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## AMBER HILL FINANCIAL HOLDINGS LIMITED

### 安山金控股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

### INSIDE INFORMATION

This announcement is made by Amber Hill Financial Holdings Limited (the “**Company**”, which 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 (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### DECONSOLIDATION OF SUBSIDIARIES AND ITS IMPACT

Reference is made to the announcement of the Company dated 11 June 2020 in relation to the potential disclaimer of opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2019 to be expressed by the Company’s external auditor (the “**Auditor**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to update the shareholders and potential investors of the Company that it has resolved on 7 July 2020 that it no longer has control over 和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Co., Ltd.\*), 深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong SCM Co., Ltd.\*) and 深圳薩尼威國際貿易有限公司 (Shenzhen Sunnyway International Trade Company Limited\*) (collectively known as the “**Deconsolidated Subsidiaries**”), all being subsidiaries of the Company for its credit guarantee and investment and trading of metals and minerals businesses, and the results of the Deconsolidated Subsidiaries will be deconsolidated from the consolidated financial statements of the Group for the financial year ended 31 December 2019 (the “**Deconsolidation**”). As a result of the Deconsolidation, as well as taking into account of other factors, the Auditor will express a disclaimer of opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2019 (the “**Disclaimer of Opinion**”) and the Deconsolidation will form part of the basis of the Disclaimer of Opinion.

\* For identification purpose only

## **SEQUENCE OF EVENTS LEADING TO THE DECONSOLIDATION**

Since January 2020, in preparation of the audit work for the financial year ended 31 December 2019, the management of the Company paid visit to the office of the Deconsolidated Subsidiaries in Beijing and has been liaising with the management of the Deconsolidated Subsidiaries for their cooperation in the arrangement of site visits and works for financial reporting and audit purposes. However, the Board has been unable to obtain the necessary support from the management of the Deconsolidated Subsidiaries and gain access to the books and records of the Deconsolidated Subsidiaries. On 9 June 2020 and 2 July 2020, the Board had instructed its legal adviser as to the laws of the People's Republic of China to issue legal letters to the Deconsolidated Subsidiaries for access to their books and records but no reply has been obtained from the Deconsolidated Subsidiaries up to the date hereof. In view of the above, the Board resolved on 7 July 2020 that the Group no longer had control over the Deconsolidated Subsidiaries as it is no longer exposed, or had rights, to variable returns from its involvement with the Deconsolidated Subsidiaries, or the ability to affect those returns though its power over the Deconsolidated Subsidiaries.

In view of the above circumstances, the Group will exclude the financial position, results and cash flows of the Deconsolidated Subsidiaries as at and for the year ended 31 December 2019 from the consolidated financial statements of the Group for the financial year ended 31 December 2019. The Board considers that the consolidated financial statements of the Group for the year ended 31 December 2019 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the Deconsolidated Subsidiaries.

## **IMPACT OF THE DECONSOLIDATION**

### **Basis of the Disclaimer of Opinion**

The loss of control of the Deconsolidated Subsidiaries will form part of the basis of the Disclaimer of Opinion. Due to the lack of complete books and records of the Deconsolidated Subsidiaries, the Auditor is unable to obtain sufficient appropriate audit evidence to determine (i) whether the Company had lost control of Deconsolidated Subsidiaries since 1 January 2019; (ii) whether the loss on the Deconsolidation was free from material misstatement; (iii) whether the amount due to a Deconsolidated Subsidiary was free from material misstatement; and (iv) the validity and completeness of the amounts due to a Deconsolidated Subsidiary as at 31 December 2019 and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiaries during the year ended 31 December 2019 which had been accounted for and in compliance with the requirements of applicable accounting standard and the Listing Rules. Any subsequent adjustments found to be required may have consequential significant effects on the balances of the amounts due to the Deconsolidated Subsidiaries, the recorded amounts and description of the relevant transactions with the Deconsolidated Subsidiaries as at and for the year ended 31 December 2019 and other elements in the consolidated financial statements of the Group for the year ended 31 December 2019 and hence on the net liabilities of the Group as at 31 December 2019 and loss and other comprehensive income and cash flows of the Group and related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2019.

## **Views of the Board and the Audit Committee**

The Board and the audit committee of the Board (the “**Audit Committee**”) acknowledged the views of the Auditor regarding the Deconsolidation. After examining the evidence and documents available in relation to the loss of control of the Deconsolidated Subsidiaries, the Board and the Audit Committee were satisfied that the incident was caused by the improper and unlawful conduct and acts carried out by some of the members of the senior management of the Deconsolidated Subsidiaries intentionally neglecting the order and authority of the Group’s management and the Board. The Deconsolidation is beyond the control and without any fault of the Company and its Directors, the majority of which only joined the Company in or after December 2019.

## **Steps to be taken by the Company**

The Group will continue to make all lawful efforts to enforce and protect its shareholders’ right. After consulting the Company’s legal adviser as to the PRC laws, the Board is given to understand that the Company has reasonable prospects to use legal means to uphold the Company’s right with the view to regaining control of the Deconsolidated Subsidiaries through the convening of shareholders’ meeting to change the legal representative, supervisors and directors of the Deconsolidated Subsidiaries. and retrieving the necessary documents and information of the Deconsolidated Subsidiaries, and file criminal complaints if any wrong-doers in the management of the Deconsolidated Subsidiaries are identified to have, for instance, willfully breached their fiduciary duties to the Deconsolidated Subsidiaries. The Company has legitimate grounds in (i) regaining control of the Deconsolidated Subsidiaries through the convening of shareholders’ meeting to change the legal representative, supervisors and directors of the Deconsolidated Subsidiaries; (ii) taking civil actions to obtain and demand the production of the relevant books and records; (iii) obtaining an order from the court to compulsorily demand the production of the relevant books and records in case the management of the Deconsolidated Subsidiaries refuse to cooperate with the Company and the court in producing the relevant books and records; and (iv) taking civil actions and obtaining indemnifications from the wrong-doers based on the rights of the Company as shareholder of the Deconsolidated Subsidiaries. The Group is currently contemplating initiating civil actions against the Deconsolidated Subsidiaries in the second half of 2020 if its attempt to exercise its shareholder’s rights fails. According to the Company’s best estimation, these actions are expected to come to a conclusion in the second half of 2021.

In the meantime, to avoid the expenses of and uncertainties surrounding the initiation of civil actions, the Board is concurrently looking for appropriate buyer(s) engaged in distressed debt assets management to whom the Company can dispose of its entire equity interest in the Deconsolidated Subsidiaries as distressed assets on such terms and conditions which are fair and reasonable to the Company. If the Group is able to regain control of the Deconsolidated Subsidiaries or dispose of the Deconsolidated Subsidiaries on or before 31 December 2020, the Group expects that the this basis of the disclaimer of opinion would only affect the opening balances of the consolidated financial statements for the year ending 31 December 2020 and the amount and allocation of profit or loss on the impaired assets between the two financial years 2019 and 2020. For the year ending 31 December 2021, it is expected that qualifications caused by the Deconsolidation will only be on the comparative

figures of the consolidated financial statements. Should everything spell out as planned, all the qualifications caused by the Deconsolidation will be removed in the consolidated financial statements for the year ending 31 December 2022.

Further details about the Deconsolidation and the Disclaimer of Opinion will be disclosed in the annual results announcement of the Company dated 7 July 2020 and the annual report of the Company, which is expected to be despatched to the shareholders of the Company on or before 10 July 2020.

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

By Order of the Board  
**Amber Hill Financial Holdings Limited**  
**Tsang King Sun**  
*Company Secretary*

Hong Kong, 7 July 2020

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Ng Yu, Mr. Wei Weicheng, Mr. Chan Chi Ming, Mr. Lin Feng and Ms. Zhao Hong Mei; one non-executive Director Mr. Huang Shao Long and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong.*