

ARBN: 158 702 400

12 August 2022

## ASX Release

### Preliminary results of Investigation

FinTech Chain Limited (ASX:FTC) ('**FTC**' or the '**Company**') refers to the voluntary suspension granted by ASX Limited on 1 August 2022 in respect of its Chess Depository Interests (**CDIs**) pending the outcome of an investigation into a possible misappropriation of funds (**Investigation**).

FTC discloses its preliminary results following its Investigation.

By way of background, in July 2022, during FTC's quarterly financial review, FTC became aware that the cash flow of a subsidiary company, 'Shenzhen Tao-taogu Information Technology Co. Ltd' (**TTG**) had been effected by some unidentified and unusual transactions. After conducting internal investigations, FTC's financial controller, discovered that the cashier of TTG had misappropriated RMB 12,713,572 (AUD2,660,029<sup>1</sup>) of FTC funds during that financial quarter. The matter was immediately reported to FTC's board of directors (**Board**) who sought a trading halt from the ASX and subsequently a voluntary suspension, to allow time for FTC to complete its Investigation.

The party in question has admitted to misappropriating the funds, has consequently been terminated as an employee of FTC and is currently in police custody pending the outcome of criminal proceedings.

The Investigation has revealed that the misappropriation of funds was able to be facilitated by the cashier taking advantage of temporary structural arrangements within the FTC finance team during the protracted COVID-19 lockdown period in Shenzhen.

As judicial proceedings have now commenced, FTC is unable to disclose any further details at this time. FTC will, however, cooperate closely with judicial authorities to assist with their investigation and will endeavour to recover the losses in accordance with the law. FTC will, in consultation with its legal advisors, disclose further developments to the market in a timely manner.

FTC has established an independent investigation committee comprising all members of the audit committee of the Company (the "**Investigation Committee**") to supervise the Investigation conducted by senior management. Further, the Company has engaged a recognised forensic financial expert to work with the auditor to conduct an investigation and internal control review and provide an independent report to the Investigation Committee and the Board. This report will set out in detail the failures within FTC's internal control systems and how best to ensure that such system and procedure failures do not occur again.

Pending the finalisation of this report, FTC has taken steps to complete an internal review, tightened its internal control procedures, revised its inspection control systems and implemented further education and training programs with relevant personnel.

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<sup>1</sup> Based on a conversion rate of AUD1.00 : RMB4.779009, being the conversion rate at the time of this announcement.



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As at the date of this announcement, FTC has sufficient financial funding to ensure that this isolated incident will not impact the Company's ability to continue operating as per normal. In support of this, the Board notes that:

1. between 1 July 2022 and 9 August 2022, FTC collected RMB 9.7m<sup>2</sup>, which is sufficient for its day to day operations; and
2. FTC has RMB 26.4m<sup>3</sup> trade receivables as at 9 August 2022, which continues to be collected at a normal rate.

Notwithstanding this, to financially support the operations of FTC when required, the major shareholders and executive directors of FTC, Mr Xiong Qiang and Mr. Chow Ki Shui Louie, will provide an interest free and unsecured loan when required.

ENDS –

**This announcement has been approved for lodgement by the Board of Directors of Fintech Chain Limited.**

For further information visit [www.ttg.hk](http://www.ttg.hk) or contact Mr Chris Ryan, Independent Australian Chairman of FinTech Chain Limited at +61 439 970 305.

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<sup>2</sup> Approximately AUD2,033,505 at a conversion rate of AUD1.00 : RMB4.779009, being the conversion rate at the time of this announcement.

<sup>3</sup> Approximately AUD5,524,158 at a conversion rate of AUD1.00 : RMB4.779009, being the conversion rate at the time of this announcement.