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## **Tou Rong Chang Fu Group Limited**

**投融長富集團有限公司**

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

**(Stock code: 850)**

### **CHANGE OF AUDITOR**

#### **RESIGNATION OF AUDITOR**

The Board announces that PwC have tendered their resignation as the auditor of the Company with effect from 11 June 2019.

PwC were engaged by the Company to audit the 2018 Financial Statements. Following the Investigation, the Company discussed with PwC on the audit timetable and the audit procedures but no agreement was reached. The trading of the shares of the Company has been suspended since July 2018 due to the Unresolved Issues, and that one of the resumption conditions is the publication of the 2018 Financial Statements. As the Company owes a duty to its shareholders to ensure that the audit of the 2018 Financial Statements be completed as soon as possible, the Company considers that it is necessary for it to explore the option of terminating the auditor relationship with PwC and to appoint a replacement auditor to complete the audit within a definite and reasonable timeframe. Accordingly, the Company indicated its intention to terminate the auditor relationship with PwC.

On the other hand, PwC consider that they were not able to obtain satisfactory explanations to some of their questions and comments raised regarding the audit of the 2018 Financial Statements nor were they able to perform the necessary additional audit procedures which they believed were necessary for the audit of the 2018 Financial Statements. Accordingly, after the Company indicated its intention to terminate the auditor relationship with PwC, PwC have agreed to terminate the auditor relationship.

## **APPOINTMENT OF AUDITOR**

Moore Stephens CPA Limited have been appointed as the new auditor of the Company with effect from 11 June 2019 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

This announcement is made by Tou Rong Chang Fu Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 22 June 2018, 29 June 2018, 18 July 2018, 6 September 2018, 14 September 2018, 2 October 2018, 14 November 2018, 18 January 2019 and 28 February 2019 respectively, in relation to, among other things, the suspension of trading in the shares of the Company pending from the publication of the annual results of the Group for the year ended 31 March 2018, the despatch of the annual report of the Group for the year ended 31 March 2018 and the publication of the interim results of the Group for the six months ended 30 September 2018, the despatch of the interim report of the Group for the six months ended 30 September 2018, and the key findings of the investigation by the Independent Advisor dated 12 April 2019. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

## **RESIGNATION OF AUDITOR**

### **Circumstances leading to the resignation**

The Board announces that PricewaterhouseCoopers (“**PwC**”) have tendered their resignation as the auditor of the Company with effect from 11 June 2019.

PwC were engaged by the Company to audit its consolidated financial statements for the year ended 31 March 2018 (the “**2018 Financial Statements**”). Following the Investigation, the Company discussed with PwC on the audit timetable and the audit procedures but no agreement was reached. The trading of the shares of the Company has been suspended since July 2018 due to the Unresolved Issues, and that one of the resumption conditions is the publication of the 2018 Financial Statements. As the Company owes a duty to its shareholders to ensure that the audit of the 2018 Financial Statements be completed as soon as possible, the Company considers that it is necessary for it to explore the option of terminating the auditor relationship with PwC and to appoint a replacement auditor to complete the audit within a definite and reasonable timeframe. Accordingly, the Company indicated its intention to terminate the auditor relationship with PwC.

On the other hand, PwC consider that they were not able to obtain satisfactory explanations to some of their questions and comments raised regarding the audit of the 2018 Financial Statements nor were they able to perform the necessary additional audit procedures which they believed were necessary for the audit of the 2018 Financial Statements. Accordingly, after the Company indicated its intention to terminate the auditor relationship with PwC, PwC have agreed to terminate the auditor relationship.

## **Extract of the resignation letter**

An extract of the resignation letter of PwC dated 11 June 2019 (the “**Resignation Letter**”) that has set out their reason for resignation and the unresolved matters in respect of the audit of the 2018 Financial Statements is reproduced below:

*“We were engaged to conduct audit of the consolidated financial statements of the Company for the year ended 31 March 2018 (the “2018 Financial Statements”). During the course of our audit, we noted that Wing Shing Chemical Macao Commercial Offshore Company Limited (“Wing Shing”), a subsidiary of the Company, conducted back-to-back trading of oil and related products with a customer and certain suppliers (the “Transactions”). A majority of the Transactions involved sales to a company incorporated in the British Virgin Islands (the “Major Customer”). The sales to the Major Customer were referred by a sales agent, a company incorporated in Singapore (the “Sales Agent”); and the delivery of the underlying products of certain back-to-back sales were handled by a shipping agent (the “Shipping Agent”) through a charterer (the “Charterer”). We were advised by management of the Company that the outstanding trade receivables from the Major Customer as at 31 March 2018 were subsequently settled while such amounts collected from the Major Customer by Wing Shing were almost entirely remitted to certain suppliers, including a major supplier, a company incorporated in Republic of Seychelles (the “Major Supplier”), shortly after the receipts.*

*We also noted that a shareholder and director of the Sales Agent bears an identical name of a shareholder of the Charterer; and that the sole director and a shareholder of the Major Supplier (the “Supplier’s Director”) bears an identical name of a director and shareholder of the Shipping Agent and a company bearing an identical name as the Major Customer, which however is incorporated in Hong Kong. It also came to our attention that certain bank transactions of the Major Customer for settlement of receivables to Wing Shing was authorised by the Supplier’s Director. The various parties involved in the Transactions were in close proximity to each other.*

*In this connection, as communicated to the Board and the Audit Committee of the Company in our letter dated 26 June 2018, we have requested to obtain full explanation and the necessary information and documentation to substantiate the Transactions, including but not limited to the background and relationships of various parties involved in the Transactions, the role of, and the business rationale of involving, Wing Shing in these back-to-back sales and purchases transactions and the underlying commercial substance and business reasons, together with information and documentation, in respect of the remittance of the amounts collected from the Major Customer to the suppliers shortly after collections. Because of the unusual nature and the significance of the matters noted, we also requested the Board to form an independent investigation committee to commission an independent investigation (the “Investigation”) to be conducted by an independent professional advisor in response to the matters raised in our aforementioned letter.*

*The Company formed an independent committee on 27 June 2018, which composes of all members from the Audit Committee (the “Independent Committee”), who then engaged an independent professional advisor (the “Independent Advisor”) to carry out the Investigation and appointed a legal advisor (the “Legal Advisor”).*

*As communicated in a number of occasions with the Independent Committee before the finalisation of the Investigation, we, as auditor of the Company, need to be satisfied with respect to the adequacy of the scope and procedures of the Investigation. Various meetings were held amongst the Independent Committee, the Legal Advisor, the Independent Advisor and us to discuss the status and findings of the Investigation. We have provided our comments and follow-up questions on the findings and limitations of the Investigation for the Independent Committee and the Independent Advisor to consider and follow-up. We have repeatedly requested the Independent Advisor in various meetings prior to the finalisation of their investigation report to explain and provide us with information about the details of their investigation procedures performed. However, we were denied access to the Independent Advisor’s working papers to evaluate the adequacy of the scope and procedures of the Investigation up to the date of this letter, despite our successful access to the relevant working papers in many other similar investigations.*

*The Independent Committee finalised the Investigation and the Independent Advisor issued the investigation report on 8 April 2019.*

*We have communicated with the Board and the Independent Committee in writing on 19 April 2019 that, from the report of the Investigation and discussions with the Independent Advisor so far, we had not been able to obtain satisfactory explanations to many of our questions and comments raised earlier; and some of the significant matters we set out in our letter dated 26 June 2018 were not adequately addressed.*

*In view of this, as detailed in our letter to the Board and the Independent Committee dated 19 April 2019, based on our understanding of the findings of the Investigation and the fact that relevant information has so far been successfully obtained from the Major Customer, the Major Supplier and other relevant parties during the Investigation process, we considered additional information and procedures, including but not limited to the following, are required:*

- (i) Access to the working papers of the Independent Advisor for our review.*
- (ii) Extend the scope of the computer forensic procedures to include all senior management of the Group, key accounting and finance personnel and any other relevant personnel of the Group who may have knowledge and/or involvement in the matters to identify further information relating to the matters, if any.*
- (iii) Complete listing of sales and purchase transactions of Wing Shing with details of the upstream suppliers and downstream customers; and all the relevant underlying supporting documents.*
- (iv) Bank transaction details of the Major Customer and the Major Supplier during the year ended 31 March 2018 and subsequent to the year-end date of 31 March 2018 given the Supplier's Director is an authorised person of a bank account of the Major Customer.*
- (v) Relevant underlying supporting documents and information relating to the subsequent purchase transactions of the Group executed shortly after collecting the relevant proceeds from the Major Customer which were used for the down payment made to secure the future supply of goods.*
- (vi) Further extend the testing procedures on the sales and purchase transactions of Wing Shing and the bank transactions of the Major Customer and the Major Supplier; perform on-site interview with the relevant personnel of the ultimate downstream customers and upstream suppliers and certain counterparty as identified in the Investigation report.*

*On 26 April 2019, we received a letter from the Legal Advisor in which the Company and Independent Committee did not consider the access to the Independent Advisor's working papers and our request for additional information and procedures was necessary. However, the Company had no objection to use its best effort to help us obtain information from its suppliers and customers and arrange interviews with relevant persons concerned. On 30 May 2019, the Company informed us that they can arrange to interview any employees of the Company if necessary, but the Major Customer, the Major Supplier and all other relevant parties have rejected to provide their information which is highly confidential to their business and/or refused to attend interview.*

*While we have continuously communicated with the Company and followed up with the required additional information for our audit, however, as of the date of this letter, we have not yet obtained the explanations and information nor the scope and results of the additional procedures as requested in our aforementioned letters dated 26 June 2018 and 19 April 2019.*

*On 30 May 2019, we were informed by the Company that it would like to terminate the auditor relationship with us as the Company is unable to reach a consensus with us on the audit arrangement for the 2018 Financial Statements. As we are not able to obtain the requested information nor satisfactory explanations and evidence in connection with the matters described in our aforementioned letters dated 26 June 2018 and 19 April 2019, we are not able to perform the necessary audit procedures which we believe are necessary for the audit of the 2018 Financial Statements, we therefore agree to terminate the auditor relationship with the Company.”*

### **Other matters that need to be brought to the attention of the shareholders**

The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board there is no requirement under the laws of the Cayman Islands for the resigning auditor to confirm whether or not there is any circumstance connected with their resignation which they consider should be brought to the attention of the Company's members and creditors. PwC have therefore not issued such confirmation under Rule 13.51(4) of the Listing Rules.

## **APPOINTMENT OF AUDITOR**

Moore Stephens CPA Limited have been appointed as the new auditor of the Company with effect from 11 June 2019 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 July 2018 and will remain suspended until further notice pending fulfilment of the Resumption Guidance.

Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the captioned matters as and when appropriate.

On behalf of  
**Tou Rong Chang Fu Group Limited**  
**Huang Guobiao**  
*Chairman*

Hong Kong, 11 June 2019

*As at the date hereof, the Board comprises (i) four executive Directors, namely Mr. Huang Guobiao, Mr. Chen Yongsheng, Mr. Wong Kwok Leung and Mr. Gan Xiaohua; (ii) two non-executive Directors namely Mr. Poon Wai Kong and Mr. Wu Hao; and (iii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.*