Expenditure Breakdown**”) dated 21 November 2022 which was signed by, among others, Mr. Xu, was attached to the Complaint Letters.

The RMB90.81 Million Expenditure Breakdown sets out the detailed breakdown of the expenses and supporting documents. Set out below is a summary of the key items:

Expenditure item	Amount	Details
1. Payment for interests on loans provided by Xinghua Wealth and Mingfu Steel	RMB13.84 million	The total amount payable is RMB17.64 million, of which RMB3.8 million shall be paid by the Company through normal channels. Hence, the actual payment is RMB17.64 million – RMB3.8 million = RMB13.84 million.
2. Placing of 40 million new shares	RMB40.06 million	40 million shares at HK\$1.092 each = RMB43.68 million, equivalent to USD5.6289 million (or RMB40.06 million at an exchange rate of 7.1167) being transferred to the Company.
3. Exchange losses	RMB1.33 million	A loss was incurred during the conversion of RMB162 million into USD.
4. Ordinary expenditures of the Company	RMB4.38 million	The Company incurred RMB4.38 million expenses during its ordinary operations. These expenses include acquisition of vehicles, gifts, compensation for contract termination, 2019 year-end bonuses, ship maintenance costs, related company registration, annual inspections, translations and notarizations fees.

Expenditure item	Amount		Details
5. Market value maintenance expenses	RMB21.66 million	RMB6.36 million	An expenditure of USD370,000 was incurred to optimize the Company's performance. In addition, there was a substantial security deposit of USD605,000. Based on the average exchange rate of USD6.5 in the fourth quarter of 2021, the total amount of funds used was estimated to be approximately RMB6.36 million.
		RMB6.9 million	An agreement for the purchase of 5.023 million shares in the Company at a price of HK\$1.65 per share. Based on the exchange rate of HK\$0.83 at the material time, the total expenditure was approximately RMB6.9 million.
		RMB8.4 million	The acquisition of 2.9 million shares in the Company on the secondary market at an average price of approximately HK\$3.50 each. Based on the exchange rate of HK\$0.83 at the material time, the total expenditures was approximately RMB8.4 million.
The portion which is to be borne by the existing shareholders	RMB1.02 million		Expenditure for the Company's listing dinner held in 2018.
	RMB3 million		Approximately USD460,000 in relation to the original performance optimization.
	RMB5.52 million		N/A
Total:	RMB90.81 million		

(c) *Review of the RMB90.81 Million Debt*

(i) Lack of supporting documents

In relation to the supporting documents referred to in the RMB90.81 Million Expenditure Breakdown, the Forensic Investigator interviewed Mr. Lin Shifeng (林世鋒) (“**Mr. Lin**”), the financial controller of the Group and an executive Director from 25 March 2021 to 20 July 2026, Mr. Xu and Mr. Chen Jiagan (陳家幹) (“**Mr. Chen JG**”) who have attended the meeting between the Company and Xinghua Wealth and signed the “Minutes of the Special Meeting on Handling the Historical Issues Related to Xin Yuan” (《信源歷史遺留問題處理專題會議紀要》). All the interviewees stated that the RMB90.81 Million Expenditure Breakdown was used to reconcile the debts and liabilities between the shareholders and was not based on the Company’s actual expenditures. There were no complete and valid supporting documents such as business contracts, fund flow records and internal approvals, etc. Some of the items were presented unilaterally and have not been subject to any internal decision-making confirmation by the Company’s finance department.

Mr. Lin, Mr. Xu and Mr. Chen JG also stated that they signed the RMB90.81 Million Expenditure Breakdown at the request of Xinghua Wealth and their signatures do not represent their agreement of the actual occurrence of the said expenditures.

(ii) Contradictions between the information obtained at the interviews and documentary evidence

Regarding the supporting documents related to the RMB90.81 Million Debt, the Forensic Investigator examined the Mr. Chen MC Documents and conducted electronic forensic investigation. The Forensic Investigator noted several documents signed by, among others, Mr. Xu, Mr. Lin and Mr. Chen JG, and multiple internal documents (meeting minutes, special reports, etc.) stored on Mr. Chen JG’s computer, which indicated that there were repeated discussions and confirmations among the relevant parties regarding the RMB90.81 Million Debt. The Forensic Investigator also noted contradictions between the interviews and the documentary evidence.

The Forensic Investigator noted that:

- Mr. Lin, Mr. Xu and Mr. Chen JG did not acknowledge that their signatures on the RMB90.81 Million Expenditure Breakdown represent their confirmation of the content of the document and they only signed the RMB90.81 Million Expenditure Breakdown at Mr. Chen MC’s request;

- Mr. Lin stated that the RMB90.81 Million Expenditure Breakdown was prepared by Xinghua Wealth's representative with Mr. Xu's assistance; while Mr. Xu stated that the RMB90.81 Million Expenditure Breakdown was prepared by Xinghua Wealth and he was not involved in its preparation. Mr. Chen JG stated that he has only recently joined the Group back then and was unaware of the specific details. Mr. Chen JG stated that he was merely a witness and the RMB90.81 Million Expenditure Breakdown was prepared by Xinghua Wealth's representative after the reconciliation of amounts among Xinghua Wealth, Mr. Xu and Mr. Lin;
- based on the WeChat conversations between Mr. Chen JG and Xinghua Wealth's representative, on 27 June 2026, Xinghua Wealth's representative stated that (i) at the end of 2021, Mr. Lin submitted a brief summary to Xinghua Wealth detailing the expenditures in the amount of RMB90.81 million but a number of information contained therein did not match; (ii) in July 2022, Xinghua Wealth, as a shareholder, arranged personnel to verify the Company's actual expenditures and Mr. Xu, Mr. Lin and the Company's finance manager provided some information and made oral explanations regarding the expenditures of RMB90.81 million. The Company prepared the RMB90.81 Million Expenditure Breakdown based on the information and explanations they provided; and (iii) the RMB90.81 Million Expenditure Breakdown was compiled by the Company and Mr. Xu and Mr. Lin were responsible for compiling and explaining the contents therein. Xinghua Wealth was merely responsible for recording the items therein. The statements of Xinghua Wealth's representative are inconsistent with the statements made by Mr. Xu and Mr. Lin;
- the RMB90.81 Million Expenditure Breakdown mainly included daily expenses related to the Company, market value maintenance management of the 7.92 Million Shares, and expenditures related to the Placing.

Based on the details of the RMB90.81 Million Expenditure Breakdown, the Forensic Investigator noted that it mainly included daily expenses related to the Company, market value maintenance management of the 7.92 Million Shares, and expenditures related to the 40 million shares Placing Shares, etc., and the remarks column of some expenditures clearly stated that supporting documents had been provided. Since (I) some of the relevant expenditures are internal financial data of the Company; and (II) the entity using the RMB90.81 million funds or the person responsible for monitoring the funds should be Mr. Xu, the person who received the funds using his personal bank account, the Forensic Investigator is of the view that without the assistance of Mr. Xu and the Company's finance

personnel, Xinghua Wealth, as a shareholder, would not have been able to obtain the relevant information or supporting documents. Accordingly, the Forensic Investigator is of the view that the main responsible party for compiling the RMB90.81 Million Expenditure Breakdown should be Mr. Xu or relevant personnel of the Company.

Since the relevant interviewees stated that there were no supporting documents, the Forensic Investigator is unable to further track and confirm the details of the RMB90.81 Million Expenditure Breakdown.

The Forensic Investigator systematically reviewed the Company's ledgers to identify the expenditures listed in the RMB90.81 Million Expenditure Breakdown and further searched for relevant supporting documents. Based on the investigation, the Forensic Investigator is of the view that (I) items 2 and 5 in the RMB90.81 Million Expenditure Breakdown are unrelated to the Company's ledger; and (II) items 1, 3, 4 and the expenditure for the Company's listing dinner may be related to the Company's ledger. The Forensic Investigator is unable to confirm whether the RMB3 million on original performance optimization and RMB5.52 million unidentified expenses are related to the Company's ledger or not.

Based on the Forensic Investigator's understanding of the nature of the expenditure items listed in the RMB90.81 Million Expenditure Breakdown, the Forensic Investigator is of the view that the composition of the RMB90.81 million was artificially pieced together and the core reason is likely that Mr. Xu made this up to explain to Mr. Chen MC the whereabouts of the funds after his failure to repay to Mr. Chen MC the sum of RMB162 million which he personally received. This is mainly based on (I) the figure RMB90.81 million did not exist originally but was formed by offsetting debts. From a reasonable perspective, the relevant expenditures could not have been pieced together without artificial splitting; and (II) whether the relevant expenditures were from the Company has no substantial connection with the RMB 90.81 million. Even if relevant supporting documents are provided, it is impossible to further examine how to reconcile them with the RMB162 million previously received by Mr. Xu.

(d) *Legal opinion regarding the creditor-debtor relationship for the RMB90.81 Million Debt and its current status*

In the interview conducted by the Forensic Investigator, Mr. Xu stated that the RMB90.81 Million Debt is his personal liability owed to Mr. Chen MC and is unrelated to the Company.

According to the Board resolutions dated 5 June 2024, the Board had a special discussion regarding the attribution of the RMB90.81 Million Debt and the Directors unanimously stated that the issue should be resolved by the individual shareholders and the Company should not bear any related debt.

Pursuant to the RMB200 Million Supplemental Loan Agreement entered into among Mingfu Steel, the Company and Xinghua Wealth on 10 May 2020 (the “**RMB200 Million Supplemental Loan Agreement**”), the Company has transferred its repayment obligations of the RMB200 Million Loan to Xinghua Wealth and the Company is no longer liable for any debts stipulated under the RMB200 Million Loan Agreement.

According to the legal opinion (the “**All Bright (Fuzhou) Legal Opinion**”) issued by All Bright Law Offices (Fuzhou) (上海錦天城(福州)律師事務所) (“**All Bright (Fuzhou)**”), the funds involved in the 65% Equity Transfer were related to the debt relationship between the shareholders. The Company does not bear any related debts. The person who is responsible for repaying the RMB90.81 Million Debt is Mr. Xu. According to Mr. Xu’s confirmation, the reason for his non-repayment is that Mr. Chen MC failed to return the shares in the Company to Mr. Xu as stipulated in the Third Supplemental Agreement. All Bright (Fuzhou) is of the view that since the Company is not the debtor and Mr. Xu (the debtor) is willing to repay the RMB90.81 Million Debt, the legal risk for the Company to bear the repayment responsibility or suffer losses in the future in relation to the RMB200 Million Loan or the RMB90.81 Million Debt is very low.

Furthermore, Mr. Xu and Mr. Chen MC reached an agreement in relation to the settlement of the RMB90.81 Million Debt and executed the Supplemental Debt Repayment Agreement on 15 June 2026. Please refer to the paragraph headed “(vi) The Supplemental Debt Repayment Agreement” above for further information. The parties agreed that the final outstanding debts owed by Mr. Xu to Mr. Chen MC as at June 2026 amounted to RMB88 million. According to the repayment plan, Mr. Xu shall pay the remaining debt of RMB23,986,863 to Mr. Chen MC by 20 July 2026.

Based on the Supplemental Debt Repayment Agreement, the Forensic Investigator noted that:

- (i) the Supplemental Debt Repayment Agreement only mentioned that the debt originated from the Company's shares and related loans but does not state that the RMB90.81 Million Debt is the debt of the Company; and
- (ii) in the debt repayment plan, it is stated that Mr. Xu has the obligation to repay the remaining debt of RMB23,986,863 to Mr. Chen MC in his personal capacity and the Company, as a corporate entity, did not participate in any related deductions or arrangements which form part of the debt repayment plan.

In light of the above, the Forensic Investigator is of the view that the Company should not be responsible for settling the RMB90.81 Million Debt and the Supplemental Debt Repayment Agreement clearly indicated that Mr. Xu bears the repayment obligation in his personal capacity.

(e) Mr. Chen MC's response to an interview regarding the RMB90.81 Million Debt

On 30 July 2026, Mr. Chen MC submitted his written response to the Forensic Investigator's interview request via WeChat.

Set out below are his main viewpoints:

- (i) the RMB200 Million Supplemental Loan Agreement entered into among Mingfu Steel, the Company and Xinghua Wealth stipulated that the Company would no longer be liable for any debts but subsequently, the parties re-confirmed the Company as the debtor in multiple documents;
- (ii) the root cause of the disagreement lies in the Company's long-term default in repayment of the loans, rather than a mingling of debts or personal disputes among the shareholders;
- (iii) Mr. Chen MC does not agree that the RMB90.81 Million Debt is a personal debt between Mr. Xu and Mr. Chen MC;
- (iv) Mr. Xu has defaulted the Supplemental Debt Repayment Agreement and there has been material changes to the basis for implementing the Supplemental Debt Repayment Agreement.

(f) *The Forensic Investigator's independent assessment of the dispute in relation to the attribution of the RMB90.81 Million Debt*

(i) The origin and evolution of the RMB90.81 Million Debt

Timing	Key event	Contracting parties	Status of the RMB90.81 Million Debt
October — November 2019	The Company borrowed RMB212 million	• Lender: Mingfu Steel • Borrower: The Company • Guarantor: Xinghua Wealth	The Company as the borrower bears the repayment obligation.
10 May 2020	Execution of the RMB200 Million Supplemental Loan Agreement pursuant to which Xinghua Wealth assumed the debt and the Company shall no longer be liable for the debt	• Mingfu Steel • The Company • Xinghua Wealth	The Company's repayment obligation was released.
December 2022	In the Second Supplemental Agreement, following the improper mingling and offsetting of loans from the Company with the personal debts incurred in the 65% Equity Transfer, the amount of RMB90.81 Million Debt has been formally confirmed for the first time.	• Vendors: Mr. Ding XL, Mr. Ding YZ and Mr. Xu • Purchaser: Mr. Chen MC	The RMB90.81 Million Debt owed by the Company was mentioned in the Second Supplemental Agreement.
2022 — 2023	Meeting minutes and shareholders' confirmation signed by relevant parties	• Vendors: Mr. Ding XL, Mr. Ding YZ and Mr. Xu • Purchaser: Mr. Chen MC	The RMB90.81 Million Debt owed by the Company was mentioned in the documents.
15 June 2026	The Supplemental Debt Repayment Agreement	• Representative of the Vendors: Mr. Xu • Purchaser: Mr. Chen MC	The parties agreed that Mr. Xu shall bear the repayment obligation of the remaining debt.
30 July 2026	Mr. Chen MC provided his written responses to the Forensic Investigator.	Not applicable	Mr. Chen MC changed his standpoint because Mr. Xu has defaulted his obligations under the Supplemental Debt Repayment Agreement and hence Mr. Chen MC re-confirmed that the RMB90.81 Million Debt should be a debt of the Company and he will pursue against the Company for repayment.

(ii) The Forensic Investigator’s independent assessment

The Forensic Investigator is of the view that the RMB90.81 Million Expenditure Breakdown was subsequently assembled, details of which are set out below:

- The Forensic Investigator is of the view that the RMB90.81 Million Debt was not based on any independent or actual operating loan or expenditure of the Company but rather was an arithmetic remainder after offsetting the two personal debts and claims at the shareholder level. Its creation exhibited clear characteristics of “balancing figures” (倒軋).
- The composition of the RMB90.81 Million Debt shows obvious signs of piecing various expenditures together. The RMB90.81 Million Debt itself was an arithmetic remainder after offsetting personal debts and claims at the shareholder level and this amount could not be naturally arrived at without any artificial splitting. The interviewees confirmed that some items in the RMB90.81 Million Expenditure Breakdown were arrived at by “balancing figures” (倒軋) or “estimation” and do not represent any actual operating expenses.
- Based on the Forensic Investigator’s comprehensive assessment, the expenses in the RMB90.81 Million Expenditure Breakdown are more likely to be pieced together by Mr. Xu subsequently in order to explain to Mr. Chen MC the whereabouts of the remaining RMB90.81 million after offsetting the RMB71.19 million payment for the 65% Equity Transfer and his personal receipt of RMB162 million. They are neither genuine nor verifiable expenses of the Company. The Supplemental Debt Repayment Agreement entered into in June 2026 supports this analysis as the two parties ultimately agreed to resolve the debt through debt-for-equity swap arrangement and personal repayment of the debt by Mr. Xu, instead of offsetting any “actual expenses” listed in the RMB90.81 Million Expenditure Breakdown.
- The Forensic Investigator is of the view that the RMB90.81 Million Debt originates from a personal dispute between Mr. Chen MC and Mr. Xu arising from the RMB212 Million Loan and the 65% Equity Transfer. The Company’s debts were settled in May 2020 when the RMB200 Million Supplemental Loan Agreement was entered into. Based on the Forensic Investigator’s comprehensive analysis and the All Bright (Fuzhou) Legal Opinion, the Company should not bear the responsibility for repaying the RMB90.81 Million Debt.

3. *Details of the RMB212 Million Loan and the USD22.75 Million Loan*

(a) Fund flow arrangements and background for the RMB212 Million Loan

According to the Complaint Letters, the RMB212 Million Loan consisted of two loans, namely (i) a loan in the amount of RMB12 million advanced in October 2019 (the “**RMB12 Million Loan**”); and (ii) the RMB200 Million Loan advanced in November 2019. The RMB212 Million Loan was primarily used to finance the Company’s purchase of two bulk carriers (the “**Two Bulk Carriers**”).

According to the interviews conducted by the Forensic Investigator with Mr. Xu and Mr. Lin and the documents provided by the Company, in 2019, the Company intended to purchase the Two Bulk Carriers but faced the following difficulties:

- the Company’s then cash balances were insufficient and the purchase of the Two Bulk Carriers had to be funded by borrowings;
- the Company needed to settle the consideration for the Two Bulk Carriers in USD;
- the Company was required to pay the aggregate deposit of USD4.04 million in October and November 2019 and the final payment for one of the bulk carriers was due in November 2019. Any prepaid deposits will be forfeited if the Company fails to comply with the payment schedule.

In June 2019, Mr. Xu initiated the purchase of the Two Bulk Carriers and the plan was supported by Mr. Wang.

In September 2019, after discussion between members of the Board and Mr. Chen MC, it was verbally agreed that bridging loans would be provided by Mr. Chen MC’s related companies to the Company. Since the bridging loans would be provided onshore but the consideration needed to be settled offshore in USD, it is necessary to adopt the “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement.

The Company obtained Board approval for the purchase of the Two Bulk Carriers on 23 October 2019 and 19 November 2019 respectively and the corresponding purchase agreements were entered into on 24 October 2019 and 19 November 2019 respectively.

According to the interviews conducted by the Forensic Investigator with Mr. Xu and Mr. Lin, the Company was unable to secure loans from banks in the People’s Republic of China (the “**PRC**”) by the end of October 2019. As such, Mr. Xu, Mr. Wang and the Company’s senior management adopted a modified “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement.

The Forensic Investigator noted that the RMB162 Million Funding Arrangement, the USD22.75 Million Loan and the RMB90.81 Million Debt as mentioned in the Complaint Letters were all related to the RMB212 Million Loan as a result of the acquisition of the Two Bulk Carriers. Specifically:

- (i) **RMB212 Million Loan** — i.e. the RMB12 Million Loan and the RMB200 Million Loan.
- (ii) **RMB162 Million Funding Arrangement** — refers to the net sum received by Mr. Xu. After Mr. Xu's receipt of the proceeds of the RMB212 Million Loan in his personal bank account, Xinghua Wealth utilized RMB50 million of the RMB212 Million Loan.
- (iii) **USD22.75 Million Loan** — refers to the USD loan advanced by two offshore entities to the Company after Mr. Xu's receipt of the proceeds of the RMB212 Million Loan. Subsequently, the Company has repaid the USD22.75 Million Loan together with the corresponding interests.
- (iv) **RMB90.81 Million Debt** — arising from the mingling of the debts and liabilities under the 65% Equity Transfer and the RMB212 Million Loan. The relevant parties had disputes as to whether Mr. Xu or the Company should be liable for the RMB90.81 Million Debt.

(b) Agreements and related supporting documents

- (i) The RMB12 Million Loan

According to Mr. Xu and Mr. Lin, there was no written agreement for the RMB12 Million Loan.

The RMB12 Million Loan was based on an application for the use of funds made by the Company to Xinghua Wealth on 22 October 2019 (the "**Funds Application**"). The Funds Application was signed by Mr. Lin, Mr. Wang and Mr. Xu on behalf of the Company for the purposes of the acquisition of the Two Bulk Carriers. According to the Funds Application, the RMB12 million was to be deposited into Mr. Xu's personal bank account.

- (ii) The RMB200 Million Loan

On 11 November 2019, Mingfu Steel (as lender) entered into the RMB200 Million Loan Agreement with the Company (as borrower) and Xinghua Wealth (as guarantor) in relation to the provision of the RMB200 Million Loan by Mingfu Steel to the Company. The RMB200 Million Loan Agreement was signed by Mr. Xu and Mr. Wang on behalf of the Company and the company's chop was affixed thereto. Mr. Chen MC signed the RMB200 Million Loan Agreement on behalf of Xinghua Wealth.

On 10 May 2020, Mingfu Steel, the Company and Xinghua Wealth entered into the RMB200 Million Supplemental Loan Agreement.

According to the RMB200 Million Supplemental Loan Agreement, it was stated that as at 10 May 2020, due to Xinghua Wealth's internal funding requirement, the Company has transferred the RMB200 Million Loan borrowed from Mingfu Steel to Xinghua Wealth. Accordingly, Xinghua Wealth agreed to assume the debt owed by the Company to Mingfu Steel under the RMB200 Million Loan Agreement. The parties further agreed that upon the execution of the RMB200 Million Supplemental Loan Agreement, the Company shall no longer be liable for any debts stipulated under the RMB200 Million Loan Agreement. The RMB200 Million Supplemental Loan Agreement was signed by Mr. Xu on behalf of the Company and the company's chop was affixed thereto. Mr. Chen MC signed the RMB200 Million Supplemental Loan Agreement on behalf of Xinghua Wealth.

(c) Execution of agreements and approval procedures

Based on the Forensic Investigator's review, it is noted that neither the RMB12 Million Loan nor the RMB200 Million Loan has been approved by the Company in accordance with the applicable internal control procedures of the Group.

In particular, there was no written agreement, internal approval records, application for the use of company's chop and accounting entry for the RMB12 Million Loan.

Although the company's chop was affixed onto the RMB200 Million Loan Agreement, it was not approved in accordance with the applicable internal control procedures of the Group and there was no application for the use of company's chop.

Mr. Xu and Mr. Lin both stated that the RMB212 Million Loan was in substance bridging financing at the shareholder level to act as an internal guarantee for the external offshore financing, and was not a genuine loan for the Company. Hence, the RMB212 Million Loan was not submitted to the Board for formal approval. According to the transcript of the interview conducted by the Former Forensic Investigator with Mr. Wang, Mr. Wang also stated that although the company's chop was affixed onto the RMB200 Million Loan Agreement, it was not reviewed by the Board and the formal approval process was not undertaken in respect of the RMB200 Million Loan Agreement.

According to the interview conducted by the Forensic Investigator with the custodian of the company's chop, it was revealed that at the material time, only verbal authorization from Mr. Xu and Mr. Wang was required to use the company's chop, hence there were no complete records for the use of the company's chop.

(d) *Fund flow and accounting records*

According to Mr. Xu and Mr. Lin, the modified “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement was conducted as follows:

Steps	Details	Fund flows
1. Creation of the domestic guarantee	The Company (as borrower) borrowed the RMB212 Million Loan from Mingfu Steel with Xinghua Wealth acting as guarantor. Pursuant to the arrangement, Mingfu Steel transferred the proceeds of the RMB212 Million Loan to Mr. Xu’s personal bank account to act as domestic guarantee.	Of the RMB212 Million Loan: ● RMB50 million was utilized by Xinghua Wealth which was transferred to the bank account of Mr. Chen Jianhua (陳建華) (“Mr. Chen JH”) ● A net sum of RMB162 million was deposited into Mr. Xu’s personal bank account as domestic guarantee (i.e. RMB12 million + RMB200 million – RMB50 million)
2. Setting up of the overseas loan	After Mr. Xu’s receipt of the net proceeds of the RMB212 Million Loan (i.e. RMB162 million), Mr. Xu, via his two offshore affiliated entities, provided the USD22.75 Million Loan to the Group for the purpose of acquiring the Two Bulk Carriers.	Mr. Xu’s affiliated entities transferred USD22.75 million to the Group.
3. Repayment of the USD22.75 Million Loan	The Group used the Two Bulk Carriers as collaterals to obtain bank borrowings. Upon the receipt of the bank borrowings, the Group used such proceeds to repay the USD22.75 Million Loan.	The Group repaid the principal of the USD22.75 Million Loan and the accrued interests to Mr. Xu’s affiliated entities.

Steps	Details	Fund flows
4. The domestic guarantee was yet to be repaid	Due to the dispute between Mr. Xu and Mr. Chen MC over the 65% Equity Transfer whereby the corresponding debt and liability issues are yet to be resolved, Mr. Xu is yet to repay the RMB162 million domestic guarantee to Mr. Chen MC.	Mr. Xu is yet to repay the RMB162 million domestic guarantee to Mr. Chen MC, resulting in the disputes between the shareholders.

(e) The independent investigation conducted by the Forensic Investigator in relation to the funding arrangements as described in the interviews conducted with Mr. Xu and Mr. Lin

According to Mr. Xu's bank statements which were independently obtained by the Forensic Investigator, it was noted that:

- (i) on 24 October 2019, Mr. Chen Jianchu (陳建楚) ("**Mr. Chen JC**") transferred a sum of RMB12 million to Mr. Xu's personal bank account;
- (ii) on 11 November 2019, Mr. Xu received RMB100 million from each of Mr. Chen JC and Mr. Gao Yongdan (高永單); and
- (iii) on 12 November 2019, Mr. Xu transferred RMB50 million to Mr. Chen JH's bank account.

(f) Agreements and source of funds for the USD22.75 Million Loan

In order to implement the "Overseas Loan (外貸)" arrangement:

- (i) Shun Yuen Group (Hong Kong) Limited (信源集團(香港)有限公司) ("**SYHK**"), an indirect wholly-owned subsidiary of the Company, entered into two loan agreements with Hong Kong Wah Sing Engineering Ltd. (香港華星工程有限公司) ("**HK Wah Sing**"), a related company of Mr. Xu, with an aggregate loan principal of USD8,715,800; and
- (ii) SYHK entered into four loan agreements with Chuan Yuan Group (Hong Kong) Limited (川源集團香港有限公司) ("**Chuan Yuan**"), a related company of Mr. Xu, with an aggregate loan principal of USD14,036,000.

The Forensic Investigator noted that the actual proceeds for the USD22.75 Million Loan was provided by HK Wah Sing, Chuan Yuan and New Five Lakes International Limited ("**New Five Lakes**") in the amount of USD8,715,800, USD6,060,000 and USD7,976,000, respectively.

According to Mr. Xu, the father of New Five Lakes' shareholder is his friend.

(g) Closed-loop fund management and accounting records

According to the bank statements independently obtained by the Forensic Investigator:

- (i) between 24 October 2019 and 21 November 2019, SYHK received USD8,715,800, USD6,060,000 and USD7,976,000 from HK Wah Sing, Chuan Yuan and New Five Lakes, respectively; and
- (ii) between 6 December 2019 and 17 July 2020, SYHK repaid the principal of USD22.75 Million Loan together with the accrued interests via transferring an aggregate sum of USD8,980,672.21 and USD14,313,387.48 to the bank accounts of HK Wah Sing and Chuan Yuan, respectively.

The Forensic Investigator also noted that the receipt of the proceeds and the repayment of the USD22.75 Million Loan were properly and accurately recorded in the Group's accounting records and the 6 loan agreements comprising the USD22.75 Million Loan have been approved in accordance with the applicable internal control procedures of the Group.

(h) Review of the accounting treatment of the USD22.75 Million Loan

Based on the Forensic Investigator's review of the Company's accounting records, the borrowing of the USD22.75 Million Loan by the Company and its repayment have been recorded in the Company's accounting records.

(i) Review of the approval process of the USD22.75 Million Loan

Based on the Forensic Investigator's review, the 6 loan agreements comprising the USD22.75 Million Loan have been approved in accordance with the applicable internal control procedures of the Group and no irregularities were noted.

(j) Review of Mr. Xu's bank statements independently obtained by the Forensic Investigator

According to Mr. Xu's bank statements independently obtained by the Forensic Investigator, it was noted that upon receipt of the RMB162 million funds, there were 96 transfers to bank accounts of 77 individuals (including Mr. Xu) in the amount ranging from RMB68,248 to RMB60 million, totalling RMB165 million.

Since the Forensic Investigator is unable to further trace the funds which have been transferred to these 77 individual bank accounts, the Forensic Investigator is unable to obtain direct evidence to ascertain the complete chain of fund flows and the ultimate destination of RMB162 million.

(k) The validity of the RMB200 Million Loan Agreement and the current status of the creditor-debtor relationship for the RMB200 Million Loan

Regarding the legal validity of the RMB200 Million Loan Agreement, the Investigation Report includes legal opinions from two law firms commissioned by the Special Committee, which present opposing views on the validity of the same RMB200 Million Loan Agreement. Specifically, the scope of the legal opinion issued by Fujian New-Stone Law Firm (福建新世通律師事務所) (the “**New-Stone Legal Opinion**”) which was provided to the Forensic Investigator by the Special Committee on 9 August 2026 is limited to the legal validity of the RMB200 Million Loan Agreement. The All Bright (Fuzhou) Legal Opinion and the New-Stone Legal Opinion have different views regarding the validity of the RMB200 Million Loan Agreement, in particular the All Bright (Fuzhou) Legal Opinion tends to consider that the RMB200 Million Loan Agreement is a valid contract while the New-Stone Legal Opinion considers that the RMB200 Million Loan Agreement is invalid and not legally binding on the Company.

(i) The All Bright (Fuzhou) Legal Opinion

The All Bright (Fuzhou) Legal Opinion states that although there are disputes and contradictions regarding the actual performance of the RMB200 Million Loan Agreement, All Bright (Fuzhou) tends to consider that the RMB200 Million Loan Agreement was validly signed and actually performed. The main points are cited below:

- Firstly, although the RMB200 Million Loan Agreement bears the company’s chop of the Company and the signatures of Mr. Xu and Mr. Wang, it was not authorized by the Board. It remains controversial as to whether the RMB200 Million Loan Agreement was valid despite a lack of internal authorization. Secondly, the proceeds of the RMB200 Million Loan were transferred from individual personal accounts to another individual personal account which violated the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》) and other relevant laws and regulations. Furthermore, since the actual remitters are individuals, the relationship between the remitters and the lender and whether it could be concluded that the loan was made on behalf of Mingfu Steel, and whether transferring funds between two companies through individual personal accounts constitutes illegal behavior and affects the validity of

the RMB200 Million Loan Agreement, all these factors will affect the determination of whether the RMB200 Million Loan Agreement was actually performed.

- However, considering that Mr. Xu was a then executive Director and the then Company's chief executive officer and Mr. Wang was the then chairman of the Board, and the RMB200 Million Loan Agreement was stamped with the Company's daily company's chop, All Bright (Fuzhou) tends to believe that the RMB200 Million Loan Agreement was validly signed, and its validity should not be denied simply because it was not authorized internally by the Board. Considering that the receiving account was the bank account of Mr. Xu (a then Director), and that the Company issued a written confirmation of receipt after Mr. Xu received the funds, and subsequent supplemental agreements and other documents further confirmed the actual performance of the RMB200 Million Loan, although the transfer of funds between individual personal accounts to complete the loan between companies might be illegal, it should not affect the validity of the RMB200 Million Loan Agreement. Therefore, All Bright (Fuzhou) believes that the aforementioned disputes and contradictions do exist, but All Bright (Fuzhou) tends to consider that the RMB200 Million Loan Agreement was validly signed and actually performed.

(ii) The New-Stone Legal Opinion

The New-Stone Legal Opinion states that the signing of the RMB200 Million Loan Agreement by Mr. Xu and Mr. Wang in the name of the Company constituted unauthorized agency but not apparent agency. Therefore, the Company should not be held liable for its repayment or other contractual obligations under the RMB200 Million Loan Agreement. The main points are cited below:

- Mr. Xu and Mr. Wang's actions constituted unauthorized agency:
 - Mr. Xu and Mr. Wang were not authorized by the Board and they did not have the authority to sign the RMB200 Million Loan Agreement on behalf of the Company.
 - The Company had not ratified the unauthorized agency.
- Mr. Xu and Mr. Wang's actions did not constitute apparent agency as there are insufficient elements to cause any counterparty to reasonably rely on the apparent agency:
 - The RMB200 Million Loan Agreement bears the company's "signature chop" but not the official company's chop.

- o The proceeds of the RMB200 Million Loan were not deposited into the Company's bank account.
- o There were anomalies in the signing process. The counterparties were not acting in good faith and were at fault. The counterparties failed to fulfill their reasonable due diligence obligations regarding the Company's external loans. The counterparties failed to verify the validity of the "signature chop" and the counterparties failed to raise any questions regarding the anomalies in the fund flow.
- The validity of the RMB200 Million Loan Agreement in question should be analyzed in accordance with the laws of the PRC. The actions of Mr. Xu and Mr. Wang in signing the RMB200 Million Loan Agreement in the name of the Company constituted unauthorized agency but not apparent agency. Since the Company had not ratified this unauthorized agency, according to Article 171, Paragraph 1 of the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), this unauthorized agency has no legal effect on the Company. The Company is not required to bear any repayment responsibility or other contractual obligations under the RMB200 Million Loan Agreement.

As a forensic accountant and based solely on the Forensic Investigator's professional judgment from the accounting perspective, in cases where the validity of a loan agreement is subject to legal disputes, the Forensic Investigator, in accordance with the accounting principle of prudence, tends to believe that the Company should have appropriately disclosed such matters in its financial statements to ensure that readers of the financial statements are fully aware of the relevant legal risks and uncertainties.

Regarding the attribution of the debts related to the RMB200 Million Loan, according to the RMB200 Million Supplemental Loan Agreement dated 10 May 2020, Xinghua Wealth agreed to assume the debt owed by the Company to Mingfu Steel under the RMB200 Million Loan Agreement. The parties thereto further agreed that upon the execution of the RMB200 Million Supplemental Loan Agreement, the Company shall no longer be liable for any debts stipulated under the RMB200 Million Loan Agreement.

Furthermore, according to the All Bright (Fuzhou) Legal Opinion, according to Article 551 of the Civil Code, if a debtor transfers all or part of its debt to a third party, the creditor's consent is required. Since the representative of Mingfu Steel has already signed the RMB200 Million Supplemental Loan Agreement and Mingfu Steel has actually performed its obligations thereunder and has effectively ratified the contents of the RMB200 Million Supplemental Loan Agreement, as such,

All Bright (Fuzhou) is of the view that Mingfu Steel agreed to the transfer of debt as stipulated in the RMB200 Million Supplemental Loan Agreement. Therefore, the RMB200 Million Supplemental Loan Agreement which was jointly signed by the three parties constitutes a legally valid transfer of debt. Accordingly, the three parties have clearly confirmed that the repayment obligation stipulated under the RMB200 Million Loan Agreement has been validly transferred to Xinghua Wealth. In light of the above, the Company bears no repayment obligation for the RMB200 Million Loan with effect from 10 May 2020.

(l) *Mr. Chen MC's response to an interview regarding the RMB212 Million Loan*

On 30 July 2026, Mr. Chen MC submitted his written response to the Forensic Investigator's interview request via WeChat.

Set out below are his main viewpoints:

Key viewpoints	Details
1. The RMB162 Million Funding Arrangement was a genuine loan arrangement and not a "guarantee deposit".	On 11 November 2019, the Company and Mingfu Steel entered into the RMB200 Million Loan Agreement in relation to a loan in the sum of RMB200 million. The Company, as borrower, executed the RMB200 Million Loan Agreement and the company's chop was affixed thereto.
2. RMB162 million was deposited into the Group and was then converted into USD for the acquisition of the Two Bulk Carriers.	This is a normal practice of the Company to use its own borrowings to finance the acquisition of the Two Bulk Carriers and is not a "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement. The Company is the debtor of loan and has the obligation to repay it.
3. The alleged modified "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement is a subsequent repackaging of the facts.	The alleged modified "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement is inconsistent with the content of the RMB200 Million Loan Agreement.
4. Confirmation made in the RMB200 Million Supplemental Loan Agreement dated 10 May 2020	The RMB200 Million Supplemental Loan Agreement was entered into among Mingfu Steel, the Company and Xinghua Wealth and Mr. Chen MC regarded it as the agreement among the parties in relation to the debt assumption among the parties involved.

Key viewpoints

Details

Mr. Chen MC pointed out that since the execution of the RMB200 Million Supplemental Loan Agreement and between 2022 and 2023, the Company's management and Xinghua Wealth's representatives have re-affirmed the Company as the debtor of the RMB90.81 Million Debt and committed to repay in various occasions (e.g. in special audits, meeting minutes, shareholder confirmations, the Second Supplemental Agreement, the Third Supplemental Agreement), this indicated that in actual implementation, the parties adhered to the subsequently signed documents regarding the debt attribution.

- | | |
|---|---|
| 5. The destination of funds after Mr. Xu received the funds via his personal bank account | The legal department, together with the Wu'an City Economic Crime Investigation System, have investigated the flow of funds. For details regarding the specific case investigation and the chain of fund flows, it is recommended to directly contact the Economic Crime Investigation Division of the Wu'an City Public Security Bureau. |
|---|---|

4. *Independent forensic assessment of the modified “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement as alleged in the interviews*

Based on the Forensic Investigator's review of the documents, interview responses from relevant personnel of the Group and Mr. Chen MC and comprehensive forensic examination including electronic evidence, the Forensic Investigator does not believe that the RMB212 Million Loan is a compliant or a genuine “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement. Although Mr. Xu and Mr. Lin both referred such arrangement as a modified “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement in the interviews, the arrangement lacks the essential elements of a “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement both in form and substance. Based on the forensic evidence, the Forensic Investigator is of the view that the arrangement is in substance a foreign exchange transaction disguised as a “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement, constituting an off-balance sheet fund circulation and mingling of debts, thus exposing the Company to compliance and financial risks.

5. *Summary of the findings of the Forensic Investigator*

(a) Management overriding the internal controls resulting in deficiencies in the Group's corporate governance

The Forensic Investigator noted that there were loopholes in the Group's internal controls over the management of its company's chop.

- (i) Upon reviewing the approval process for contracts related to the RMB212 Million Loan, the Forensic Investigator noted a failure in the Group's internal controls regarding the use of the company's chop. As a listed company, its use of the company's chop should adhere to strict approval procedures. However, the personnel responsible for the company's chop stated in the interviews that verbal authorization from Mr. Xu and Mr. Wang was sufficient for its use, and records of the usage of the company's chop were not properly maintained, constituting a material risk on the Group's internal controls.
- (ii) Although the RMB212 Million Loan was originated from the Company's need to purchase the Two Bulk Carriers and related to the Group's operations, the execution of the RMB200 Million Loan Agreement by the Company did not comply with the Group's internal control procedures and the matter was not collectively decided by the Board. Instead, Mr. Xu and Mr. Wang executed the RMB200 Million Loan Agreement on behalf of the Company and overrode the internal controls by affixing the company's chop without formal authorization from the Board and exposed the Company to potential contractual debt obligations, indicating a material deficiency in the Company's corporate governance.
- (iii) The Company, as borrower, assumed contractual debt obligations. However, its relevant management arranged for (A) the proceeds of the RMB212 Million Loan being deposited into Mr. Xu's personal bank account; and (B) RMB50 million being utilized by Xinghua Wealth. Regarding the RMB162 million and the RMB50 million transferred to Xinghua Wealth via an individual personal bank account, the Forensic Investigator was unable to trace their final destinations due to restrictions on access to transaction records. Mr. Chen MC confirmed in his written response that the funds were used by Xinghua Wealth. Furthermore, Mr. Chen MC, as a representative of Xinghua Wealth and a key participant in the contract signing, stated that the alleged modified "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement is a subsequent repackaging of the facts. Based on a comprehensive forensic examination including review of contracts and documents, interview records, and electronic evidence, the Forensic Investigator found no key elements or objective evidence of a "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement at the contractual, chain of fund flows,

funding arrangement, or internal approval levels. Based on the Forensic Investigator's independent assessment, the Forensic Investigator does not believe this arrangement is a compliant or genuine "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement. The Forensic Investigator considers it more likely to be a non-compliant financing operation disguised as a "Domestic Guarantee and Overseas Loan (內保外貸)" arrangement but in substance, it was a foreign exchange transaction, constituting an off-balance sheet fund circulation and mingling of debts, thus exposing the Company to compliance and financial risks. Whether the arrangement violates any foreign exchange control regulations in the PRC should be a matter to be determined by the competent authorities.

Regarding whether there is any misappropriation or embezzlement of funds, according to the All Bright (Fuzhou) Legal Opinion, upon receiving the funds, Mr. Xu immediately converted it into the USD22.75 Million Loan and there was no misappropriation or embezzlement of funds. Although Mr. Xu did not repay the RMB162 million to Mr. Chen MC immediately after he received the repayment of the USD22.75 Million Loan, Mr. Xu and Mr. Chen MC, among others, executed supplemental agreements and created the RMB90.81 Million Debt and Mr. Xu has a strong intention to repay. Therefore, this should not be considered as an intention or fact of misappropriation of funds.

(b) Non-compliance in relation to disclosure of information

The 65% Equity Transfer resulted in a change in the Company's controlling shareholders. The Company made two announcements on 23 July 2019 and 28 October 2019 in relation to the transfer of shares by the Vendors (its controlling shareholders) with each transfer involving less than 30% interests in the Company. In fact, the aforementioned two share transfers were part of the 65% Equity Transfer. However, since the Board was not provided with information regarding the details and background of these two share transfers as well as the parties acting in concert relationship among the transferees, the relationship and background of the parties acting in concert were not disclosed in the announcements.

While the transfers triggered a change in control of the Company, Mr. Chen MC, being the transferee, did not make any general offer pursuant to applicable rules and regulations. Mr. Chen MC explained that he had no prior experience in Hong Kong capital markets and was not familiar with relevant rules and regulations and none of the Directors has warned him of such risks. On the other hand, the Vendors who were then also Directors, failed to disclose the background of the transferees in the Company's announcements, resulting in incomplete disclosure in those announcements.

Furthermore, in the Company's announcements dated 24 October 2019, 8 November 2019 and 19 November 2019, the Company only disclosed that the acquisition of the Two Bulk Carriers was funded by the net proceeds from the Company's initial public offering and borrowings. However, the Company failed to disclose the details of the RMB212 Million Loan.

(c) Impact on the financial statements

Upon review of the accounting records and through interviews, the Forensic Investigator noted that the funding arrangements in relation to the RMB212 Million Loan which were handled by Mr. Xu personally were not recorded in the Company's accounting records.

At the interview, Mr. Lin, knowing the funding arrangement, stated that the reason for not recording the RMB212 Million Loan in the Company's accounting records were due to stated that (i) since none of the loan proceeds of the RMB212 Million Loan were deposited into the Group's bank accounts and no internal approvals were obtained at the company level in relation to the RMB212 Million Loan, hence, there is no basis to record the RMB212 Million Loan in the Company's accounting records; and (ii) the Board should be responsible for making decisions on material issues and the finance department has no right on its own to decide whether to record the RMB212 Million Loan in the Company's accounting records.

Regarding the legal validity of the RMB200 Million Loan Agreement, the Investigation Report includes legal opinions from two law firms commissioned by the Special Committee, which present opposing views on the validity of the same RMB200 Million Loan Agreement. In the All Bright (Fuzhou) Legal Opinion, while it acknowledged the disputes and contradictions regarding the actual performance of the RMB200 Million Loan Agreement, All Bright (Fuzhou) tends to consider that the RMB200 Million Loan Agreement was validly signed and actually performed. The New-Stone Legal Opinion, however, states that the signing of the RMB200 Million Loan Agreement by Mr. Xu and Mr. Wang in the name of the Company constituted unauthorized agency but not apparent agency. Therefore, the Company should not be held liable for its repayment or other contractual obligations under the RMB200 Million Loan Agreement. The aforementioned legal dispute affects the determination of whether the Company has any off-balance sheet financing. Since the Forensic Investigator is not a professional legal practitioner and the New-Stone Legal Opinion was only provided shortly before the finalization of the Investigation Report, the Forensic Investigator does not have the professional capacity or sufficient time to conduct a substantive assessment of the aforementioned differences in the legal opinions. Therefore, the Forensic Report only presents the differences between the two legal opinions and the viewpoints of the two legal advisers.

As a forensic accountant and based solely on the Forensic Investigator's professional judgment from the accounting perspective, in cases where the validity of a loan agreement is subject to legal disputes, the Forensic Investigator, in accordance with the accounting principle of prudence, tends to believe that the Company should have appropriately disclosed such matters in its financial statements to ensure that readers of the financial statements are fully aware of the relevant legal risks and uncertainties.

(d) *The composition of the disputed RMB90.81 Million Debt, the substance of the RMB90.81 Million Expenditure Breakdown and the attribution of the RMB90.81 Million Debt*

- (i) The creation of the RMB90.81 Million Debt — an arithmetic remainder formed by “balancing figures” (倒軋) based on offsetting of debts

After systematically reviewing the chain of agreement, the formation of the disputed RMB90.81 Million Debt exhibited clear characteristics of “balancing figures” (倒軋).

According to the chain of agreements, the RMB90.81 Million Debt originated from a RMB212 Million Loan. Its formation stemmed from a disputed debt arising from the improper mingling of personal debts with the Company's loans by a shareholder, starting with the transfer of RMB212 million to Mr. Xu's personal bank account: the difference between Xinghua Wealth used RMB50 million, resulting in Mr. Xu receiving a net amount of RMB162 million, as offset by RMB71.19 million used on behalf of Xinghua Wealth to pay the principal and interest owed to Mr. Xu for the 65% Equity Transfer.

- (ii) The nature of the expenses in the RMB90.81 Million Expenditure Breakdown — it is more likely to be an explanatory document pieced together subsequently and does not have any evidential value with regard to the actual expenses

- *Lack of supporting documentation* — Mr. Xu (a then Director), Mr. Lin (a then Director) and Mr. Chen JG (an executive Director) participated in the discussions and signed off the RMB90.81 Million Expenditure Breakdown, failed to provide original contracts, bank statements, internal approvals, or financial vouchers corresponding to the expenditures listed in the RMB90.81 Million Expenditure Breakdown.
- *Inconsistent with the Company's records* — based on the Forensic Investigator's systematic comparison of the expenditure items listed in the RMB90.81 Million Expenditure Breakdown with the Company's records, the Forensic Investigator is unable to identify the corresponding entries.

- *The composition method of the RMB90.81 Million Debt confirms its piecemeal nature* — the RMB90.81 Million Debt is an arithmetic remainder formed by offsetting of debts and does not represent any total amount of pre-existing loans. From a reasonableness perspective, without artificially splitting the RMB90.81 million and matching related items, it would be impossible to arrive at this offsetting figure. Its formation process exhibits clear characteristics of “balancing figures” (倒軋), rather than being an objective record based on actual fund flows.
- *No reconciliation can be established with the destination of the RMB162 million* — even if some of the expenditures listed in the RMB90.81 Million Expenditure Breakdown could be supported by documentation, there is no verifiable financial link between them and the RMB162 million which was previously received by Mr. Xu personally. The RMB162 million deposited into Mr. Xu’s personal bank account was transferred to 77 individuals and its subsequent whereabouts are untraceable. There is no verifiable correspondence between the expenditure items in the RMB90.81 Million Expenditure Breakdown and this chain of fund flows.

In summary, the Forensic Investigator is more inclined to believe that the RMB90.81 Million Expenditure Breakdown is not a genuine list of expenditures, but rather an explanatory document pieced together by Mr. Xu subsequently in order to explain to Mr. Chen MC the whereabouts of the funds.

- (iii) The attribution of the RMB90.81 Million Debt — it is clear that such debt is Mr. Xu’s personal debt

At the Company’s level, its obligation to repay the debt has been legally transferred in May 2020

- According to the All Bright (Fuzhou) Legal Opinion, the Company’s repayment obligation for the RMB212 Million Loan was legally transferred to Xinghua Wealth on 10 May 2020 through the RMB200 Million Supplemental Loan Agreement signed by all three parties, and since the representative of Mingfu Steel has already signed the RMB200 Million Supplemental Loan Agreement and Mingfu Steel has actually performed its obligations thereunder and has effectively ratified the contents of the RMB200 Million Supplemental Loan Agreement, from that point onward, the Company has been legally released from its repayment obligation. Subsequent mentions of RMB90.81 Million Debt in the Second Supplemental Agreement and the Third Supplemental Agreement and related meeting minutes were agreements and discussions between individual shareholders. The Company, as a corporate

entity, did not participate in the signing, nor was it formally decided by the Board and this does not have the effect of changing the legal attribution of the debts.

The RMB90.81 Million Debt exists at the shareholder level and it has been subsequently confirmed in an agreement that Mr. Xu is personally liable for

- In June 2026, Mr. Chen MC and Mr. Xu executed the Supplemental Debt Repayment Agreement regarding their debt dispute and reached an agreement on the most pressing concerns of the two parties, namely, (I) Mr. Xu's core concern on how to handle the shares in the Company that Mr. Chen MC should have returned to him; and (II) Mr. Chen MC's core concern on who is responsible for repaying the RMB90.81 Million Debt. Ultimately, the two parties agreed that Mr. Chen MC would use the returned shares to offset the debt and confirmed that Mr. Xu shall be personally liable for the RMB90.81 Million Debt. The Forensic Investigator is unable to obtain the specific communication process between the two parties regarding the agreement, but based on its analysis of information gathered from previous interviews and its inferences, although the two parties had many disputes regarding the debt, this agreement seems to have resolved their core disputes and demands, and the two parties ultimately reached an agreement on the party who shall be responsible for repaying the RMB90.81 Million Debt.
- If the items listed in the RMB90.81 Million Expenditure Breakdown actually occurred and the relevant funds were indeed used for the Company's operating expenses, then the RMB90.81 Million Debt should have been consumed or offset, and there would be no basis for further repayment. However, the parties ultimately settled the debt through a combination of debt-for-equity swap arrangement and personal repayment of the debt by Mr. Xu. This arrangement itself serves as evidence that both parties acknowledge that the RMB90.81 Million Debt still exists, and the repayment responsibility belongs to Mr. Xu personally and not the Company, and that the relevant expenditures in the RMB90.81 Million Expenditure Breakdown did not actually occur and are unrelated to the Company.

Forensic assessment of the relevant claims made by Mr. Chen MC in his written responses dated 30 July 2026

- In Mr. Chen MC's written response provided to the Forensic Investigator on 30 July 2026, he stated that Mr. Xu had fundamentally defaulted the Supplemental Debt Repayment

Agreement (only repaying RMB5 million by the agreed date) and there has been material changes to the basis for implementing the Supplemental Debt Repayment Agreement.

- While acknowledging that the Supplemental Debt Repayment Agreement confirmed the debt ownership, he stated that Mr. Xu's default rendered the Supplemental Debt Repayment Agreement's execution plan invalid, and the recourse entity remained with the Company. Based on Mr. Chen MC's position expressed in his written response, the Forensic Investigator is of the view that: (i) the Supplemental Debt Repayment Agreement is a final settlement arrangement made by both parties on an equal and voluntary basis regarding historical debts, representing their true intentions and possessing legally binding effect. Regardless of any prior disputes among the parties regarding the ownership of this debt, the signing of the Supplemental Debt Repayment Agreement has made a final and clear stipulation on the ownership of the debt; (ii) even if Mr. Chen MC subsequently succeeds in terminating the Supplemental Debt Repayment Agreement, what he terminates is the repayment plan and preferential arrangements under the agreement (such as repayment period, amount reduction, etc.), not a denial of the agreement's confirmation of the debt ownership; (iii) the parties to the Supplemental Debt Repayment Agreement dated 15 June 2026 were Mr. Xu (representative of the Vendors) and Mr. Chen MC (representative of the purchaser). The Company, as a corporate entity, did not participate in the signing of the Supplemental Debt Repayment Agreement, nor did it assume any repayment obligations under the agreement. This further confirms that the Company has no direct legal connection with the RMB90.81 Million Debt. In relation to Mr. Chen MC's position that he will continue seeking full repayment from the Company, such position stems from the unresolved debt dispute between himself and Mr. Xu.
- According to the All Bright (Fuzhou) Legal Opinion, the legal risk for the Company to bear the repayment responsibility or suffer losses in the future in relation to the RMB200 Million Loan or the RMB90.81 Million Debt is very low.

(e) Impact arising from limitation of the Forensic Investigation

As at the date of the Investigation Report, the Forensic Investigator is unable to trace the ultimate destination of RMB162 million which was deposited into Mr. Xu's personal bank account and then transferred to the bank accounts of 77 individuals. Due to these limitations, the Forensic Investigator is unable to fully trace the fund flow to verify whether the final use of the RMB162 million was consistent with the details as set out in the RMB90.81 Million Expenditure Breakdown.

B. Transactions B — The placing of the 40 million Placing Shares and the arrangement for the acquisition of the 7.92 Million Shares (i.e. Allegation 3)

1. The allegation

As disclosed in the Company’s announcement dated 19 May 2020, the Company entered into two separate subscription agreement (the “**Subscription Agreements**”) on 19 May 2020 with Forever Win Asia Trading Limited (“**Forever Win**”) and Profit Source HK Trading Limited (“**Profit Source**”, together with Forever Win, the “**Subscribers**”). Pursuant to the Subscription Agreements, Forever Win and Profit Source shall subscribe for 24 million Placing Shares and 16 million Placing Shares, respectively, at a respective consideration of HK\$26,208,000 and HK\$17,472,000.

Regarding the background of the Placing, the Forensic Investigator interviewed Mr. Xu and reviewed the transcripts of the interview conducted by the Former Forensic Investigator with Mr. Wang. Both of them stated that, at the relevant time, due to the sluggish chartering industry, the Group’s cashflow was under pressure and hence the Company conducted the Placing to supplement the Group’s working capital. The Forensic Investigator reviewed the Group’s 2019 annual report, which showed revenue of USD42.17 million and outstanding bank loans and finance lease payments due within one year totalling USD18.89 million. Mr. Xu stated that, given this context, and since all of the Group’s vessels were already mortgaged and there were no other financing avenues, after internal discussions within the Board, it was decided to raise the necessary operating funds through a share placement. In this cash-strapped environment, the Company’s management, on the one hand, contacted Xinghua Wealth and the Company’s major shareholders to negotiate funding channels, and on the other hand, solicited share subscription intentions from the Directors and senior executives. Ultimately, only Mr. Lin and Mr. Chen Chengmei (陳成梅) (“**Mr. Chen CM**”), the then vice president of the Company who resigned on 10 July 2026, expressed their willingness to subscribe, and hence they were selected as the subscribers for the Placing.

The Complainants alleged that the Placing of 40 million Placing Shares was conducted using off-balance sheet funds (i.e. the RMB162 million provided by Xinghua Wealth and was deposited into Mr. Xu’s personal bank account). The Complainants alleged that two Subscribers are not the actual owners but are nominee shareholders holding the Placing Shares for employee incentive purposes.

Moreover, the Complainants alleged that the Directors and the senior management used the Company’s off-balance sheet funds to arrange for third parties to hold the 7.92 Million Shares (the “**Acquisition of 7.92 Million Shares Arrangement**”).

2. *Background of the nominee arrangement and its termination*

(a) Background of the Placing of the 40 million Placing Shares

Based on the information and documents reviewed by the Forensic Investigator, the timeline for the Placing of the 40 million Placing Shares is as follows:

Timing	Event
18 May 2020	● The Company entered into two separate nominee agreements (collectively, the “Nominee Agreements”) with Forever Win and Profit Source, pursuant to which the Company appointed each of Forever Win and Profit Source as its nominee holder for 24 million Placing Shares and 16 million Placing Shares, respectively. The parties agreed that the Company is the ultimate beneficial holder of the 40 million Placing Shares.
19 May 2020	● The Board resolved to approve the Placing of 40 million Placing Shares. The board resolutions were signed by Mr. Wang, Mr. Xu, Mr. Ding YZ, Mr. Suen Chi Wai (孫志偉) (“Mr. Suen”), Mr. Lai Guan Rong (賴觀榮) (“Mr. Lai”) and Mr. Xu Jie (徐捷). ● The Company entered into the Subscription Agreements with Forever Win and Profit Source in connection with the Placing. ● The Company published an announcement in relation to the Placing.
20 May 2020	● The Company entered into two separate termination agreements (collectively, the “Termination Agreements”) with Forever Win and Profit Source to terminate the Nominee Agreements and that each of Forever Win and Profit Source shall beneficially own the Placing Shares and the Company shall have no rights in the Placing Shares.
28 May 2020	● The Stock Exchange approved the allotment and issue of the 40 million Placing Shares.
2 June 2020	● The Company received an aggregate sum of USD5,628,862 (equivalent to HK\$43.68 million) from the two Subscribers, being the subscription monies for the Placing Shares.

(b) Background of the two Subscribers

According to the independent company searches and interviews conducted by the Forensic Investigator, (i) the sole shareholder and director of Forever Win is Mr. Chen CM, the vice president of the Company until 10 July 2026; and (ii) the sole shareholder and director of Profit Source is Mr. Lin, the financial controller of the Group and an executive Director from 25 March 2021 to 20 July 2026.

(c) Background of the entering into of the Nominee Agreements

According to Mr. Xu, Mr. Chen MC proposed to set up an equity incentive plan whereby the Company shall enter into nominee agreements with the senior management and the equity incentive plan shall consist of 40 million shares in the Company. According to Mr. Xu, the nominee arrangement was merely a preliminary attempt to address Mr. Chen MC's request and was never implemented.

Pursuant to an equity incentive plan dated 16 December 2019 (the **"Equity Incentive Plan"**), the proposed Equity Incentive Plan shall consist of 40 million shares in the Company. The Equity Incentive Plan was signed by Mr. Wang, Mr. Xu, Mr. Chen MC and other senior management of Xinghua Wealth. It is intended that 3 companies will be incorporated for the purpose of holding the 40 million shares.

Based on the response provided by Mr. Wang to the Former Forensic Investigator, Mr. Wang confirmed that the nominee arrangement was put in place in response to Mr. Chen MC's request with regard to the Equity Incentive Plan. However, when the Board approved the allotment and issue of 40 million Placing Shares to Forever Win and Profit Source, the nominee arrangement for the Equity Incentive Plan was no longer applicable and the 40 million Placing Shares were held by Forever Win and Profit Source in their own capacity.

On 18 May 2020, the Company entered into the Nominee Agreements with Forever Win and Profit Source, pursuant to which (i) the Company appointed each of Forever Win and Profit Source as its nominee holder for 24,000,000 Placing Shares and 16,000,000 Placing Shares, respectively; (ii) each of Forever Win and Profit Source shall exercise the rights attaching to the Placing Shares as nominee shareholder on behalf of the Company until such Placing Shares are transferred to the core employees of the Equity Incentive Plan; (iii) the Company is the actual investor of the Placing Shares and all expenses and legal obligations arising from the nominee shareholding shall be borne by the Company; and (iv) all profits or losses generated from the Placing Shares shall belong to or be borne by the Company.

(d) Background of the entering into of the Termination Agreements

According to Mr. Xu, since the legal advisers advised that the nominee arrangement may contravene the provisions of the Listing Rules, he therefore suggested that Mr. Chen CM and Mr. Lin directly subscribe for the Placing Shares in their own names and terminate the Nominee Agreements.

According to Mr. Lin, at the Board meeting held on 19 May 2020, the Board approved the subscription of the Placing Shares by Forever Win and Profit Source directly. Since the nominee arrangement was neither compliant nor implementable, the parties entered into the Termination Agreements on 20 May 2020.

On 20 May 2020, the Company entered into the Termination Agreements with Forever Win and Profit Source, pursuant to which (i) each of the Nominee Agreements shall be terminated with effect from the date of the termination agreement; (ii) the subscription of Placing Shares shall be financed by Forever Win and Profit Source; and (iii) the Placing Shares subscribed by Forever Win and Profit Source shall be owned by Forever Win and Profit Source, respectively.

3. *Nature of the Placing*

According to the Mr. Chen MC Documents, the Forensic Investigator noted that following the completion of the Placing of 40 million Placing Shares by the Company to the Subscribers, between August 2020 and July 2022, there were multiple documentation of the Group and Xinghua Wealth which explicitly indicated that the Equity Incentive Plan was not invalidated. Indeed, various revisions to the Equity Incentive Plan were made which revealed that (a) the 40 million Placing Shares issued in 2020 were held on behalf of the management; (b) the nature of such Placing Shares was “option incentive”; and (c) the funds for the subscription of the Placing Shares came from Xinghua Wealth. The aforementioned internal documentation was signed by Mr. Wang, Mr. Xu, Mr. Chen MC and Mr. Lin, etc. The Forensic Investigator noted that the contents of these internal documentation contradicted with the statements made by Mr. Xu and Mr. Lin in the interviews that the Equity Incentive Plan was invalidated as the nominee arrangement violated the applicable regulations and hence the Termination Agreements were entered into.

Inconsistencies between the statements of the interviewees and the Mr. Chen MC Documents

According to the interviews conducted by the Forensic Investigator with Mr. Xu, Mr. Chen CM and Mr. Lin:

- On 16 December 2019, at the request of the Company’s major shareholder, Xinghua Wealth, the Equity Incentive Plan was signed whereby newly issued shares will be used for equity incentive purposes.

- On 18 May 2020, the Nominee Agreements were signed between the Company and the two Subscribers.
- On 20 May 2020, since Mr. Xu claimed that the nominee arrangement was non-compliant and the Company then did not have enough cash flows, hence, the Termination Agreements were entered into. Mr. Xu further stated that the Equity Incentive Plan was not implemented.

The following timeline for the Placing and the Equity Incentive Plan was based on the Forensic Investigator's review of the Mr. Chen MC Documents:

- On 16 December 2019, the Equity Incentive Plan was signed whereby the Company shall allot and issue 40 million new shares for equity incentive purposes.
- On 19 May 2020, the Company announced the Placing which was completed on 2 June 2020.
- On 20 August 2020, a document entitled "Supplemental Opinions on the Equity Incentive Plan for Xin Yuan's core employees" (《信源企業集團核心員工激勵方案補充意見》) was signed by, among others, Mr. Wang, Mr. Xu and Mr. Chen MC, indicating that the Company agreed the details of the supplemental Equity Incentive Plan internally and the Equity Incentive Plan remained valid and has not been abandoned or cancelled.
- On 28 January 2021, a document entitled "Minutes of the Meeting Regarding the 2020 Performance Assessment and Settlement and the 2021 Development Plan for Xin Yuan" (《關於信源企業集團2020年業績考核結算及2021年發展計畫的會議紀要》) was signed by Mr. Wang, Mr. Xu, Mr. Lin and representatives of Xinghua Wealth, which clearly stated the implementation of the Equity Incentive Plan. This document indicates that the Equity Incentive Plan remained valid and has not been abandoned or cancelled.
- According to a document entitled "Minutes of the Special Meeting on Handling the Historical Issues Related to Xin Yuan" (《信源歷史遺留問題處理專題會議紀要》), a meeting was held on 21 July 2022 which was attended by Mr. Chen Ming (陳銘), Mr. Chen JG, Mr. Xu, Mr. Lin and representatives of Xinghua Wealth. At the meeting, it was confirmed that the 40 million Placing Shares were for equity incentive purposes.
- On 22 July 2022, a document entitled "Special Financial Report on the RMB90.81 Million Loan to Xin Yuan as at 22 July 2022" (《2022年7月22日信源9,081萬元借款財務專項報告》) was signed by Mr. Chen JG and a representative of Xinghua Wealth which included the discussion of the breakdown of the RMB90.81 Million Debt, of which the subscription monies for the 40 million Placing Shares were mentioned. This document indicates that the parties have reached an agreement on the source of funds for the subscription monies for the 40 million Placing Shares.

4. Source of funds for the subscription monies

In relation to Forever Win — According to Mr. Chen CM, the subscription money paid by Forever Win was funded by a loan provided by Chuan Yuan to Forever Win. The Forensic Investigator was provided with a loan agreement dated 18 May 2020 and entered into between Chuan Yuan (as lender) and Forever Win (as borrower) for a sum of HK\$26,208,000 with an interest rate of 8%. Based on the review of the bank statements, the Forensic Investigator noted that the funds were provided by HK Wah Sing and New Five Lakes to Forever Win. According to Mr. Chen CM, since he had other businesses with Mr. Xu, hence the aforesaid loan was subsequently offset by other transactions between them. However, no written documentation was provided to the Forensic Investigator in relation to the alleged offset.

In relation to Profit Source — According to Mr. Lin, the subscription money paid by Profit Source was funded by a loan provided by Chuan Yuan to Profit Source. The Forensic Investigator was provided with a loan agreement dated 18 May 2020 and entered into between Chuan Yuan (as lender) and Profit Source (as borrower) for a sum of HK\$17,472,000 with an interest rate of 8%. Based on the review of the bank statements, the Forensic Investigator noted that the funds were provided by HK Wah Sing to Profit Source with the first batch of funds being provided on 8 May 2020 (i.e. before the relevant loan agreement was entered into). According to Mr. Lin, such funds were transferred in advance to meet Profit Source's urgent funding needs. The Forensic Investigator noted that Profit Source has not yet repaid the aforesaid loan to Chuan Yuan as at the date of the Investigation Report.

Based on the bank statements independently obtained by the Forensic Investigator, the Company received the subscription monies of USD3,377,320 and USD2,251,546 from Forever Win and Profit Source, respectively, on 2 June 2020.

The Forensic Investigator obtained the cheques for the Company's payment of dividends in 2023 and noted that such dividends were paid to the two Subscribers.

Based on the Forensic Investigator's review of the records and bank statements, the Forensic Investigator is unable to identify any evidence indicating that the subscription monies for the 40 million Placing Shares were originated from the Company or were related to the Company's funds.

(a) Current status of the 40 million Placing Shares

On 3 June 2020, 24,000,000 Placing Shares and 16,000,000 Placing Shares were allotted and issued to Forever Win and Profit Source, respectively. According to Mr. Chen CM and Mr. Lin, neither Forever Win nor Profit Source disposed of any Placing Shares. Based on the publicly available information, as of May 2026, Forever Win and Profit Source were interested in 24,000,000 Shares and 17,478,000 Shares, respectively.

(b) Knowledge of the then Directors

The Forensic Investigator conducted interviews with the following Directors and the table below summarizes their knowledge and views of the Placing:

Name	Position	Knowledge	Views regarding the Placing
Mr. Chen JG	Executive Director and chairman of the Board	- has knowledge about the Placing, the nominee arrangement and its termination - the nominee arrangement was terminated due to regulatory reasons and the subscriptions were eventually made by the respective Subscriber in its own capacity - there were deficiencies in the use of company's chop and approval processes	- the subscriptions were genuinely made by the senior management - the nominee arrangement was not materialized - there were deficiencies in the approval process
Mr. Xu Jie	Independent non-executive Director	- the Placing was approved by the Board but the resolutions did not reveal the identities of the Subscribers - the nominee arrangement and its termination were not raised to the Board - the funds involved may be related to the RMB90.81 Million Debt	there exist non-compliance with the rules and regulations on information disclosure and related party transactions

Name	Position	Knowledge	Views regarding the Placing
Mr. Wei Shusong (魏書松) ("Mr. Wei")	Independent non-executive Director	he first became aware of the situation upon the receipt of the Complaint Letters	- there were irregularities in the procedure - the subscriptions were genuinely made by the Subscribers
Dr. Chen Siru (陳四汝)	Independent non-executive Director	the Placing took place prior to his appointment as a Director in 2025	he is unaware of the Placing and hence unable to provide his views on the Placing
Ms. Liu Weipeng (劉維芃)	Executive Director	she was not invited to participate in the Placing and has no knowledge of the nominee arrangement	she is unaware of the Placing and hence unable to provide her views on the Placing
Mr. Chen Yanbiao (陳延標)	Executive Director	he was appointed as a Director in 2024 and has no knowledge and did not participate in the Placing	he is unaware of the Placing and hence unable to provide his views on the Placing
Mr. Chen Ming	Executive Director (former chairman of the Board)	he has no knowledge of the Placing as it took place prior to his appointment in 2021	he is unaware of the Placing and hence unable to provide his views on the Placing

5. *The Acquisition of 7.92 Million Shares Arrangement*

(a) *The Acquisition of 7.92 Million Shares Arrangement and its source of funds*

Based on the interviews conducted by the Forensic Investigator with Mr. Xu and Mr. Lin:

- Mr. Xu acknowledged that there was indeed acquisition of the 7.92 Million Shares and Mr. Wang purchased such shares in his personal capacity and the funds for the acquisition were lent by Mr. Xu. In the RMB90.81 Million Expenditure Breakdown, it was mentioned that there was an agreement for the purchase of 5.023 million shares and 2.9 million shares in the Company. The aforementioned 5.023 million shares and 2.9 million shares in the Company were held by Mr. Wang's company and his designated company, respectively. These descriptions were part of the debt reconciliation process between the shareholders. In fact, these shares were held by Mr. Wang and his designated company. The funds for these acquisitions were from a loan between Mr. Xu and Mr. Wang and are not related to the Company. The 7.92 Million Shares have been transferred by Mr. Wang to Mr. Xu to settle the loan owed by Mr. Wang to Mr. Xu.
- According to Mr. Lin, upon the completion of the 65% Equity Transfer, one of the Company's shareholders also wanted to dispose of the Company's shares. Given the liquidity of the Company's shares was low and in order to avoid abnormal fluctuations in the

Company's share price, Mr. Wang acquired 5.023 million shares in the Company from that shareholder. The Board approved such acquisition by Mr. Wang but the Board was not aware of Mr. Wang's source of funds. Subsequently, the acquisition of 2.9 million shares in the Company was also a personal commercial decision and the source of funds was not known. All shares were subsequently transferred to Mr. Xu's designated accounts.

Since the Forensic Investigator was not able to conduct an interview with Mr. Wang, the Forensic Investigator is unable to ascertain Mr. Wang's views in respect of the 7.92 Million Shares. According to the interviews conducted by the Former Forensic Investigator with Mr. Wang, Mr. Wang stated that:

- He directly held the 5.023 million shares in the Company in his personal capacity.
- He did not have sufficient funds to acquire the shares and he borrowed from Mr. Xu in his personal capacity. The acquisition price is HK\$1.65 per share.
- He explicitly denied that the funds for the acquisition of shares came from Mr. Chen MC or the Company.
- He was not aware of the acquisition of 2.9 million shares in the Company and he is unable to comment on the source of funds and shareholding of such 2.9 million shares. This appears to contradict with Mr. Xu and Mr. Lin's statement that such 2.9 million shares were held by Mr. Wang's designated entity.

The Forensic Investigator noted that in the Mr. Chen MC Documents, there was an undated and unsigned acquisition agreement in relation to Mr. Wang's acquisition of 5.023 million shares in the Company.

Based on the Forensic Investigator's review of the records and bank statements, the Forensic Investigator is unable to identify any evidence indicating that the funds for the acquisition of the 7.92 Million Shares were originated from the Company or were related to the Company's funds.

(b) Current status of the 7.92 Million Shares

Since the acquisition of the 7.92 Million Shares was clearly stated as "market value maintenance expenses" in the RMB90.81 Million Expenditure Breakdown, the funds for the purchase of these shares were thus linked to the RMB90.81 Million Debt, resulting in the ownership and disposal of the 7.92 Million Shares being one of the core disputes between Mr. Chen MC and Mr. Xu.

Based on the Complaint Letters and the Mr. Chen MC Documents, the Forensic Investigator noted that Mr. Chen MC is of the view that the funds for the acquisition of the 7.92 Million Shares came from an outstanding loan to him and hence the 7.92 Million Shares should belong to him. However, Mr. Xu is of the view that the funds for the acquisition of the 7.92 Million Shares came from a loan he provided to Mr. Wang and was unrelated to Mr. Chen MC, furthermore, in the Third Supplemental Agreement, it was stated that Mr. Xu has the right to dispose of the 7.92 Million Shares. Mr. Xu further mentioned that the 7.92 Million Shares have been transferred by Mr. Wang to him and he is the current holder of the 7.92 Million Shares. However, as at the date of the Investigation Report, the Forensic Investigator is unable to obtain the relevant supporting documents from Mr. Xu to verify this.

(c) The Supplemental Debt Repayment Agreement

On 15 June 2026, the Company entered into the Supplemental Debt Repayment Agreement in relation to the RMB90.81 Million Debt.

Pursuant to the Supplemental Debt Repayment Agreement, it was noted that Mr. Xu and Mr. Chen MC have reached an agreement in relation to the treatment of the 7.92 Million Shares as follows:

- Mr. Xu, as the transferor of the 65% Equity Transfer, has not yet repaid the principal of RMB55.36 million and related interest in connection with the 47.92 million shares in the Company as set out in the Third Supplemental Agreement.
- After the relevant debts are repaid, Mr. Xu shall be solely responsible for disposing the 47.92 million shares in the Company as set out in the Third Supplemental Agreement and such proceeds from disposal shall belong to Mr. Xu.

The Supplemental Debt Repayment Agreement stated that Mr. Xu has the disposal right and income right attaching to the 40 million Placing Shares and 7.92 Million Shares.

6. Internal approval process

The Forensic Investigator noted the application for the use of the company's chop on the Nominee Agreements were formally submitted in accordance with the Company's internal procedures. The Forensic Investigator noted that the application was made on 30 July 2020 (i.e. after the date of the Nominee Agreements). The application was approved by Mr. Xu. Based on the approval records, the Nominee Agreements appeared to have been signed retrospectively. According to Mr. Xu, the retrospective application for the use of the company's chop on the Nominee Agreements was made at the request of Mr. Chen MC.

The Forensic Investigator had not identified any application records for the use of the company's chop on the Termination Agreements. Mr. Xu claimed that the absence of the application record was due to the then internal control deficiency.

In addition, the Forensic Investigator noted an application for the use of the company's chop on an equity incentive agreement was made on 22 June 2020. The application was approved by Mr. Xu and Mr. Lin. Based on the interviews conducted by the Forensic Investigator with, among others, Mr. Xu and Mr. Lin, the interviewees emphasized that while there was an application for the use of the company's chop, the equity incentive agreement has never been implemented. However, no reasonable explanation was given for the inconsistencies in the timeline for the application for the use of the company's chop on the Nominee Agreements, the Termination Agreements and the equity incentive agreement.

Electronic forensic investigation

During the Forensic Investigator's electronic forensic investigation on Mr. Chen JG's computer, it noted multiple documents in relation to the Placing and the Acquisition of 7.92 Million Shares Arrangement.

It was noted that the documents which are related to the Equity Incentive Plan were created after the completion of the Placing and were continuously modified and amended until 2023. The background and adjustments to the Equity Incentive Plan pointed to the premise that the 40 million Placing Shares were "existing shares of the Group" suitable for the equity incentive allocation, i.e. they were not held by the two Subscribers in their own capacity. Furthermore, these documents indicate that the source of funds for the Placing Shares came from Xinghua Wealth which are inconsistent with the statements made by Mr. Xu, Mr. Lin and Mr. Chen JG in the interviews but is consistent with the allegations in the Complaint Letters and Mr. Chen MC Documents.

In relation to the Acquisition of 7.92 Million Shares Arrangement, the Forensic Investigator noted that there was a document stating that Mr. Wang held 5.023 million shares on behalf of the Company and there was another document stating that Mr. Wang held such shares on behalf of Xinghua Wealth. These findings are inconsistent with Mr. Xu's statements in the interviews.

Mr. Chen MC's response to an interview regarding the RMB90.81 Million Debt

On 30 July 2026, Mr. Chen MC submitted his written response to the Forensic Investigator's interview request via WeChat.

Set out below are his main viewpoints:

- (i) the issuance of the 40 million Placing Shares was in fact a disguised equity incentive or nominee shareholding arrangement where there are obvious signs of nominee arrangements;
- (ii) the actual source of funds for the subscription of the 40 million Placing Shares is from the RMB90.81 Million Debt (i.e. the Company's own funds) but not the Subscribers' own funds or borrowings from Mr. Xu; and
- (iii) the actual source of funds for the 7.92 Million Shares also originates from the RMB90.81 Million Debt.

7. *Summary of the findings of the Forensic Investigator*

The main controversies regarding the Placing lie in (a) whether the Placing Shares were for the benefit of the Equity Incentive Plan and the two Subscribers are merely nominee shareholders and hold the Placing Shares on behalf of the Company; and (b) whether the source of funds for the subscription monies was related to a loan provided by Xinghua Wealth.

The main controversies regarding the Acquisition of 7.92 Million Shares Arrangement lie in (a) whether the source of funds for the acquisition of the 7.92 Million Shares came from Xinghua Wealth; and (b) whether there was any nominee arrangement in relation to the 7.92 Million Shares.

Set out below is a summary of the findings of the Forensic Investigator:

(a) Regarding the doubts surrounding the 40 million Placing Shares

- (i) Anomalies found in the timeline for the execution of the Nominee Agreements and the application for the use of company's chop thereon

The Nominee Agreements were signed on 18 May 2020 and the Termination Agreements were entered into on 20 May 2020. The announcement for the Placing was issued on 19 May 2020. The application for the use of the company's chop on the Nominee Agreements was on 30 July 2020 which was subsequent to the date of the announcement for the Placing and the execution of the Termination Agreements. There was no record showing the application for the use of the company's chop on the Termination Agreements.

Subsequent to the execution of the Termination Agreements, in June 2020, there as an application for the use of the company's chop for the equity incentive agreement, which appears that the Equity Incentive Plan was still valid at the relevant point of time.

- (ii) The repayment of the loans by the two Subscribers could not be verified

While Mr. Chen CM alleged that the loan provided by Chuan Yuan to Forever Win was subsequently offset by other transactions between Mr. Chen CM and Mr. Xu, no written documentation was provided to the Forensic Investigator in relation to the alleged offset. Further, there were inconsistencies in Mr. Chen CM's statements during his two interviews.

In relation to the loan provided by Chuan Yuan to Profit Source, Mr. Lin acknowledged that as at the date of the Investigation Report, Profit Source has not yet repaid the aforementioned loan and related interests.

- (iii) Internal documentation points to a nominee arrangement

The Forensic Investigator noted various meeting minutes and signed documents which described the 40 million Placing Shares are for the use of employee incentive and the source of funds for the subscription monies for the 40 million Placing Shares is loan provided by Xinghua Wealth.

Mr. Chen JG's computer contained multiple revised equity incentive documents.

Among the Mr. Chen MC Documents, there were recordings whereby the two Subscribers admitted the existence of nominee arrangements but the two Subscribers denied as such in their interviews with the Forensic Investigator.

- (iv) Explanations of various parties involved

Mr. Xu, Mr. Chen JG and Mr. Lin all stated in interviews that the relevant documents represented only Mr. Chen MC's unilateral intentions, and that their signing was forced and did not signify their acceptance of the content. However, there is no objective evidence to support this claim.

Mr. Chen MC reiterated his position in a written response stating that the funds for the 40 million Placing Shares came from the RMB90.81 million borrowings and that the subscription funds were from the Company's funds but not personal funds. There were multiple meeting minutes and signed documents sufficiently demonstrate that the nature of the 40 million Placing Shares was equity incentive and the nominee arrangement exists.

(b) Regarding the 7.92 Million Shares

Public records show that Mr. Wang subscribed 5.023 million shares in the Company through Sunny Road HK Trading Limited, a transaction publicly disclosed by Mr. Wang as a then Director. The Forensic Investigator was unable to obtain publicly disclosed information regarding the 2.9 million shares in the Company. Mr. Xu stated in an interview that all 7.92 Million Shares had been transferred to him but he failed to provide any supporting documents. The Forensic Investigator was unable to conduct an interview with Mr. Wang. According to Mr. Wang's interview with the Former Forensic Investigator, he stated that he personally held the 5.023 million shares in the Company but was unaware of the arrangement for the 2.9 million shares in the Company, which contradicts with Mr. Xu's statement.

Based on the Forensic Investigator's review of the records and bank statements, the Forensic Investigator is unable to identify any evidence indicating that the funds for the acquisition of the 7.92 Million Shares were originated from the Company or were related to the Company's funds.

(c) Limitations relating to the source of funds for the 49.72 million share in the Company

The Forensic Investigator is unable to trace the whereabouts of the RMB162 million after it being transferred from Mr. Xu's personal bank account to 77 individuals. The bank statements for HK Wah Sing and New Five Lakes were also unavailable, making it impossible for the Forensic Investigator to confirm whether the actual source of funds for the subscriptions of the 40 million Placing Shares by the two Subscribers and the 7.92 Million Shares purchased by Mr. Wang through his affiliated companies were related to the aforementioned RMB162 million.

(d) Final conclusion

Although there are reasonable doubts regarding the nature of the 40 million Placing Shares, according to the Forensic Investigator's independent assessment and the All Bright (Fuzhou) Legal Opinion, the Forensic Investigator is of the view that the nature of legal relationship should be determined based on legally valid written documents and verifiable facts regarding the fund flows.

The Forensic Investigator tend to conclude that the 40 million Placing Shares were allotted and issued to the two Subscribers rather than the two Subscribers holding them under a nominee arrangement for employee incentive purpose. The related doubts and the alleged nominee arrangement indicated by the documents are insufficient to overturn the qualitative judgment based on legal formalities.

Regarding the purchase and ownership of the 7.92 Million Shares, the Forensic Investigator could only search through public channels that Mr. Wang purchased 5.023 million shares in the Company through Sunny Road HK Trading Limited. The Forensic Investigator is only able to confirm the purchase of the remaining 2.9 million shares in the Company through interviews. However, due to the lack of evidence regarding the chain of funds flows for the RMB162 million, the inability of the Forensic Investigator to conduct interview with Mr. Wang and to obtain relevant supporting documents during the Forensic Investigation, the Forensic Investigator was unable to trace and confirm the source of funds for the purchase of these 7.92 Million Shares and their current ownership through independent procedures. Furthermore, although Mr. Xu stated that the relevant shares had been transferred from Mr. Wang to him, he did not provide the Forensic Investigator with corresponding supporting documents. Based on the aforementioned limitations, the Forensic Investigator was unable to confirm (i) whether the funds for the 7.92 Million Shares originated from the RMB90.81 Million Debt; and (ii) whether there were any market value maintenance activities.

Regarding the knowledge and participation of the then Directors, the Forensic Investigator did not notice that apart from the parties who signed the relevant agreements, i.e. Mr. Xu, Mr. Wang and the two Subscribers, the other then Directors were aware that the 40 million Placing Shares were held on behalf of others and the subsequent termination of the Nominee Agreements, as well as the purchase of the 7.92 Million Shares as mentioned in the RMB90.81 Million Expenditure Breakdown. According to the interviews conducted by the Forensic Investigator with the other then Directors, the Forensic Investigator noted that they only became aware of the relevant nominee arrangement and its termination after the receipt of the Complaint Letters.

Based on the Forensic Investigator's review of the records and bank statements, the Forensic Investigator is unable to identify any evidence indicating that the subscription monies for the 40 million Placing Shares and the funds for the acquisition of the 7.92 Million Shares were originated from the Company or were related to the Company's funds.

C. Transactions C — The USD42 million construction contracts of the Two Vessels in 2024 (i.e. Allegation 4)

1. The allegation

As disclosed in the Company's announcement dated 5 August 2024, SYHK, an indirect wholly-owned subsidiary of the Company, and China Railway Science & Industry Group Co., Ltd. (中鐵科工集團有限公司) (“**CRSI**”) entered into a shipbuilding contract dated 5 August 2024 (the “**Shipbuilding Contract**”), pursuant to which CRSI agreed to construct Two Vessels for SYHK for a consideration of USD21 million for each Vessel, with an aggregate consideration of USD42 million (the “**Shipbuilding Investment**”).

The Complainants alleged that:

- (a) the senior management of the Group hastily, erroneously, and without authorization signed the Shipbuilding Contract in the aggregate sum of USD42 million before the Board had fully discussed and formally resolved the matter; and
- (b) the Shipbuilding Investment was not subject to necessary and thorough research and market analysis, and the signed contract terms contained significant hidden risks, severely undermining the protection of the Company's interests.

2. *Risk assessment and decision-making process*

The Forensic Investigator conducted a detailed analysis on the risk assessment and decision-making process for the Shipbuilding Investment covering its commercial rationale, internal risk assessment and research, and decision-making and approval process.

(a) Commercial rationale

At the interviews conducted by the Forensic Investigator with Mr. Xu, Mr. Chen CM, Mr. Chen JG and Mr. Lin, the reasons for the Shipbuilding Investment include (i) focusing on the Group's core business areas; (ii) seizing the infrastructure cycle benefits; (iii) promoting fleet replacement and energy efficiency upgrades; and (iv) matching the rigid demands from core customers. Mr. Xu further mentioned that the Shipbuilding Investment was made with reference to the investment trends of other market players such as COSCO Shipping Specialized Carriers Co., Ltd. ("COSCO"), market analysis as well as the requirements of the Group's customers.

The Forensic Investigator noted that COSCO also announced the construction of 4 vessels in August 2024 with an aggregate investment sum of USD98 million.

The Forensic Investigator noted that the reasons for the Shipbuilding Investment are consistent with COSCO's commercial rationale for vessels construction. The minutes of the Board meeting also showed that the Board has made reference to COSCO's vessels construction when deciding and approving the Shipbuilding Investment.

(b) Internal risk assessment and research

In order to assess whether the Company has conducted sufficient risk assessment and research before making the Shipbuilding Investment, the Forensic Investigator examined the issue from three aspects, namely, (i) third party due diligence; (ii) independent internal research; and (iii) financial calculations and valuations.

(i) Third party due diligence

The Forensic Investigator has not identified any commercial due diligence report, valuation report or professional cost consulting report issued by independent third party organizations in connection with the Shipbuilding Investment. According to Mr. Xu, since the Company has extensive operational experience in the industry and its executives are seasoned professionals, he is of the view that the Company possesses sufficient professional capabilities to conduct independent research and analysis and hence no third party report has been commissioned.

(ii) Independent internal research

The Company conducted its own independent research on the Shipbuilding Investment and provided the Forensic Investigator with various documents covering preliminary preparation, research, calculation, and technical documents. According to the documents, the Group mainly conducted risk assessments and research on market analysis, customer needs verification, ship design, and economic feasibility calculations.

(iii) Financial calculations and valuations

According to Mr. Xu and Mr. Lin, the Group's finance department conducted a thorough financial analysis on the Shipbuilding Investment. The Forensic Investigator reviewed the minutes of a Board meeting held on 25 July 2024 and noted that the financial forecast report focused on analyzing the profitability and cashflows of the Shipbuilding Investment.

The Forensic Investigator noted that the expected rate of return of the Shipbuilding Investment was comparable to similar projects undertaken by other industry players.

The Forensic Investigator also noted that between 12 July and 23 July 2024, Mr. Chen CM provided the executive Directors with three reports on quotation enquiry (including CRSI's quotation). It is noted that CRSI's quotation was lower than the construction cost as disclosed in COSCO's announcement and was the lowest among all quotations received by the Group.

(c) *Decision-making process*

The Company provided the Forensic Investigator with three Board minutes dated 25 June 2024, 25 July 2024 and 5 August 2024. The Forensic Investigator noted that there were no material disagreements among the Directors at the Board meetings held on 25 June 2024 and 25 July 2024.

At the Board meeting held on 5 August 2024, Mr. Chen Ming disapproved the entering into of the Shipbuilding Contract as he expressed concerns over (i) the shipbuilder's ability in fulfilling its contractual obligations; (ii) the payment milestones; and (iii) the equivalence of penalty clauses.

The Forensic Investigator interviewed the then management with respect to Mr. Chen Ming's concerns. According to Mr. Xu, the Group has established an independent supervision team supervising the progress of the construction of the Two Vessels. In addition, given the then tight industry capacity, the vendor has stronger bargaining power in negotiating the payment milestones, Mr. Chen JG supplemented that the vendor has provided a discount on the overall consideration and 20% payment per each instalment is also within the Group's financial capability.

The Forensic Investigator conducted an independent background check on the shipbuilder but was not aware of any bankruptcy or shipbuilding quality issues as stated in the Complaint Letters.

The Forensic Investigator compared the penalty clause in the Shipbuilding Contract with COSCO's shipbuilding contract and is of the view that the penalty clause in the Shipbuilding Contract is basically the same as the industry standard and no major commercial anomalies have been noted.

(d) Approval process

The Forensic Investigator reviewed the Group's "Measures for the Management of Material Contracts" (《重大合同管理辦法》) and the use of company's chop record. It was noted that the approval of the Shipbuilding Investment was made in accordance with the Group's internal policies and the use of company's chop on the Shipbuilding Contract also complied with the relevant internal policy.

3. Subsequent construction progress and delivery schedule of the Two Vessels

(a) On-site inspection of the construction progress and delivery status of the Two Vessels

The Forensic Investigator conducted site visits at the construction site of the Two Vessels in Fujian, the PRC and interviewed Mr. Xiang Qisheng (項七生) ("**Mr. Xiang**"), the head of shipbuilding supervision of the Group.

Based on the Forensic Investigator's observations in the site visits and the interviews conducted, both Vessels have received the attestation of launching. Vessel No. 1 is approximately 90% complete overall, with interior decoration finished and currently undergoing equipment commissioning and final engineering work. Sea trials for Vessel No. 1 were completed between 14 and 19 June 2026 and Vessel No. 1 is expected to be delivered in the fourth quarter of 2026. Vessel No. 2 is

approximately 70% complete overall, with the external structure finished and currently undergoing piping installation and interior decoration. It is expected to be delivered in the fourth quarter of 2026.

The Forensic Investigator noted that the delivery of the Two Vessels has been delayed to some extent. According to the Shipbuilding Contract, the original delivery date for Vessel No. 1 and Vessel No. 2 was the fourth quarter of 2025 and the first quarter of 2026, respectively.

According to the interviews conducted by the Forensic Investigator with Mr. Xu, Mr. Chen CM and Mr. Xiang, the delay in delivery of the Two Vessels were due to tight industry capacity, design changes, weather conditions and the Group's delay in paying the second instalment of the consideration.

Based on the Forensic Investigator's review of the minutes of a Board meeting held on 19 October 2024, Mr. Chen Ming (the then chairman of the Board) objected the payment of the second instalment as he was of the view that the consideration for constructing the Two Vessels was too expensive, the selection of the shipbuilder by the Group's supervision team has not been adequately discussed, the Shipbuilding Investment which exceeds USD200,000 requires approval by the chairman.

According to the Shipbuilding Contract, the second instalment was due on 8 October 2024. The Forensic Investigator noted that the Group made two payments on 22 October 2024 and 4 November 2024 in an aggregate sum of USD8.4 million indicating that there was a delay in the payment of the second instalment. According to the Board's approval authority, shipbuilding payments require the chairman's approval and it appears that the delay in payment was due to Mr. Chen Ming's refusal to approve it. Whilst the payment of the second instalment did not require approval from the Board, a Board meeting was held to approve the payment due to obstruction from Mr. Chen Ming. Mr. Chen Ming eventually approved the payment of the second instalment after the majority of the Board approved such payment.

(b) Mr. Chen MC's written response

On 30 July 2026, Mr. Chen MC submitted his written response to the Forensic Investigator's interview request via WeChat.

Set out below are his main viewpoints:

- (i) the contract terms for the Shipbuilding Contract contain significant hidden risks, including but not limited to, the penalties for delayed deliveries are too low, the interest rates for advance payment and refunds are unequal and the payment schedule is too aggressive;
- (ii) the consideration is abnormal with a premium of nearly 50%;

- (iii) there exists a suspected related-party transaction as Mr. Chen MC alleges that Mr. Xu has interests in the lessor of the shipyard (the “**Lessor**”) where CRSI constructed the Two Vessels; and
- (iv) there is a severe delay in the construction progress of the Two Vessels.

Based on the public searches conducted by the Forensic Investigator, the Forensic Investigator has not identified any shareholding relationship between Mr. Xu and the Lessor.

(c) Electronic forensic investigation

The Forensic Investigator conducted electronic forensic investigation to identify discussion and communication records in relation to the Shipbuilding Investment so as to ascertain whether there were any anomalies in the decision-making process and the subsequent construction process.

No records of irregularities related to the Shipbuilding Investment were found. The Forensic Investigator noted that relevant communication records indicate the delay was primarily due to a combination of factors, including design changes and delay in payment of instalment.

The Forensic Investigator noted that the findings in the electronic forensic investigation are in line with the statement made by Mr. Xiang at the interview.

4. Summary of the findings of the Forensic Investigator

(a) No major anomalies were noted in the risk assessment and decision-making process regarding the Shipbuilding Investment

The Forensic Investigator noted that the Group has commercial rationale to conduct the Shipbuilding Investment which is comparable to other industry players. No obvious anomalies were found in the internal decision-making process, pricing and execution of contracts.

The Forensic Investigator noted that:

- From a commercial rationale perspective, the Shipbuilding Investment is based on the demand in the asphalt transportation market, fleet upgrading, environmental compliance requirements, and the need for long-term cooperation with core clients. The business logic is largely consistent with the investment directions of similar companies in the industry.
- From a market research and analysis perspective, although the Group had not commissioned independent third parties to issue due diligence, valuation, or cost consulting reports, it has completed

internal market analysis, customer needs verification, ship technical solution design, and financial feasibility calculations. Key assumptions are well-founded, and the return on investment is within a reasonable range.

- In selecting a partner, the Shipbuilding Investment involved inquiries with six shipyards. The final selected bid from CRSI was lower than other bidders and also lower than the market price for similar vessels, demonstrating reasonable pricing.
- From an internal decision-making perspective, the Shipbuilding Investment was reviewed by the Board on 25 June 2024, 25 July 2024, and 5 August 2024. All the then executive Directors and independent non-executive Directors participated in the discussions. The approval process complied with the Group's "Measures for the Management of Material Contracts" (《重大合同管理办法》), the use of company's chop procedures were complete, and no unauthorized signing was observed.
- During the electronic forensic investigation, no records of irregularities related to the Shipbuilding Investment were found. The Forensic Investigator noted that relevant communication records indicate the delay was primarily due to a combination of factors, including design changes and delay in payment of instalment.
- During the Board's review, Mr. Chen Ming raised different opinions regarding payment milestones, the equivalence of penalty clauses, and the shipbuilder's ability to fulfill its obligations which are normal disagreement within a company's governance process. Upon verification by the Forensic Investigator, the clauses in the Shipbuilding Contract regarding penalties for breach of contract and payment arrangements were determined in accordance with industry practice, and no significant commercial anomalies were noted.

(b) No major anomalies were noted in the subsequent construction progress and delivery schedule of the Two Vessels

The Forensic Investigator conducted an on-site inspection of the shipbuilding site and interviewed Mr. Xiang to understand the situation. The Two Vessels have been launched, and the delivery delay is mainly due to a combination of factors, including tight industry capacity, design changes, weather conditions and the Group's delay in the paying the second instalment of the consideration. The Forensic Investigator noted that the Group has established an independent supervision team and engaged external agencies to implement full-process supervision. The Two Vessels are expected to be delivered in July and October 2026, respectively. The Forensic Investigator is not aware of any evidence indicating that the delay was due to issues with the shipbuilding company's qualifications or any fraudulent activity.

D. Investigation on funds and accounting records

1. Obtaining bank statements independently

The Forensic Investigator obtained all banks statements of all subsidiaries within the Group from June 2019 to December 2024 independently and conducted a verification against the Group's accounting records.

2. Identifying any other suspicious sums paid to the relevant parties involved in the Allegations

In order to ascertain whether there are any unrecorded fund transactions between the Group and the relevant parties involved in the Allegations, the Forensic Investigator conducted the following investigations:

- (a) reviewing transactions with key counterparties from the Group's accounting records to identify whether there are any unknown fund transactions; and
- (b) reviewing the bank statements to identify any unrecorded fund transactions with key counterparties.

After reviewing the bank statements and accounting records, the Forensic Investigator did not identify any anomalies in the overall amount and frequency of expenditures in relation to Mr. Xu, Mr. Lin and Mr. Chen CM and such expenditures primarily consisted of salary, bonuses and reimbursement-related expenses.

Furthermore, during the Forensic Investigator's review of the accounting records, in addition to the USD22.75 Million Loan, there were four other loan transactions between the Group and Chuan Yuan in the amount of USD2.5 million, USD300,000, RMB1.5 million and USD450,000. Three of these loans originated from Chuan Yuan and the remaining one originated from Fujian Chuanyuan Investment Co., Ltd.* (福建川源投資有限公司), a company controlled by Mr. Xu. According to the bank statements and accounting records, the principal and interests on these loans have been repaid by the Group. The Forensic Investigator reviewed the Board resolutions and loan agreements related to these loans and no irregularities were noted.

3. Identifying any potential material off-balance sheet liabilities of the Group

To investigate whether there are other unrecorded items similar to the RMB212 Million Loan that could result in the Group assuming other potential contractual obligations and resulting in potentially large undisclosed liabilities, the Forensic Investigator conducted the following investigation:

- (a) organizing contract ledgers and contract seal records, sorting out other potential major transactions and checking them against the accounting records; and

- (b) obtaining the Group's bank statements independently, conducting sample checks to match material transactions against the accounting records to see if the accounting records were properly prepared.

Based on the Forensic Investigator's investigation, no anomalies were noted in the year-end reconciliation of all accounts. Save and except for a 1 to 2 days time difference between the posting dates and bank transactions, the transaction amounts and the counterparties shown on the bank statements were consistent with the Group's accounting records.

E. Independent assessment of the involvement of Directors and senior management

The following sets out the Forensic Investigator's independent assessment of the involvement of each of the involved Directors and senior management:

1. Mr. Xu (former executive Director and chief executive officer; resigned on 20 July 2026)

(a) His involvement and awareness

Mr. Xu is the core subject and executor of Transactions A and Transactions B who has the most direct and comprehensive knowledge and participation in the flow of funds, execution of agreements and the formation of the relevant debts. Mr. Xu is a core subject of the Forensic Investigation other than Mr. Chen MC.

(b) Summary and timeline of events involved

- Mr. Xu was involved in all the matters mentioned in the Complaint Letters.
- In June 2019, Mr. Xu participated in the signing of the Original Equity Transfer Agreement as a vendor and subsequently signed the relevant supplemental agreements.
- In 2019, in the absence of Board approval, Mr. Xu and Mr. Wang signed the RMB200 Million Loan Agreement on behalf of the Company and Mr. Xu received the proceeds of the RMB212 Million Loan using his personal bank account.
- In May 2020, Mr. Xu and Mr. Wang signed the Nominee Agreements and the Termination Agreements in relation to the Placing of the 40 million Placing Shares.
- As a shareholder, Mr. Xu mingled his personal debts with Mr. Chen MC with the corporate debts, resulting in the continuous dispute of the RMB90.81 Million Debt.
- Mr. Xu was involved in the decision-making process for the Shipbuilding Investment.

- Mr. Xu resigned on 20 July 2026.

2. Mr. Wang (former executive Director and chairman of the Board; resigned on 20 December 2021)

(a) His involvement and awareness

Mr. Wang was one of the core decision-makers and approvers alongside Mr. Xu. As the then chairman of the Board and an executive Director, Mr. Wang co-signed the RMB200 Million Loan Agreement with Mr. Xu. Mr. Wang also signed the Nominee Agreements and the Termination Agreements and signed and confirmed various subsequent documents in relation to the Equity Incentive Plan. Mr. Wang participated in the core decision-making process for the aforementioned major matters.

(b) Summary and timeline of events involved

- Mr. Wang was involved in the entire series of events relating to the RMB212 Million Loan and the Placing.
- In 2019, in the absence of Board approval, Mr. Xu and Mr. Wang signed the RMB200 Million Loan Agreement on behalf of the Company.
- In May 2020, Mr. Wang and Mr. Xu signed the Nominee Agreements and the Termination Agreements in relation to the Placing of the 40 million Placing Shares.
- In August 2020, he signed the subsequent documents in relation to the Equity Incentive Plan.
- Mr. Wang resigned on 20 December 2021.

3. Mr. Lin (former financial controller of the Group and a former executive Director; resigned on 20 July 2026)

(a) His involvement and awareness

Mr. Lin is the core financial executor and coordinator who was involved in the entire process of fund arrangements and accounting treatment of the RMB212 Million Loan. He was one of the Subscribers and was a signatory of the Nominee Agreement and the Termination Agreement. He also signed the relevant documents for the RMB90.81 Million Debt.

(b) Summary and timeline of events involved

- Except for the 65% Equity Transfer for which no evidence of Mr. Lin's direct involvement was noted, Mr. Lin was involved in all other matters alleged in the Complaint Letters.

- In November 2019, Mr. Lin was the primary executor of the funding arrangements and accounting treatment of the RMB212 Million Loan in relation to the acquisition of the Two Bulk Carriers.
- In May 2020, Mr. Lin signed the Nominee Agreement and the Termination Agreement in respect of Profit Source.
- In 2022, Mr. Lin signed a series of documents in relation to the RMB90.81 Million Debt.
- Mr. Lin was involved in the financial related decision making process for the Shipbuilding Investment.
- Mr. Lin resigned on 20 July 2026.

4. *Mr. Ding XL (former executive Director and chairman of the Board; resigned on 30 August 2019)*

(a) His involvement and awareness

Mr. Ding XL is one of the Vendors for the 65% Equity Transfer.

(b) Summary and timeline of events involved

- Mr. Ding XL was involved in the entire series of events relating to the 65% Equity Transfer.
- Mr. Ding XL signed the Original Equity Transfer Agreement in June 2019 and the subsequent supplemental agreements.
- Other than the 65% Equity Transfer, the Forensic Investigator is not aware of him being aware of or otherwise involved in the other matters stated in the Complaint Letters.
- Mr. Ding XL resigned on 30 August 2019.

5. *Mr. Ding YZ (former executive Director; resigned on 26 March 2024)*

(a) His involvement and awareness

Mr. Ding YZ is one of the Vendors for the 65% Equity Transfer.

(b) Summary and timeline of events involved

- Mr. Ding YZ was involved in the entire series of events relating to the 65% Equity Transfer.
- Mr. Ding YZ signed the Original Equity Transfer Agreement in June 2019 and the subsequent supplemental agreements.

- Other than the 65% Equity Transfer, the Forensic Investigator is not aware of him being aware of or otherwise involved in the other matters stated in the Complaint Letters.

6. Mr. Chen JG (executive Director and chairman of the Board)

(a) His involvement and awareness

Mr. Chen JG is a key insider. Although his tenure began in 2022 and he was not personally involved in the initial events, during his tenure, he had access to and signed off the core documents giving rise to disputes and he participated in the discussions on multiple occasions as a Board member.

(b) Summary and timeline of events involved

- Mr. Chen JG joined the Board in March 2022 and he is directly involved in matters such as the 65% Equity Transfer, the RMB212 Million Loan and the Placing of the 40 million Placing Shares.
- After assuming office, Mr. Chen JG was involved in coordinating the historical matters and legacy disputes, such as the RMB90.81 Million Debt and the Placing of 40 million Placing Shares.
- In 2022, Mr. Chen JG, as a representative of the Company, signed several documents including minutes and special reports in relation to the debt settlement plan for the RMB90.81 Million Debt and the RMB90.81 Million Expenditure Breakdown.
- Mr. Chen JG was involved in the decision making process for the Shipbuilding Investment.

7. Mr. Chen Ming (executive Director, former chairman of the Board and the son of Mr. Chen MC)

(a) His involvement and awareness

Mr. Chen Ming has partial knowledge and was involved in the events.

Regarding the historical events that occurred in 2019 to 2020 (i.e. the 65% Equity Transfer and the Placing), Mr. Chen Ming's knowledge was limited before he joined the Company. However, regarding the ongoing disputes of the RMB90.81 Million Debt and the Acquisition of 7.92 Million Shares Arrangement which took place after July 2022, Mr. Chen Ming, as the chairman of the Board, participated in the discussions and communications on multiple occasions. His involvement was highest in Transactions C as he participated in three Board meetings and casted dissenting votes.

(b) Summary and timeline of events involved

- Mr. Chen Ming was appointed as an executive Director on 25 March 2021 but he had no direct participation in the 65% Equity Transfer and the RMB212 Million Loan. His level of knowledge on these two matters was low.
- Since July 2022, since Mr. Chen Ming becoming the chairman of the Board, he participated in multiple Board discussions related to the RMB90.81 Million Debt.
- Mr. Chen Ming was involved in the decision making process for the Shipbuilding Investment and participated in three Board meetings, casted two dissenting votes, and raised specific commercial questions.

8. Mr. Chen CM (former vice president of the Company; resigned on 10 July 2026)

(a) His involvement and awareness

Mr. Chen CM is a party involved in Transactions B as one of the Subscribers for the 40 million Placing Shares and he is the person-in-charge and executor in the quotation enquiry process of Transactions C. He is aware of the loan agreements in connection with the subscription monies for the Placing.

(b) Summary and timeline of events involved

- In May 2020, Mr. Chen CM, as a Subscriber, signed the Nominee Agreement and the Termination Agreement.
- Between June and August 2024, Mr. Chen CM was involved in the quotation enquiry process and provided the executive Directors with three reports on quotation enquiry for the Shipbuilding Investment.

Regarding the remaining Directors who were in office or currently serving during the investigation period (including Mr. Liu Dunyu, Mr. Huang Dehai, Mr. Tang Xuming, Mr. Chong Hon Wang, Mr. Xu Jie, Dr. Chen Siru, Ms. Liu Weipeng, Mr. Yeung Chi Tat, Ms. Liu Xueying, Mr. Chen Yanbiao, and former Directors Mr. Suen and Mr. Lai), during the Forensic Investigator's electronic forensic examination, interviews, and document review, the Forensic Investigator had not identified any evidence indicating that (a) they have participated in the arrangements concerning the matters involved in the two Complaint Letters; or (b) they are aware of the relevant matters at the time the arrangements were made. Therefore, based on the existing evidence, the Forensic Investigator has not identified any factual basis for the aforementioned persons' involvement in or knowledge of the matters alleged in the Complaint Letters.

IV. OTHER MATTERS

A. New allegation relating to the proposed issuance of 88 million new shares in January 2025

In addition to the allegations mentioned in the Complaint Letters, the Forensic Investigator noted a new allegation in the Mr. Chen MC Documents provided at the EGM. The new allegation was primarily targeted at Mr. Chen JG for manipulating the Board's decision to issue 88 million new shares at a low price. The specific allegation is summarized as follows:

- It is alleged that in January 2025, Mr. Chen JG spearheaded the issuance of 88 million new shares (the “**2025 Placing**”), representing 20% of the Company's issued share capital, to TGG Ventures Limited (the “**Placee**”) at a low price of only HK\$1.2 per share, which was close to the lowest point of the Company's share price during the past year and far below the net asset value per share of approximately HK\$2.418. Accordingly, Mr. Chen JG is suspected of involving in improper transfer of benefits and harming shareholders' interests.
- It is further alleged that Mr. Chen JG hastily convened the Board meeting (providing the draft agreement within less than 10 hours before the meeting), refused to disclose the shareholding structure, communication records and transaction background of the Placee to the other Directors, depriving them of the right to know, and forcibly passed the resolution.
- It is further alleged that one month prior to the 2025 Placing (starting in mid-December 2024), Mr. Chen JG used unknown means to suppress the Company's share price from approximately HK\$3.45 to HK\$1.39, creating the conditions for a low-price issuance and Mr. Chen JG is suspected of market misconduct and price manipulation.
- It is alleged that Mr. Chen JG abused his power in the Board by refusing the provision of key transaction information, violating the Companies Ordinance and the duty of care, skill and diligence under common law.

Mr. Chen MC provided supporting documents including relevant Board minutes and share price charts to support his allegation. In his written reply dated 30 July 2026, Mr. Chen MC reiterated his allegation regarding the 2025 Placing.

Regarding the aforementioned allegation in relation to the 2025 Placing, the Forensic Investigator noted that the Company issued an announcement on 24 February 2025 stating that the 2025 Placing has been terminated. Since this allegation is outside the scope of the Forensic Investigation, the Forensic Investigator has not conducted further investigation in connection thereto.

B. Memorandum concerning Mr. Wei, an independent non-executive Director

During the Forensic Investigator's review of the Mr. Chen MC Documents and Mr. Chen MC's written reply provided to the Forensic Investigator via WeChat on 26 July 2026, the Forensic Investigator noted a memorandum concerning Mr. Wei.

It was revealed that on 11 February 2025, Mr. Wei and Mr. Chen MC signed a memorandum (the "**Memorandum**") which aimed at resolving the conflicts involving the Company and it was agreed that, among others:

- (1) Mr. Wei shall coordinate with relevant Directors such as Mr. Chen JG and Mr. Xu to agree to cease engaging a Hong Kong professional intermediary to conduct a special audit from the date of the Memorandum;
- (2) Mr. Wei shall coordinate the termination of the 2025 Placing;
- (3) Mr. Chen MC shall coordinate with his minority shareholders to set aside the extraordinary general meeting scheduled to be held on 1 March 2025;
- (4) Mr. Chen JG and the major shareholder shall handle the relevant "contract" through friendly negotiation;
- (5) a consensus was reached between Mr. Wei and Mr. Chen MC to reinstate Mr. Chen Ming as the chairman of the Board through undergoing relevant procedures. Based on the Mr. Chen MC Documents, prior to the execution of the Memorandum, on 4 December 2024, Mr. Wei, together with two other then independent non-executive Directors (i.e. Mr. Suen and Mr. Xu Jie), jointly initiated a proposal to re-elect the chairman of the Board. The Forensic Investigator noted that Mr. Chen Ming was the then chairman of the Board.

Mr. Chen MC did not provide further explanation via WeChat regarding the Mr. Chen MC Documents. Based on the information provided by Mr. Chen MC via WeChat, the Forensic Investigator noted that the "contract" mentioned in (4) above refers to an incentive contract signed between Mr. Chen MC and Mr. Chen JG. Since such matter is outside the scope of the Forensic Investigation, the Forensic Investigator has not conducted further investigation in connection thereto.

V. THE FORENSIC INVESTIGATOR’S ASSESSMENT ON THE ALLEGATIONS

The following summarizes the Forensic Investigator’s assessment regarding each of the Allegations based on its findings during the Forensic Investigation. The following is a professional assessment made by the Forensic Investigator based on available evidence and does not constitute a determination of legal liability.

A. Allegation 1 — the RMB212 Million Loan/RMB162 Million Funding Arrangement and the USD22.75 Million Loan

Key issue	The Forensic Investigator’s assessment	Key findings
The Company has off-balance sheet borrowings of RMB212 Million Loan.	Affirmative	● The RMB200 Million Loan Agreement was signed in the name of the Company with the company’s chop affixed thereto. However, the RMB200 Million Loan Agreement was signed by Mr. Xu and Mr. Wang, without Board approval or complying with the four-level approval process stipulated in the Group’s “Measures for the Management of Material Contracts” (《重大合同管理辦法》). The related loans and fund transfers were also not recorded in the Company’s accounting records. ● Please refer to the section headed “III. Summary of the Key Findings of the Forensic Investigation — A. Transactions A — Mingling of debts with off-balance sheet financing (i.e. Allegation 1 and Allegation 2)” in this announcement for further details relating to the specific impact on this off-balance sheet borrowings in the Company’s financial statements.

Key issue	The Forensic Investigator's assessment	Key findings
		● It is important to note that regarding the legal validity of the RMB200 Million Loan Agreement, the Investigation Report includes legal opinions from two law firms commissioned by the Special Committee, which present opposing views on the validity of the same RMB200 Million Loan Agreement. Specifically, the scope of the New-Stone Legal Opinion which was provided to the Forensic Investigator by the Special Committee on 9 August 2026 is limited to the legal validity of the RMB200 Million Loan Agreement. The All Bright (Fuzhou) Legal Opinion and the New-Stone Legal Opinion have different views regarding the validity of the RMB200 Million Loan Agreement, in particular the All Bright (Fuzhou) Legal Opinion tends to consider that the RMB200 Million Loan Agreement is a valid contract while the New-Stone Legal Opinion considers that the RMB200 Million Loan Agreement is invalid and not legally binding on the Company. ● The legal determination of the validity of the RMB200 Million Loan Agreement is related to whether the Company had contractual liabilities during the relevant period, and thus affects the determination of whether there is any off-balance sheet financing. Since the Forensic Investigator is not a professional legal practitioner and the New-Stone Legal Opinion was only provided shortly before the finalization of the Investigation Report, the Forensic Investigator does not have the professional capacity or sufficient time to conduct a substantive assessment of the aforementioned differences in the legal opinions. Therefore, the Forensic Report only presents the differences between the two legal opinions and the viewpoints of the two legal advisers.

Key issue	The Forensic Investigator's assessment	Key findings
Misappropriation of funds by relevant Director	Negative	● As a forensic accountant and based solely on the Forensic Investigator's professional judgment from the accounting perspective, in cases where the validity of a loan agreement is subject to legal disputes, the Forensic Investigator, in accordance with the accounting principle of prudence, tends to believe that the Company should have appropriately disclosed such matters in its financial statements to ensure that readers of the financial statements are fully aware of the relevant legal risks and uncertainties.
		● Based on the Forensic Investigator's comprehensive analysis, the RMB162 Million Funding Arrangement and the USD22.75 Million Loan are related. Furthermore, according to the All Bright (Fuzhou) Legal Opinion, the RMB162 million was a loan of equivalent USD provided to the Company through two overseas companies after being received by the then Director, Mr. Xu personally. Upon receiving the funds, Mr. Xu immediately converted it into the USD22.75 Million Loan and there was no misappropriation or embezzlement of funds. Although Mr. Xu did not repay the RMB162 million to Mr. Chen MC immediately after he received the repayment of the USD22.75 Million Loan, Mr. Xu and Mr. Chen MC, among others, executed supplemental agreements and created the RMB90.81 Million Debt and Mr. Xu has a strong intention to repay. Therefore, this should not be considered as an intention or fact of misappropriation of funds.

Key issue	The Forensic Investigator's assessment	Key findings
The arrangement of RMB212 Million Loan is alleged to be a modified “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement	Negative	● The Forensic Investigation failed to identify any key elements or objective evidence of a “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement at the contractual, chain of fund flows, funding arrangement, or internal approval levels. ● The arrangement of RMB212 Million Loan lacks the formality and substantive elements of a “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement. Based on the Forensic Investigator’s comprehensive assessment, the Forensic Investigator concluded that such arrangement is in substance a foreign exchange transaction disguised as a “Domestic Guarantee and Overseas Loan (內保外貸)” arrangement, constituting an off-balance sheet fund circulation and mingling of debts.

Key issue	The Forensic Investigator's assessment	Key findings
Relationship between the RMB162 Funding Arrangement and the USD22.75 Million Loan	Affirmative	Based on the Forensic Investigator's independent assessment, the Forensic Investigator is of the view that the RMB162 million was a sum of money received by a then Director in his personal capacity, exchanged into foreign currency, and then used to provide an equivalent amount of USD loans (the USD22.75 Million Loan) to the Company through two overseas companies. While the USD22.75 Million Loan has since been repaid to the two overseas companies by the Company, the RMB162 million received by the relevant Director in his personal capacity has not been repaid and such personal debt was subsequently mingled with the Company's debt, leading to the subsequent dispute. Despite the limitation in identifying the complete fund flow for the RMB162 million, based on the Forensic Investigator's comprehensive forensic examination, including interviews and documents review, this limitation does not affect the Forensic Investigator's assessment of the overall substantive arrangement of this funding.

B. Allegation 2 — the 65% Equity Transfer and the disputes relating to the settlement of debts and obligations among the parties

Key issue	The Forensic Investigator's assessment	Key findings
The non-compliant disclosure of the 65% Equity Transfer	Affirmative	- The Company failed to disclose in its announcements dated 23 July 2019 and 28 October 2019 that the transactions referred to in these two announcements were in fact part of the 65% Equity Transfer. - The two announcements also failed to disclose the parties acting in concert relationship among the transferees and the background of the 65% Equity Transfer.

Key issue	The Forensic Investigator's assessment	Key findings
		● The Vendors who were also then Directors also failed to disclose the relationship of the transferees.
The transferee failed to make a mandatory general offer	Affirmative	● As of the end of 2019, Mr. Chen MC and the parties acting in concert with him were interested in more than 30% equity interests in the Company but no mandatory general offer has been made.
The Company should be held liable for the RMB90.81 Million Debt	Negative	● Based on the Forensic Investigator's independent assessment and the All Bright (Fuzhou) Legal Opinion, the RMB90.81 Million Debt originated from the offsetting of personal debts at the shareholder level and its creation exhibited clear characteristics of “balancing figures” (倒轉) where and the related expenditures appeared to be artificially pieced together to explain Mr. Xu's failure to repay. ● The Supplemental Debt Repayment Agreement clearly indicated that Mr. Xu bears the repayment obligation in his personal capacity. ● If the items listed in the RMB90.81 Million Expenditure Breakdown were indeed incurred and the relevant funds were indeed used for the Company's operating expenses, then the RMB90.81 Million Debt should have been consumed or offset, leaving no basis for further repayment which indirectly proved the inaccuracy of the details in the RMB90.81 Million Expenditure Breakdown.

C. Allegation 3 — the Placing of 40 million Placing Shares

Key issue	The Forensic Investigator's assessment	Key findings
The 40 million Placing Shares is in a form of equity incentive funded by the Company and held under nominee arrangements	Negative	● Based on the Forensic Investigator's independent assessment and the All Bright (Fuzhou) Legal Opinion, the Forensic Investigator tends to conclude that the 40 million Placing Shares were allotted and issued to the two Subscribers rather than the two Subscribers holding them under a nominee arrangement for employee incentive purpose. ● The Placing of the 40 million Placing Shares meets all the legal formality and procedural requirements, including board resolutions and public announcements, and the Forensic Investigator's inspection revealed that the dividend payments were actually deposited into the accounts of the two Subscribers. Although there are some doubts regarding the nature of the equity incentive (including but not limited to the previously signed Nominee Agreements and recordings admitting the existence of nominee arrangements), the Forensic Investigator is of the view that the nature of legal relationship should be determined based on legally valid written documents and verifiable facts regarding the fund flows, i.e. (1) the Termination Agreements were signed to terminate the nominee arrangements and there were no evidence indicating that such termination is invalid; (2) the Forensic Investigator has not identified any evidence regarding the chain of fund flows that directly proves the existence of any nominee arrangement. Based on the existing evidence and the All Bright (Fuzhou) Legal Opinion, the Forensic Investigator tends to conclude that the 40 million Placing Shares were allotted and issued to the two Subscribers rather than the two Subscribers holding them under a nominee arrangement for employee incentive purpose.

Key issue	The Forensic Investigator's assessment	Key findings
The funds for the subscription of the 40 million Placing Shares originated from the RMB162 million received by Mr. Xu and formed part of the RMB90.81 Million Debt owed by the Company	Unresolved	• Due to restrictions in accessing the cash flow data, it was impossible for the Forensic Investigator to ascertain whether the ultimate source of funds for the subscription of the 40 million Placing Shares was related to RMB162 million, nor could it be determined whether it was related to RMB 90.81 Million Debt. • It was also impossible for the Forensic Investigator to ascertain why the actual remitters of the proceeds for the loans borrowed by the two Subscribers was inconsistent with the lender stated in the respective loan agreement.
The Acquisition of 7.92 Million Shares Arrangement constitutes market value maintenance/manipulation arrangement	Unresolved	• Due to restrictions in accessing the cash flow data, it was impossible for the Forensic Investigator to ascertain the source of funds for the Acquisition of 7.92 Million Shares Arrangement. • The Forensic Investigator is also unable to confirm whether the Acquisition of 7.92 Million Shares Arrangement constitutes market value maintenance/manipulation arrangement.

D. Allegation 4 — the USD42 million construction contracts for the Two Vessels

Key issue	The Forensic Investigator's assessment	Key findings
The USD42 million Shipbuilding Investment lacked sufficient discussion by the Board and commercial commercials	Negative	• No major anomalies were noted in the commercial rationale, internal risk assessment and decision-making process regarding the Shipbuilding Investment. • The Forensic Investigator is of the view that Mr. Chen Ming's objections are normal disagreement within a company's governance process.

The common root causes for the aforementioned establishments are:

1. ineffective internal control over the management of the company's chop – the company's chop could be used solely based on Mr. Wang and Mr. Xu's verbal authorization and the records of the usage of the company's chop were incomplete;
2. overridden of internal controls by the management – the management overrode the internal controls, bypassed the collective decision-making of the Board and adopted “two-person decision-making management” to replace the Group's corporate governance procedures in major loan transactions, the setting up of the nominee arrangement and its cancellation; and
3. improper mingling of the Company's affairs with the shareholders' personal affairs – loans made in the name of the Company were transferred and deposited into the personal bank account of a shareholder/Director, and the personal debts of a shareholder/Director were mingled with the Company's debts.

VI. THE FORENSIC INVESTIGATOR'S ASSESSMENT ON THE POTENTIAL IMPACT OF THE ALLEGATIONS ON THE PUBLISHED FINANCIAL STATEMENTS

The following sets out the Forensic Investigator's assessment on the potential impact of the Allegations on the Company's published financial statements. The assessment is conducted from the forensic investigation perspective and the final accounting treatment (including any potential restatement of prior year financial statements) shall be subject to the professional judgement by the Company's management and its auditors in accordance with applicable financial reporting standards.

Financial year	Matter	Assessment	Potential financial impact
2019	RMB212 Million Loan	From the signing of the RMB200 Million Loan Agreement on 11 November 2019 to the transfer of debt on 10 May 2020, the Company, as the contractual borrower, incurred unrecorded and undisclosed liabilities (principal of RMB212 million and accrued interest). The Company's published financial statements published for the year ended 31 December 2019 (the “FY2019”) omitted the recording and disclosure of such liability.	- There is potential temporary financial impact on the FY2019 financial statements. - Whether a retrospective restatement or correction by way of disclosure is needed shall be subject to the professional judgement by the Company's management and its auditors in accordance with applicable financial reporting standards.

Financial year	Matter	Assessment	Potential financial impact
2019	USD22.75 Million Loan	● The receipt of the loan proceeds and the repayment of the principal and interest (totalling approximately USD23.29 million) were all completed through SYHK's bank accounts, and the relevant transactions have been fully and accurately recorded in the Company's financial statements. However, the connection between the USD22.75 Million Loan and the RMB162 Million Funding Arrangement was not disclosed in the relevant annual report.	● No accounting adjustments are required. ● The final disclosure impact shall be assessed by the Company and its auditors.
2020	The assumption of the Company's debt by Xinghua Wealth	● On 10 May 2020, the debt was transferred through a tripartite agreement and the Company was released from its repayment obligations from that point onward. The impact on the Company's interim liabilities from January to May 2020 was the same as described above.	● The interim effects are the same as that described above for FY2019. ● The accounting treatment related to the debt transfer shall be determined by the Company and its auditors in accordance with applicable financial reporting standards.
2020	The Placing	● The subscription funds were actually transferred into the Company's account and included in the share capital and share premium.	● Based on the Forensic Investigator's findings of the Placing, the current accounting treatment does not need to be adjusted.
2021	No events stated in the Complaint Letters occurred	● Based on the forensic procedures set out in the Forensic Investigation Report, including the investigation on funds and accounting records as set out in the section headed "III. Summary of the Key Findings of the Forensic Investigation — D. Investigation on funds and accounting records" in this announcement, the Forensic Investigator has not identified any additional impact of the Allegations on the Company's published financial statements for the year ended 31 December 2021.	● No potential financial impact is noted.

Financial year	Matter	Assessment	Potential financial impact
2022 to 2024	Disputes over the RMB90.81 Million Debt	● The Forensic Investigator is of the view that the RMB90.81 Million Debt was a personal debt of a shareholder and the Company shall not be liable for its repayment and hence there is no need to recognise such liability in any financial year. ● However, in Mr. Chen MC's written reply provided on 30 July 2026, Mr. Chen MC claimed that he shall terminate the Supplemental Debt Repayment Agreement and he shall pursue against the Company for its repayment. ● The Company should, together with its auditors, assess whether disclosure is needed in its most recent financial statements (including the 2026 interim report) in accordance with applicable financial reporting standards.	● No liability is required to be recognised. ● The Company and its auditors should assess whether any disclosure on contingent liabilities is needed.

VII. MAJOR LIMITATIONS OF THE FORENSIC INVESTIGATION

The findings of the Forensic Investigation are subject to certain limitations. The key limitations include, but not limited to, the following:

Key limitations

1. *Inability to conduct interviews with certain relevant personnel*

The Forensic Investigator is unable to interview other relevant personnel, including: (a) two former Directors, Mr. Ding YZ and Mr. Ding XL, who were involved in the 65% Equity Transfer; (b) former chairman of the Board, Mr. Wang; (c) shareholders of the company that provided the USD22.75 Million Loan; and (d) former independent non-executive Directors, Mr. Suen and Mr. Lai.

Unresolved matters — (a) the relationship between New Five Lakes, HK Wah Sing and Mr. Xu; and (b) the reason why the actual remitters of the funds differ from the lender listed in the respective loan agreement whereby the funds for the 40 million Placing Shares were lent by Chuan Yuan to two Subscribers under loan agreements entered into by Chuan Yuan but the funds were actually remitted by New Five Lakes and HK Wah Sing.

Alternative procedures carried out by the Forensic Investigator

In relation to the inability to conduct interviews with Mr. Ding YZ and Mr. Ding XL:

- The Forensic Investigator cross-referenced information obtained through interviews with other Directors, combined with the Mr. Chen MC Documents regarding the 65% Equity Transfer, and equity change records obtained through publicly available third-party channels, to verify the relevant circumstances of the two former Directors in the 65% Equity Transfer. Although the Forensic Investigator is unable to directly interview the two parties, the existing information is verifiable, and the relevant materials and information show that the two former Directors were only involved in the 65% Equity Transaction and not in other matters which are subject to the Forensic Investigation.
- The Forensic Investigator considers that its inability to conduct these interviews does not have a material impact on its conclusion regarding the involvement of the respective individuals in the 65% Equity Transfer.

Key limitations

Alternative procedures carried out by the Forensic Investigator

In relation to the inability to conduct interview with Mr. Wang:

- The Forensic Investigator reviewed the interview transcript from his previous interview with the Former Forensic Investigator to understand his relevant position.
- The Forensic Investigator considers that its inability to conduct the interview does not have a material impact on its conclusion regarding the involvement of Mr. Wang in the relevant matters.

In relation to the inability to conduct interviews with the two former independent non-executive Directors:

- During the electronic forensic investigation, interviews, and document review conducted by the Forensic Investigator, it did not notice the participation of these two independent non-executive Directors. Therefore, their refusal to accept formal interviews does not constitute material hindrance to the Forensic Investigator's comprehensive understanding of the facts and its basic conclusions.

2. *Legal limitations on the electronic forensic collection of personal data*

Without the consent of the parties involved, it is not possible for the Forensic Investigator to obtain the personal smartphones or communication records of the Directors other than Mr. Xu for electronic forensic procedures.

The Forensic Investigator relied on existing electronic forensic data and combined it with information from interviews and other sources for indirect cross-verification. After analyzing the deletion and restoration of relevant electronic forensic data and considering the results of other forensic work, the Forensic Investigator believes that the current limitations of electronic forensic data do not constitute a significant obstacle to its understanding and conclusions regarding the entire event.

Key limitations

3. *Fund flow restrictions*

Due to the Forensic Investigator's inability to obtain a complete chain of fund flows for the RMB162 million, it is impossible to confirm the destination of the RMB162 million funds after it was transferred from Mr. Xu's personal bank account to 77 individuals.

Unresolved matters — The Forensic Investigator is unable to obtain direct evidence to confirm: (a) the final destination of the RMB162 million; (b) whether the subscription funds for the 40 million Placing Shares are directly related to the RMB162 Million Funding Arrangement; (c) whether the source of funds for the Acquisition of 7.92 Million Shares Arrangement is related to the RMB162 Million Funding Arrangement and whether the Acquisition of 7.92 Million Shares Arrangement constitutes market value maintenance/manipulation arrangement; and (d) whether the expenditures listed in the RMB90.81 Million Expenditure Breakdown are directly related to the RMB162 Million Funding Arrangement.

Alternative procedures carried out by the Forensic Investigator

The Forensic Investigator independently assessed the substance and ultimate use of the funding arrangement through comprehensive forensic procedures, including the substance of the contractual arrangement, the Mr. Chen MC Documents, and electronic evidence. Based on the results of the alternative procedures, the Forensic Investigator believes that this restriction does not constitute a material hindrance to its conclusion of a RMB162 Million Funding Arrangement. However, due to the lack of direct evidence, the Forensic Investigator is unable to make conclusive assessments on each of the relevant unresolved matters.

Key limitations

4. *Limitations on access to key data*

The Forensic Investigator fails to obtain supporting documents in relation to (a) the RMB90.81 Million Expenditure Breakdown and all interviewees stated that no such documents were available; and (b) the ownership and source of funds for the 7.92 Million Shares.

Unresolved matters — The Forensic Investigator is unable to confirm (a) whether the expenditures listed in the RMB90.81 Million Expenditure Breakdown are directly related to RMB162 million; and (b) whether the Acquisition of 7.92 Million Shares Arrangement constitutes market value maintenance/manipulation arrangement.

Alternative procedures carried out by the Forensic Investigator

As an alternative procedure for the dispute over the RMB90.81 Million Debt, the Forensic Investigator searched for relevant information from other levels, including but not limited to evidence of debt formation, cash flow, and accounting records, such as through systematic accounting record screening, targeted electronic forensic searches, and examination of the latest debt settlement agreement reached by both parties. Based on comprehensive analysis, the Forensic Investigator infers that the RMB90.81 Million Debt originated from offsetting of debts, and the related expenditures were likely to be split artificially and such debt should be borne by Mr. Xu and unrelated to the Company. Based on the results of the alternative procedure, the Forensic Investigator believes that this limitation does not constitute material hindrance to its conclusions regarding the substance of the RMB90.81 Million Expenditure Breakdown and the composition and attribution of the RMB90.81 Million Debt.

Regarding the Acquisition of 7.92 Million Shares Arrangement, the Forensic Investigator is unable to obtain from Mr. Xu or Mr. Wang (i) the latest supporting documents regarding the ownership of the shares; and (ii) supporting documents regarding the source of funds for the share purchase. Therefore, the Forensic Investigator is unable to make a conclusive assessment on whether the Acquisition of 7.92 Million Shares Arrangement constitutes market value maintenance/manipulation arrangement.

VIII. CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 February 2025 and will remain suspended until the Company fulfils the Resumption Guidance.

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

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Liu Dunyu
Executive Director

Hong Kong, 13 August 2026

As at the date of this announcement, Mr. Chen Jiagan, Mr. Chen Ming, Mr. Chen Yanbiao, Ms. Liu Weipeng, Mr. Liu Dunyu and Mr. Tang Xuming are the executive Directors, and Mr. Xu Jie, Mr. Wei Shusong, Dr. Chen Siru, Mr. Yeung Chi Tat and Ms. Liu Xueying are the independent non-executive Directors.

* *For identification purposes only*