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EcoGreen International Group Limited
中怡國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2341)

**INSIDE INFORMATION – KEY FINDINGS OF
THE INDEPENDENT INVESTIGATION;
AND
CONTINUED SUSPENSION OF TRADING**

This announcement is made by EcoGreen International Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) 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) (the “**SFO**”).

References are made to the following announcements of the Company (the “**Previous Announcements**”), namely:

- (i) the Company’s announcement dated 29 March 2022 in relation to the delay in the completion of audit (the “**2021 Audit**”) of the Group’s consolidated financial statements (the “**2021 Financial Statements**”) for the year ended 31 December 2021 (the “**FY2021**”) and the delay in publication of the audited annual results of the Group for FY2021 (the “**2021 Audited Annual Results**”);

- (ii) the Company’s announcement dated 30 March 2022 in relation to the unaudited annual results of the Group for FY2021 (the “**2021 Unaudited Annual Results**”), as supplemented by the Company’s supplemental announcement dated 31 March 2022;
- (iii) the Company’s announcement dated 7 April 2022 in relation to (inter alia) the Incident relating to the Discrepancies in bank balances between certain bank confirmations and the Group’s records, and the establishment of the independent board committee (the “**IBC**”) to commission the Investigation on the Incident to be conducted by the Independent Adviser;
- (iv) the Company’s announcement dated 15 July 2022 in relation to (inter alia) the Resumption Guidance imposed by the Stock Exchange which are required to be satisfied by the Company before the trading in the Shares is allowed to resume;
- (v) the Company’s announcement dated 4 January 2023 in relation to (inter alia) the appointment of the Independent Adviser to commission an investigation on the Incident; and
- (vi) the Company’s announcement dated 4 May 2023 in relation to (inter alia) the resignation of PricewaterhouseCoopers (“**PwC**”) as the Company’s auditor and the matters which PwC believe that should be brought to the attention of the Shareholders and creditors of the Company.

Unless defined herein or the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Previous Announcements.

BACKGROUND

As disclosed in the Company’s announcements dated 7 April 2022 and 4 May 2023, PwC (the then auditor of the Company) informed the Audit Committee on 2 April 2022 (and followed up by a letter from PwC to the Audit Committee) that:

- (a) During the process of the 2021 Audit, there were six bank confirmations circulated and received (the “**Original Six Bank Confirmations**”) by PwC that were in agreement with the books of the six subsidiaries of the Group as at 31 December 2021.

- (b) However, PwC subsequently conducted telephone enquiries with the bank confirmation processing department of the relevant bank (the “**Relevant Bank**”) and was informed by the bank that it had no record of receiving nor responding to the Original Six Bank Confirmations.
- (c) PwC requested for management’s explanation, arranged to re-send the bank confirmations and requested for relevant banks records and other supporting documents.
- (d) PwC has subsequently obtained the six bank confirmations in person (the “**New Six Bank Confirmations**”). The aggregate bank balances for the New Six Bank Confirmations as at 31 December 2021 was only approximately RMB160,000, which was significantly different from the aggregate bank balances of approximately RMB1,580,000,000 according to the Group’s books and records and the Original Six Bank Confirmations (the “**Significant Unresolved Audit Matter**”).
- (e) In light of the above, PwC requested the Company’s management to provide further information, explanation and supporting documents in respect of the Significant Unresolved Audit Matter. PwC also requested the Company to form the IBC to commission the Investigation on the Significant Unresolved Audit Matter with the assistance of the Independent Adviser.

In light of the abovementioned matters, it cast uncertainty on the cash and cash equivalents of RMB1,655,773,000 (unaudited) as at 31 December 2021, the opening balance of cash and cash equivalents of RMB1,460,152,000 (audited), and other items making up or affected by and disclosures relating to such bank balances as included in the Group’s unaudited consolidated financial information disclosure of which was made in the Company’s announcement dated 30 March 2022. For these reasons, PwC was not in a position to commit to a definite timeline about the completion of the audit and issuance of the audit report, and the Board was not able to determine the expected date of publication of the 2021 Audited Annual Results and the expected date of the dispatch of the annual report of the Company for FY2021 (the “**2021 Annual Report**”). At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 4 April 2022.

In response to the concerns raised by PwC, on 4 April 2022 the Board resolved to establish the IBC (comprising all the then independent non-executive Directors) to oversee the conduct of the Investigation and to engage the Independent Adviser. However, all the then independent non-executive Directors resigned with effect from 5 May 2022, resulting in the number of independent non-executive Directors fallen short of the minimum requirement as prescribed by the Listing Rules. It was not until 24 October 2022 and 8 November 2022 that with the appointment of three additional independent non-executive Directors, the IBC was re-constituted with all the present independent non-executive Directors, namely, Mr. Zeng Shaojie, Ms. Wang Jin, Mr. Choi Wai Hong, Clifford (chairman of the IBC) and Mr. Chui Man Lung, Everett, all of whom being appointed after the revelation of the Incident.

As disclosed in the Company's announcement dated 15 July 2022, the Company received a letter (the "**Resumption Guidance Letter**") from the Stock Exchange dated 14 June 2022 setting out the following Resumption Guidance imposed by the Stock Exchange which are required to be satisfied by the Company before the trading in the Shares is allowed to resume:

- (1) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (2) conduct an independent investigation into the Discrepancies, announce the investigation findings, assess and announce the impact on the Company's business operation and financial position and take appropriate remedial actions;
- (3) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules;
- (4) demonstrate its compliance with Rule 13.24 of the Listing Rules;
- (5) demonstrate compliance with Rules 3.10(1), 3.10(2), 3.10A, 3.21, 3.25, 3.27A and 3.28 of the Listing Rules; and
- (6) inform the market of all material information for the Shareholders and investors to appraise the Company's position.

As disclosed in the Company’s announcement dated 4 January 2023, the Company has engaged an independent professional advisory firm in Hong Kong to act as the Independent Adviser to conduct the Investigation on the Discrepancies. The Investigation commenced in February 2023. The scope of work agreed between the IBC and the Independent Adviser as stipulated in the engagement letter dated 4 January 2023 has been performed, and an investigation report (the “**Investigation Report**”) was issued by the Independent Adviser on 28 September 2023.

The Investigation Report was reviewed and opined by the IBC, and submitted to the Board for approval on 28 September 2023. The purpose of this announcement is to provide the Shareholders and the investing public with the key findings of the Investigation Report.

THE RANSOMWARE ATTACK AND THE RE-CONSTRUCTION OF ACCOUNTING BOOKS

During the course of the Investigation, the Independent Adviser was notified by the officers of the treasury management department (the “**Treasury Department**”) and the information technology department (the “**IT Department**”) of the Company that the Company suffered from a cyber attack (the “**Ransomware Attack**”) on 6 April 2022, involving the invasion of and hacking to the Company’s computer systems, including the files stored locally or in shared folders, the treasury management system (the “**Treasury System**”) and the financial and accounting system (the “**F&A System**”). According to the staffs of the Treasury Department and the IT Department, the Ransomware Attack has resulted in the forceful alteration to the access of the data stored on the Company’s computer systems with encryption. The Company produced a confirmation issued by a reputable cyber security consultancy company (the “**IT Consultancy**”) confirming that the system was under attack without any assessment of the damage. Unfortunately, the Company did not manage to unlock the encryption to release the data stored in many of the Company’s systems including the Treasury System and the F&A System. To compound the problem, the Company has not made any backup copy of the data. As the data files of the Treasury System and the F&A System have been encrypted, the Company was unable to access 2021 accounting books previously presented to PwC for audit purposes (“**PwC Accounting Books**”). As a result, the Company had no choice but to re-construct, based on the manual vouchers and departmental transaction records, its accounting books prior to the Ransomware Attack (the “**Re-constructed Accounting Books**”).

Save for the costs and expenses spent during the consultation with the IT Consultancy, the Company did not suffer any significant economic loss and neither had the Company received any ransom request, monetary or otherwise, from any party. The Ransomware Attack has not caused any material adverse effect to the daily business operations of the Group.

KEY PROCEDURES PERFORMED BY THE INDEPENDENT ADVISER

The key procedures performed by the Independent Adviser during the Investigation include but not limited to the following:

- (i) obtained and reviewed the internal control policies, staff list and staff handbook of the Company;
- (ii) obtained and reviewed the documents setting out the access rights of the USB keys for internet banking;
- (iii) obtained and reviewed the Re-constructed Accounting Books of six subsidiaries of the Company in the PRC (the “**Six PRC Subsidiaries**”) for FY2021 provided by the Company as the PwC Accounting Books were not available after the Ransomware Attack;
- (iv) obtained and reviewed the bank statements of six bank accounts of the Six PRC Subsidiaries (the “**Six Bank Accounts**”) for FY2021;
- (v) interviewed the Company’s management and related operational personnel to obtain an understanding of the Incident regarding the Discrepancies;
- (vi) carried out site visits to the Company’s premises to obtain an understanding of the existing status of the Company’s operations;
- (vii) carried out site visits to the Relevant Bank to obtain an understanding of the employment status of the bank staff related to the Discrepancies and the procedures of bank confirmations;
- (viii) performed data analysis on the financial information and reviewed fund flow journals of the Company and the Six PRC Subsidiaries for FY2021;
- (ix) performed data analysis on the publicly available information of the Company, including without limitation the Company’s published announcements and figures contained in the Company’s annual report for the year ended 31 December 2020 and the FY2021 management accounts;

- (x) performed on-site sampling of the hard-copy vouchers of FY2021 of the Six PRC Subsidiaries and checked them against the Re-constructed Accounting Books (instead of the PwC Accounting Books as it was not available after the Ransomware Attack) and vice versa; and
- (xi) checked and reconciled the independently-obtained bank statements in FY2021 of the Six Bank Accounts against the Re-constructed Accounting Books (instead of the PwC Accounting Books as it was not available after the Ransomware Attack) and vice versa.

KEY FINDINGS ON THE DISCREPANCIES

The key findings of the Independent Adviser on the Discrepancies as contained in the Investigation Report are summarized as follows:

1. According to the information provided to the Independent Adviser, the Discrepancies in bank balances arose from the Original Six Bank Confirmations (which according to PwC were in agreement with the Group's books as at 31 December 2021 made available to them) and the New Six Bank Confirmations. The Investigation reveals that all such bank confirmations related to Six Bank Accounts opened respectively by the Six PRC Subsidiaries with one Relevant Bank, being a publicly listed, joint stock company with an extensive network of branches throughout different provinces and cities in the PRC.
2. The Independent Adviser physically attended the account opening branch of the Six Bank Accounts with the Relevant Bank (the "**Opening Branch**") in February 2023 and obtained the bank statement for December 2021 for the Six Bank Accounts directly from the Relevant Bank's staff after the authorisation was given by the accompanying officer of the Treasury Department (the "**Treasury Officer A**") to the Relevant Bank. In April 2023, the Company provided six bank statements for the Six Bank Accounts in respect of January to November 2021 to the Independent Adviser. In May 2023, the Independent Adviser physically attended the Opening Branch together with Treasury Officer A to obtain the printout of bank statements directly from the Relevant Bank after the authorisation was given by Treasury Officer A. The Independent Adviser performed matching of the bank statements independently obtained during this exercise (the "**Newly-obtained Bank Statements**"), and did not reveal any anomaly.

3. According to the Newly-obtained Bank Statements, the bank balances of the Six Bank Accounts of the Six PRC Subsidiaries with the Relevant Bank were as follows:

| Bank account | Account holder | Balance as at 31 December 2020 (RMB) | Balance as at 31 December 2021 (RMB) |
|---------------------|-----------------------|---|---|
| Bank Account A | PRC Subsidiary A | 18,269 | 46,218 |
| Bank Account B | PRC Subsidiary B | 13,960 | 1,485 |
| Bank Account C | PRC Subsidiary C | 47,966 | 32,613 |
| Bank Account D | PRC Subsidiary D | 17,936 | 34,347 |
| Bank Account E | PRC Subsidiary E | 19,982 | 26,756 |
| Bank Account F | PRC Subsidiary F | 14,092 | 18,959 |
| | Total: | 132,205 | 160,379 |

4. The Independent Adviser was unable to check the abovementioned bank balances using the Internet banking interfaces of the Six Bank Accounts, as the Relevant Bank did not make available any enquiry on records of bank account activities of more than one year ago.
5. The aggregate bank balances of the Six Bank Accounts as at 31 December 2021 of RMB160,379 as revealed in the Newly-obtained Bank Statements obtained by the Independent Adviser between February and May 2023 matched with that of the New Six Bank Confirmations obtained by PwC, and was significantly different from the aggregate bank balances of approximately RMB1,580,000,000 according to the Original Six Bank Confirmations.
6. In order to identify the reasons for the Discrepancies, the Independent Adviser requested the Company to provide its relevant accounting books and records for review and inspection, but was notified by a senior managerial officer of the Treasury Department (the “**Treasury Officer B**”) that the accounting books and records were encrypted during the Ransomware Attack and could not be opened, and that the Company re-constructed its accounting books subsequent to the Ransomware Attack using the manually-prepared hard-copy vouchers and departmental transaction records provided by the various departments of the Company.

7. The Independent Adviser interviewed the responsible officer of the IT Department (the “**IT Officer**”), whose descriptions on the Ransomware Attack were largely consistent with those provided by the Treasury Officer B. The Independent Adviser was given to understand by the IT Officer that the Ransomware Attack was believed to have caused by cyber security loopholes making it possible for malicious ransomware to hack into the Company’s computer systems through the Internet, resulting in the forceful alteration of filename by replacing the original filename suffix by one which is associated with the ransomware and locking the data contained in the computer files with encryption. With the accompanying and arrangement of the IT Officer, the Independent Adviser randomly inspected files contained in the Company’s computer server during the course of the Investigation and discovered that some computer files could not be opened but was last edited on 6 April 2022, with the filename suffix showed affiliation with a known type of ransomware. The Independent Adviser was also provided with a written report issued by the IT Consultancy dated 8 April 2022 regarding certain emergency response to denial of access due to encryption imposed on two computer hosts which took place on 6 April 2022.
8. The Independent Adviser was given to understand by the Treasury Officer A that the bank balance reconciliation of the Company was performed by checking the hard-copy bank statements for each bank account against the journal entry on the cash book maintained by the Treasury Department using the Treasury System (which operated independently from, and was not connected nor communicated to the F&A System of the F&A Department), the outcome of which being presented in the form of a manually-typed bank balance reconciliation table which would then be passed by the Treasury Department to the F&A Department for review and follow up where necessary.
9. The Independent Adviser performed on-site inspection of the hard-copy bank balance reconciliation records maintained by the Treasury Department and noticed that bank balance reconciliation was only done in respect of some but not all subsidiaries of the Group. In particular, no bank balance reconciliation record of the Six Bank Accounts in FY2021 was located during the on-site inspection.
10. The Independent Adviser inspected the hard-copy bank statements of the Six Bank Accounts and found them to be consistent with the Newly-obtained Bank Statements.

11. The Independent Adviser conducted random transaction sampling and checking on the hard-copy bank balance reconciliation records of the other bank accounts of the Group and observed that they carry signatures of two reviewing officers of the F&A Department. The Independent Adviser checked the staff records provided by the Company and discovered that these two officers of the F&A Department both resigned in June 2022. The Company tried but did not manage to reach the resigned officers. The Independent Adviser was therefore unable to understand more about the reviewing process of the bank balance reconciliation through interviews with the resigned reviewing officers of the F&A Department.
12. During the Investigation process, the Independent Adviser was given to understand that two resigned officers of the F&A Department and one resigned officer of the Treasury Department might have more relevant information regarding the Incident on the Discrepancies, as they were believed to have participated in the company chop usage application process, liaising with PwC, preparing bank confirmations and maintaining company chops and Internet banking USB keys. The Independent Adviser double-checked the staff records provided by the Company and discovered that these three officers have indeed all resigned between April and May 2022. Although the Company has tried, it did not manage to reach or secure the cooperation of the resigned officers despite attempts.
13. The Independent Adviser enquired with the remaining officers of the F&A Department and was given to understand that none of them had ever contacted PwC, nor was them ever involved in the preparation of the accounts of the Six PRC Subsidiaries nor the bank confirmation preparation (including company chop usage) processes during the 2021 Audit process.
14. The Independent Adviser conducted interviews with the executive Directors who were incumbent before the revelation of the Incident regarding the Discrepancies, and was given to understand that all of them have focused on other aspects of business operations and had no involvement in the supervision and management of the Treasury Department and the F&A Department and the approval of accounting records, nor did they possess knowledge of the actual bank balances of the Group (including the anomaly arisen in the Six Bank Accounts as revealed in the Incident on Discrepancies), nor were they aware of the issues leading to the Discrepancies during the course of their daily performance of duties, nor noticed the actual figures presented in the financial statements.

15. As revealed by PwC during the 2021 Audit process and the Independent Adviser during the Investigation process, the address of the request for the Original Six Bank Confirmations was not the Opening Branch of the Six Bank Accounts but was instead the address of another branch of the Relevant Bank (the “**Another Branch**”).
16. The Independent Adviser conducted interviews with the new responsible officer of the F&A Department (the “**F&A Officer**”) and was given to understand that she used to be responsible for only the cost accounting and had no access right to the F&A System prior to the Incident and the Ransomware Attack. She took over the responsibilities of the re-construction of the accounting ledgers after the occurrence of the Incident and the Ransomware Attack. According to the introduction of the F&A Officer, all the officers of the F&A Department who were believed to have knowledge or involvement in the accounts preparation of the Six PRC Subsidiaries, the 2021 Audit and bank confirmation preparation have resigned after the revelation of the Incident, and all the incumbent officers of the F&A Department had no contemporaneous knowledge or involvement in the financial accounts preparation or audit prior to the revelation of the Incident.
17. The F&A Officer’s descriptions regarding the encryption of records due to Ransomware Attack and the re-construction of accounting books were largely consistent with those provided by the Treasury Officer B. In essence, the Independent Adviser was given to understand that the relevant data files have been encrypted, rendering the Company’s accounting books previously given to PwC for 2021 audit purposes (PwC Accounting Books) cannot be accessed thus cannot be read or used, and as a result, Company’s accounting book were re-constructed subsequent to the Ransomware Attack using the manually-prepared hard-copy vouchers and transaction records maintained by the various departments of the Company.
18. The Independent Adviser was provided with the re-constructed ledgers of the Six PRC Subsidiaries, and performed on-site random transaction sampling and checking of: (a) the hard-copy vouchers made available by the Company against entries the Re-constructed Accounting Books; (b) the Re-constructed Accounting Books against the hard-copy vouchers made available by the Company; and (c) the Newly-obtained Bank Statements for FY2021 against the corresponding bank accounts in the Re-constructed Accounting Books, and found them to be consistent.

19. The Independent Adviser made a comparison between the 2021 Unaudited Annual Results published by the Company on 30 March 2022 and the Re-constructed Accounting Books. The Company's bank balance as at 31 December 2021 as shown in the group consolidated financial statements compiled based on the Re-constructed Accounting Books amounted to approximately RMB74 million, representing a 96% difference as compared to the 2021 Unaudited Annual Results. The Independent Adviser also noticed differences, among others, in revenue, cost of goods sold and gross profit for FY2021 between the Re-constructed Accounting Books and the 2021 Unaudited Annual Results. However, as the Company was unable to provide the data source of the 2021 Unaudited Annual Results, the Independent Adviser was unable to identify the reason for the differences.

20. The Independent Adviser noted from the Re-constructed Accounting Books that the aggregate opening balance of the Six Bank Accounts as at 1 January 2021 was stated to be RMB1,398,000,000 (the "**Re-constructed Opening Balance**"). While the Independent Adviser cannot ascertain whether this sum was the opening balance of the Six Bank Accounts as at 1 January 2021 as obtained by PwC, the Independent Adviser noted that the Re-constructed Opening Balance already constituted 95.8% of the Group's audited bank balance of RMB1,460,000,000 as at 31 December 2020 as shown in the Company's 2020 annual report, causing the Independent Adviser to believe that the sum of the Re-constructed Opening Balance should be close to the aggregate opening balances of the Six Bank Accounts as obtained by PwC. However, the Independent Adviser noted that the Re-constructed Opening Balance is materially different from the aggregate opening balance of the Six Bank Accounts as obtained by them independently through the Newly-obtained Bank Statements, which only amounts to approximately RMB130,000.

21. The Independent Adviser noted from the Re-constructed Accounting Books that the aggregate closing balance of the Six Bank Accounts as at 31 December 2021 was stated to be RMB160,379 (the "**Re-constructed Closing Balance**"), which is identical to the aggregate closing balance of the Six Bank Accounts as obtained by them independently through the Newly-obtained Bank Statements, but is materially different from the aggregate year-end balance of the Six Bank Accounts of approximately RMB1.58 billion as shown in the Original Six Bank Confirmations obtained by PwC.

22. As explained above, the Independent Adviser compared the Newly-obtained Bank Statements for FY2021 against the Re-constructed Accounting Books, and found them to be consistent after incorporating six accounting adjustments to the accounts of the Six PRC Subsidiaries as at 31 January 2021 as shown in the Re-constructed Accounting Books (the “**Accounting Adjustments**”). The Accounting Adjustments were made to the accounts of the Six PRC Subsidiaries as at 31 January 2021 by debiting RMB1,398,000,000 to the “retained earnings” brought forward and crediting RMB1,398,000,000 to the “bank balances and deposits” of the Six Bank Accounts.
23. After taking into account of the Accounting Adjustments, which were put through on 31 January 2021, the Independent Adviser noted that the aggregate balance of the Six Bank Accounts shown on the Newly-obtained Bank Statements as at 1 January 2021 would be same as the adjusted Opening Balance stating in the Re-constructed Accounting Books.
24. The Independent Adviser had the following observations so far as the reasons of the Discrepancies of RMB1,580 million are concerned:
 - (a) Out of the total amount of Discrepancies, approximately RMB1,398 million was caused by the Accounting Adjustments made to the balances of the Six Bank Accounts and the Group’s retained earnings brought forward for FY2021. These Accounting Adjustments of approximately RMB1,398 million appeared to suggest that a substantial portion of the Discrepancies has been in existence prior to FY2021. However, as the Accounting Adjustments appeared to have been made to the Group’s retained earnings before FY2021 which is beyond the scope of work of the present engagement of the Independent Adviser, the Independent Adviser did not perform further investigation into the Accounting Adjustments.
 - (b) As regards the remaining Difference of RMB182 million, the Independent Adviser was of the view that they could have been caused by the following three scenarios, namely: (i) an under-statement of RMB182 million in the PwC Accounting Books as compared to the cash outflow in the re-constructed bank ledgers of the Six Bank Accounts in FY2021; or (ii) an over-statement of RMB182 million in the PwC Accounting Books as compared to the cash inflow in the re-constructed bank ledgers of the Six Bank Accounts in FY2021; or (iii) a combination of (i) and (ii) above causing an aggregate difference of RMB182 million.

- (c) As the relevant data files for 2021 in respect of the Company’s F&A System have been encrypted as a result of the Ransomware Attack, the Independent Adviser were unable to access the PwC Accounting Books. They are therefore unable to review and assess the two accounting books, i.e. the PwC Accounting Books and the Re-constructed Accounting Books, for identifying and reconciling with certainty as to what caused and the nature of this RMB182 million Difference.

LIMITATIONS OF THE INVESTIGATION

The Independent Adviser encountered a number of limitations and challenges which may have limited both the nature and content of its investigation. The main limitations (the “**Limitations**”) include:

- (i) PwC Accounting Books – PwC Accounting Books stored in the F&A System were encrypted during the Ransomware Attack, and no backup copy was available for review by the Independent Adviser. The Independent Adviser was unable to inspect the PwC Accounting Books in FY2021, nor was the Independent Adviser involved in the accounting books re-construction process.
- (ii) Accounting Adjustments made to the bank balances in FY2021 and the supporting documents – No records of the approval officers or supporting documents were identified to support the Accounting Adjustments. Apart from simple descriptions in the relevant accounting entry, no detailed reason for the Accounting Adjustment was stated in the Re-constructed Accounting Books.
- (iii) Previous cash book for FY2021 (“**Cash Book**”) – The bank balance reconciliation of the Company was performed by checking the hard-copy bank statements for each bank account against the Cash Book maintained by the Treasury Department, but the data stored on the Treasury System were encrypted during the Ransomware Attack. No backup was available for the review of the Independent Adviser. The Independent Adviser was therefore unable to inspect and review the Cash Book and the entries therein.
- (iv) Company emails and office automation system (the “**OA System**”) records – Part of the Company’s emails and the OA System were encrypted during the Ransomware Attack, including the emails and OA System records of the F&A Department and the Treasury Department.

- (v) Since the Independent Adviser was not authorized to conduct a compulsory investigation, the investigation was based on the voluntary cooperation of the Group and related parties. Therefore, the Independent Adviser was not able to verify some of the statements made by the interviewees during the Independent Investigation, and it was not able to ensure that the results of the investigation were free from error or omissions.

THE VIEWS OF THE IBC

As at the date of this announcement, the IBC has reviewed the contents of the Investigation Report and considered the procedures executed by the Independent Adviser and is of the view that the Independent Adviser has exploited all reasonably practicable means to conduct the Investigation.

After considering the contents and findings of the Investigation Report, the IBC has made the following recommendations to the Board for actions:

- (1) Given the limitations of the independent investigation, IBC recommends to undertake further investigation and an IT forensic review.
- (2) The Independent Adviser has identified certain internal control weaknesses and deficiencies of the Group, IBC recommends to undertake a thorough review of the internal control system of the Groups and implement measures to improve the same.
- (3) IBC recommends to undertake a review of the financial books and records including the F&A System for periods prior to 2021 ensuring that they are properly maintained and kept in a secured environment.
- (4) IBC recommends to engage a third party IT specialist or expert to work on and unlock the encrypted files and to ensure the safety of the Company's IT environment is of the highest level protecting it from being attacked again. Contingency procedures should also be developed to minimize the downtime and the extent of damage should any unexpected event happen again.

THE VIEWS OF THE BOARD

The Board reviewed the contents of the Investigation Report and adopted the findings in the Investigation Report. The Board accepted the recommendations of IBC to arrange a comprehensive internal control review, strengthen internal control, develop and implement an improvement plan for its procedures and policies to address the weaknesses and deficiencies identified by the Independent Adviser and undertake further investigation and IT forensic review.

INTERNAL CONTROL DEFICIENCIES

Based on the findings of the Investigation, the Independent Adviser highlights the following internal control deficiencies of the Group:

1. Network security measures required enhancement – The Ransomware attack has exposed the weakness of the Company’s IT security environment. Given the importance of the IT systems to the Company where, among others, the financial system is maintained, additional resources are required to enhance its security protection.
2. Inappropriate keeping of source hard-copy vouchers – The Company was required to re-construct its accounting books based on hard-copy vouchers after the Ransomware Attack. However, there were discrepancies between the Re-constructed Accounting Books and 2021 Unaudited Annual Results published by the Company on 30 March 2022 after the reconstruction. In the absence of a proper and satisfactory explanation of the discrepancy and sequence control, it might reflect that the source hard-copy vouchers kept by the Company might not be complete.
3. No reconciling of the accounting books in the general ledger against bank statements – Bank balance reconciliation of the Company was performed by checking the hard-copy bank statements for each bank account against the bank entry journals in the cash book maintained by the Treasury Department only without further reconciling the relevant accounting books in the general ledger. As the Treasury System was a sub-system and independent from the F&A System, there was no regular reconciliation performed between the bank entry journals in the cash book sub-system relating to these Six PRC Subsidiaries and the accounting books in the general ledger.

4. Lack of approval procedures on accounting categorization and vouchers – No proper authorisation nor approver’s name was noted on the manual journal voucher in respect of the Accounting Adjustments and other journal entries. As revealed in the Interviews, the Accounting Adjustments did not seem to have been approved by the responsible officer of the F&A Department or the Company’s executive Directors.
5. Lack of supporting document attachments – No supporting documents was attached to the manual journal vouchers in general and in particular in relation to the Accounting Adjustments to support and justify the transaction.

The IBC recommends the Board to commence a thorough internal control review and formulate and implement enhancement plans to its procedures and policies to address the weaknesses and deficiencies identified by the Independent Adviser.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 4 April 2022, and will remain suspended until further notice.

By order of the Board
EcoGreen International Group Limited
Yang Yirong
Chairman & President

Hong Kong, 18 October 2023

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Yang Yirong (Chairman), Mr. Gong Xionghui, Ms. Lu Jiahua, Mr. Lin Zhigang and Ms. Sun Ruixia, and four independent non-executive Directors, namely, Mr. Zeng Shaojie, Ms. Wang Jin, Mr. Choi Wai Hong, Clifford and Mr. Chui Man Lung, Everett.