SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED
銀建國際控股集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 171)

INSIDE INFORMATION
KEY FINDINGS OF THE INVESTIGATION

This announcement is made by Silver Grant International Holdings Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information provisions (as defined under the Listing Rules) under Part IVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the announcements of the Company dated 18 March 2024, 19 March 2024, 9 April 2024, 4 July 2024, 13 September 2024, 19 November 2024 and 11 December 2024 in relation to, among others, the investigation undertaken by the independent special investigation committee of the Company (the "**Special Investigation Committee**") on various matters and events in connection with the loan agreements relating to the portfolio of loan receivables held by the Group (consisting of loan receivables in the aggregate principal amount and accrued interest of approximately HK$2,340 million as at 31 December 2023); (ii) the annual results announcement of the Company for the year ended 31 December 2023 dated 28 March 2024; and (iii) the annual report of the Company for the year ended 31 December 2023.

I. BACKGROUND

Between 2021 and 2023, the Company and certain of its subsidiaries, as lender, entered into 54 loan agreements (collectively, the "**Loan Agreements**") with 54 borrowers (collectively, the "**Borrowers**" and each a "**Borrower**"), pursuant to which the Group granted an aggregate sum of approximately HK$2,060 million loans, comprising RMB denominated loans of RMB1,481.47 million and HK$ denominated loans of HK$415.41 million (collectively, the "**Loans**" and each a "**Loan**") to the Borrowers.

As at 31 December 2023, loan receivables in the aggregate principal amount and accrued interest of approximately HK$2,340 million remained accrued and outstanding.

On 18 March 2024, the Special Investigation Committee, comprising Mr. Hung Muk Ming as chairman, Mr. Jiang Qing and Mr. Zhang Hua as members, being all independent non-executive directors of the Company (the "**Directors**"), was established, for the purposes of, among other things, investigating on various matters and events in connection with the Loan Agreements, in particular, the approval process of the Loan Agreements, the background information of the Borrowers, the commercial rationale for entering into the Loan Agreements and the effectiveness of the internal control system of the Group in relation to the approval of the Loan Agreements (the "**Investigation**").

On 18 March 2024, the Special Investigation Committee appointed Deloitte Advisory (Hong Kong) Limited (the "**Investigation Agency**") to conduct the Investigation.

On 11 December 2024, the Investigation Agency issued the report of the Investigation (the "**Investigation Report**").

II. SCOPE OF THE INVESTIGATION

The Investigation Agency conducted the Investigation over (i) the commercial rationale and substance of the provision of the Loans by the Group to the Borrowers; and (ii) whether any Borrower is a related party of the Group. The review period of the Investigation was from 1 January 2021 to 31 December 2023.

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

(1) reviewing the Group's documents, including but not limited to (a) the Group's 2022 approval process flow chart (financial), organizational chart of the Group, personnel statements, statements of account balances and annual reports, etc.; (b) the Loan Agreements, financial statements and credit reports of the Borrowers, documentation in relation to the internal approval of the Loans and receipts issued by the Group's banks in relation to the release of funds to the Borrowers and repayment of principal and interest by the Borrowers; (c) the entrusted loan agreement entered into among Guangzhou Chengtou Investment Company

imited* (廣州市城投投資有限公司), East Gate (Beijing) Property Management Co., Ltd.* (東環(北京)物業管理有限公司) ("**Beijing East Gate**"), an indirect wholly-owned subsidiary of the Company, and a bank (the "**Bank**") in July 2021 and the related guarantee agreements, mortgage contract and equity pledge contract, pursuant to which the Bank has agreed to provide an entrusted loan in the principal of RMB1,880 million (the "**Entrusted Loan A**") to Beijing East Gate; and (d) the entrusted loan agreement entered into among Guangzhou Chengtou Jiapeng Industrial Investment Fund Management Company Limited* (廣州城投佳朋產業投資基金管理有限公司), Beijing East Gate and the Bank in July 2021 and the related guarantee agreements, mortgage contract and equity pledge contract, pursuant to which the Bank has agreed to provide an entrusted loan in the principal of RMB100 million (together with Entrusted Loan A, the "**Entrusted Loans**") to Beijing East Gate;

(2) conducting interviews with the Group's ex-and current employees and external parties who were involved in the Loans to obtain an understanding of the background, timeline, approval status, contract execution and payment process of the Loans;

(3) conducting multi-dimensional forensic analysis of relevant loan data, including but not limited to, approval personnel, date of the loan, business registration date and registered address of corporate borrowers;

(4) performing walk-through sampling test on the Loans, including reviewing the Loan Agreements, documentation in relation to the internal approval of the Loans and receipts issued by the Group's banks in relation to the release of funds to the Borrowers;

(5) conducting background check on each of the 54 Borrowers and the ultimate controllers of each of the 7 fund recipients of the Loans (collectively, the "**Fund Recipients**") and comparing such findings with the Group's management and shareholders;

(6) conducting background checks on such other relevant persons whose addresses were the same as the registered addresses of the Borrowers or the Fund Recipients;

(7) conducting electronic forensic data mirroring and back-up of the Group's emails and work computers of certain individuals who were involved in the Loans; and

(8) extracting data from the Group's emails and work computers of certain individuals who were involved in the Loans and conducted keyword searches.

III. SUMMARY OF THE KEY FINDINGS OF THE INVESTIGATION

A. Commercial rationale and substance of the provision of the Loans by the Group to the Borrowers

(1) Key findings of the Investigation

Based on the procedures performed by the Investigation Agency, the Investigation Agency noted the following:

(a) The credit assessment reports prepared by the Group in respect of each Borrower does not include any substantial or assessment of the Borrower, the purpose of each Loan and the Borrower's repayment ability. The income forecast in the credit assessment reports were also based on information provided verbally and without basis. Furthermore, all of the Loans were unsecured and without any collaterals.

(b) The results of the multi-dimensional forensic analysis conducted by the Investigation Agency show that most of the 54 Borrowers appear to be companies lack of substantial operations.

(c) Based on the forensic analysis of computer data, (i) 33 Borrowers have provided their balance sheets, of which only 6 of them had net assets greater than RMB0; and (ii) 32 Borrowers have provided their income statements, of which only 7 of them had generated revenue of more than RMB1 million in 2023. Based on a spreadsheet retrieved from the company secretary's computer, it indicated that only two of the Borrowers appear to have substantial operations.

(d) Based on the Investigation Agency's review and analysis of the recipients of the loan proceeds, it shows that 15 Borrowers are not the final or actual fund users and it appears that such fund recipient may only act as provider of fund channeling services.

The Investigation Agency noted that it appears that most of the Borrowers do not have any substantial operations and their reasons for obtaining the Loans from the Group are unclear. According to the multi-dimensional analysis conducted by the Investigation Agency, except for a RMB36 million Loan granted by the Group to a Borrower, the Investigation Agency is unable to obtain sufficient evidence to prove whether the other Loans have commercial substance.

(2) The Group's explanation for the entering into of the Loan Agreements

Based on the interviews conducted by the Investigation Agency with the Group's management team (the "**Management Team**"), the Management Team represented that the Group has obtained the Entrusted Loans in July 2021 which was initially proposed to be applied to an equity investment with a renovation project which did not materialize eventually. Since the Entrusted Loans could not be repaid before maturity, in order to improve the efficiency of capital utilization, the Group's management decided to utilize the proceeds of the Entrusted Loans to develop the short-term lending business.

While the Investigation Agency did not identify any instance where the interest rates charged by the Group in respect of the 54 Loans is lower than the interest rates of the Entrusted Loans, having taking into consideration that (a) all of the Loans were unsecured and without any collaterals; and (b) the credit assessment reports provided by the Management Team failed to provide a reasonable assessment of the Borrowers, the purpose of the Loans and the Borrowers' repayment ability, the Investigation Agency is of the view that, from an objective perspective, it appears that there is insufficient commercial justification for the provision of the Loans by the Group.

(3) Views of the Investigation Agency and limitations of the Investigation

Based on the abovementioned findings, the Investigation Agency concluded that from the perspective of a reasonable lender who conducts transactions on an arm's-length basis, it has not found sufficient basis to prove that the provision of Loans by the Group to the 54 Borrowers have reasonable and sufficient commercial rationale.

During the Investigation process, the Group has neither provided the Investigation Agency with information relating to the ultimate recipients and usage of the loan proceeds nor arranged interviews between the Investigation Agency and the actual controllers of the Borrowers or the ultimate recipients of the Loan proceeds. Therefore, the Investigation Agency was unable to conduct further evaluation or obtain sufficient evidence to verify whether the Loans have commercial substance or whether the decisions of the Group to grant such Loans to the Borrowers have reasonable and sufficient commercial basis.

B. Further information of the Borrowers

Based on the procedures performed by the Investigation Agency, the Investigation Agency noted the following:

(1) The names of the ultimate controllers or directors/supervisors/senior management of 2 Borrowers is the same as that of the Group's employees (i.e. Individual A, Individual B and Individual C).

(2) Among the 54 loans, the loan proceeds of 15 loans were deposited to bank accounts which were not the bank accounts of such Borrowers and in aggregate, there were a total of 7 corporate fund recipients (i.e. the Fund Recipients) for these 15 loans.

(3) Among the 7 Fund Recipients:

(a) 5 Fund Recipients were related to Individual D, where Individual D is one of the directors of 4 Fund Recipients and an ex-controlling shareholder of 1 Fund Recipient;

(b) the name of the shareholder of one Fund Recipient is the same as that of the sister-in-law of Mr. Chu Hing Tsung ("**Mr. Chu**");

(c) the name of the company secretary of 2 Fund Recipients is the same as that of the Company's employee; and

(d) 1 Fund Recipient is a subsidiary of Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司) ("**Guangdong Zhuguang**"). On 27 June 2024, the Company and Guangdong Zhuguang entered into a loan assignment agreement, pursuant to which the Company has agreed to sell and transfer, and Guangdong Zhuguang has agreed to purchase from the Company, all the rights, title, benefits and interests of the Company to, in and under the loan Agreements, details of which are set out in the Company's announcement dated 27 June 2024. Save for the foregoing, the Investigation Agency has not identified any other relationship between Guangdong Zhuguang (and its ultimate controllers) and the Company.

(4) The Investigation Agency has not identified any Borrowers' addresses is the same as the registered addresses of the Company and/or its subsidiaries.

(5) The Investigation Agency noted that 5 Fund Recipients which are incorporated in Hong Kong have the same registered address (the "**Hong Kong Address**"). Among them, the registered addresses of the controlling shareholders of 4 Fund Recipients have the same registered address in the British Virgin Islands. Based on the site visits conducted by the Investigation Agency, the Hong Kong Address is currently the office address of a company secretarial service provider and there is no evidence showing that any of the Company or its subsidiaries uses the Hong Kong Address as its registered address.

(6) The Investigation Agency collected information on the 54 Borrowers, their directors, supervisors, legal representative and ultimate controllers and matched them with the Company's list of key shareholders. The matching results did not show that any directors, supervisors, legal representative or ultimate controllers of the 54 Borrowers overlap with the Company's key shareholders.

(7) The Investigation Agency collected information on the 7 Fund Recipients, their directors, supervisors, legal representative and ultimate controllers and matched them with the Company's list of key shareholders. The matching results did not show that any directors, supervisors, legal representative or ultimate controllers of the 7 Fund Recipients overlap with the Company's key shareholders. Individual D represented that (a) he has no relationship with Zhuguang Holdings Group Company Limited ("**Zhuguang Holdings**") (a company which is interested in approximately 29.50% of the Company's total issued share capital) and Guangdong Zhuguang; and (b) he is not aware of any relationship between the actual users of the relevant loans and Zhuguang Holdings or Guangdong Zhuguang.

(8) The Investigation Agency did not identify any overlap in the registered addresses of the Company and/or its subsidiaries with that of the 54 Borrowers. However, the Investigation Agency noted that there is a high concentration of registered addresses. In particular 48 Borrowers' registered addresses are concentrated in the following 7 addresses:

(a) 5 Borrowers registered the same address with the office of a company which is established by Mr. Chu's brother (one of the Company's shareholders);

(b) 4 Borrowers registered the same address but such address is not located in business district and the residents in the vicinity have not heard of the Borrowers;

(c) 8 Borrowers shared the same address which appears to be incorrect;

(d) 5 Borrowers' registered addresses are located on the same street, the specific location is the office of Company A and Company B and in Zhuguang Holdings' office area. The controller of Company A and Company B has the same name as Mr. Chu's sister-in-law and Mr. Chu's daughter, respectively. The Investigation Agency enquired the property management and front desk staff but none of them had heard of the Borrowers;

(e) 21 Borrowers' registered addresses are located in a hotel building which is owned by Individual E, of which, 14 of them are alleged to be located on the floor which is currently a restaurant and 7 of them are located on the floor which is used as shared offices;

(f) 3 Borrowers shared the same address. According to public searches, the aforementioned address is the same as company owned by Individual E; and

(g) 2 Borrowers and 5 Fund Recipients use the Hong Kong Address as their registered addresses.

(9) The Investigation Agency conducted a sampling check on the contact information of the 54 Borrowers and 7 Fund Recipients. Based on its findings, (a) the email domain name and contact phone number of 1 Borrower is the same as that of the Company's subsidiary; and (b) the email domain name and contact phone number of 1 Borrower and several companies owned by Mr. Chu's brother are the same.

(10) The Investigation Agency has conducted a sampling check on the directors, supervisors, legal representatives and actual controllers of the 54 Borrowers and 7 Fund Recipients and did not identify any existence of joint ventures between them and the Group's key shareholders (or their subsidiaries).

(11) Based on the interview conducted by the Investigation Agency with Mr. Chu, Mr. Chu represented that he did not know Individual D and was not aware of Individual D's related companies. Mr. Chu also represented that he did not know the situation of those companies which his sister-in-law or his daughter is interested in and had not heard of any relationship between these companies with the Borrowers.

(12) According to the interviews conducted by the Investigation Agency with Individual A and Individual B, they represented that in order to manage credit risks, they were being assigned to hold the shares in 1 Borrower as nominee and held the role as supervisor, director and senior management of such Borrower. But both of them alleged that they were not involved in the Borrower's day-to-day operations and risk management activities in connection with the loan and they were not aware of the situation of the Borrower.

Since (a) most of the Borrowers are shell companies; (b) the Company is unable to arrange interviews between the Investigation Agency and the Borrowers (or the ultimate recipients of the loan proceeds); (c) Individual A and Individual B represented that they were nominee shareholders or being assigned by the Group to hold senior positions at the Borrower, the Investigation Agency is unable to obtain information regarding the ultimate recipients of the loan. Nevertheless, the Investigation Agency has not identified any direct evidence showing that any of the 54 Borrowers and the 7 Fund Recipients or the ultimate recipients of the loan proceeds were companies related to the Group, the Group's management and employees or the Company's key shareholders.

C. Other findings of the Investigation

1. Proposal in relation to the provision of loan by the Company to Zhuguang Holdings

According to the Management Team, the Group obtained the Entrusted Loans in July 2021 which was initially proposed to be applied to an equity investment with a renovation project which did not materialize eventually.

During the electronic forensic investigation of the electronic data of certain employees and management of the Group, the Investigation Agency noted a proposal in relation to the provision of loan by the Company to Zhuguang Holdings (the "**Proposal**").

According to the Proposal, the Company intended to utilize the proceeds of the Entrusted Loans and lend it to Zhuguang Holdings for its development project but the Proposal did not materialize in the end.

Nevertheless, the electronic forensic investigation and the multi-dimensional forensic analysis conducted by the Investigation Agency did not identify any documentary evidence regarding the specific implementation of the Proposal and there is insufficient evidence showing that the funds of the Loans were ultimately transferred to Zhuguang Holdings to implement the Proposal.

2. Insufficient risk assessment, due diligence and record keeping

The credit assessment reports in respect of the 54 Borrowers did not record any systematic assessment of the Borrowers' repayment ability and recovery risk. Also, the Group did not collect sufficient information during the due diligence process to reduce credit risks. The Group has not kept any written records regarding its internal discussion on the risk assessment of the Borrowers.

Furthermore, the content of the credit assessment reports appear to be lack of any substance and contained rough industry analysis, brief introduction to the Borrowers' registration particulars and forecasted income. The preparers of the credit assessment reports neither verified the contents contained in the credit assessment reports nor conducted substantive risk assessment of the Borrowers.

3. Insufficient internal controls

The Investigation Agency obtained the approval process flow chart and other relevant internal control documents of the Group and noted that the Group did not have any guidelines and policies governing the pre-loan risk assessment, post-loan monitoring and overdue collection processes. As such, the Group failed to maintain sound internal controls to monitor the provision of loan process.

IV. MAJOR LIMITATIONS OF THE INVESTIGATION

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

(1) the Investigation Agency was unable to conduct interviews with certain individuals who are either external parties of the Group or have retired from the Group;

(2) the Investigation Agency was unable to obtain certain requested information from the Company, including but not limited to (a) obtain information relating to certain ultimate fund recipients of the loans; and (b) obtain and review the receipts issued by the Group's banks in relation to the repayment of principal or interest by certain Borrowers;

(3) the Investigation Agency was unable to obtain certain requested information from the interviewees, including but not limited to (a) certain information relied on by the Group in assessing the repayment ability of the Borrowers and preparing of the credit assessment reports; and (b) nominee agreements in relation to the nominee arrangement of two Borrowers, etc.; and

(4) since certain personnel involved in the approval and processing of the loans have resigned and the computers used during their tenure have either been formatted or scrapped, the Investigation Agency was unable to conduct complete data extraction from their emails and computers.

V. RECOMMENDED REMEDIAL ACTIONS

Based on the findings of the Investigation, the Investigation Agency recommended the Special Investigation Committee to adopt the following remedial actions:

1. although the Company may dispose of the loans in the near future, the Company should take immediate steps and seek legal advice to assess whether, when and what legal proceedings should be taken by the Group against the 54 Borrowers to recover the loans;

2. the Company should establish relevant systems and procedures in relation to the grant of loans to third parties and maintain comprehensive supervision and control of credit risks. The Company should establish guidelines to assess the risk level of loans granted and conduct dynamic assessments based on the borrower's repayment ability and the level of guarantee and value of collateral provided in respect of each loan. The Company should engage a third-party internal control consultant to assist the Company in designing and implementing a robust system in respect of the grant of loans and to ensure such internal control systems complies with market standards; and

3. the Company should strengthen its screening of the borrower's repayment ability, obtain documentary proof related to the borrower's assets, income and repayment arrangements and enhance its due diligence on the borrowers so as to minimize any credit risk. The Company should also obtain thorough understanding of the actual use of funds and the borrower's willingness to repay and maintain close communication with the borrowers at all times.

By order of the Board
Silver Grant International Holdings Group Limited
Chu Hing Tsung

Hong Kong, 27 December 2024

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