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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)**

### **VOLUNTARY ANNOUNCEMENT IN RELATION TO THE RESIGNATION OF AUDITOR**

This announcement is made by Tou Rong Chang Fu Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

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, 28 February 2019, 12 April 2019 and 11 June 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, the key findings of the investigation by the Independent Advisor, and the change of auditor. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

## **FURTHER INFORMATION IN RELATION TO THE RESIGNATION OF AUDITOR**

Regarding the allegations and comments made by PwC in the Resignation Letter (the text of which has been reproduced in the announcement of the Company dated 11 June 2019) in relation to the audit of the 2018 Financial Statements, the Board would like to clarify and supplement as follows:

### **(1) PwC's enquiries on the "Transactions"**

In response to the enquiries of PwC on the Transactions as stated in their letter dated 26 June 2018, the Company had promptly formed the Independent Committee on 27 June 2018 which then engaged the Independent Advisor to carry out an investigation. The appointment of the Independent Advisor was accepted by PwC.

The Independent Advisor had conducted an extensive forensic investigation. After careful consideration of the entirety of the Independent Advisor's report (including but not limited to the procedures performed by them, the limitations and the alternative procedures taken by the Independent Advisor to minimise the impacts of the limitations), the Independent Committee endorsed the findings of the Independent Advisor and concluded their investigation. The findings of the Independent Committee had been published in the Company's announcement of 12 April 2019.

In fact, prior to and after the conclusion of the investigation, the Independent Advisor and the Independent Committee discussed with PwC on various occasions about the findings of the Independent Advisor. The Independent Advisor explained the methodology adopted by them for their investigation and the rationale behind such methodology to PwC. It may be worth to note that PwC had been the auditor of the Company since December 2011 and that the business model of the Group's commodity trading business had been essentially the same in recent years.

In the letter from PwC to the Board and the Independent Committee on 19 April 2019, PwC claimed that they were unable to obtain satisfactory explanations to many of their questions and comments and requested for additional information. The Independent Committee disagrees. The Independent Committee is of the view that the Independent Advisor has taken, to the extent that it is reasonably practicable, all necessary and appropriate methods and procedures to investigate the Transactions. The Independent Committee is also of the view that the findings of the Investigation (as disclosed in the announcement of the Company of 12 April 2019) would be able to address concerns with respect to the Transactions. Please refer to the announcement of the Company of 12 April 2019 for details of the findings of the Investigation.

**(2) Scope of the Investigation**

The scope of the Investigation by the Independent Advisor was determined by the Independent Committee following consultations with PwC, the Independent Advisor and the professional advisors of the Independent Committee. The Independent Committee considers that the scope of the Investigation by the Independent Advisor is appropriate.

**(3) Information and documents belonging to third parties**

PwC had requested various information and documents belonging to third parties, such as upstream suppliers and downstream customers, and that additional procedures/testing be conducted on all sales and purchase transactions and bank transactions of them.

The Independent Advisor had conducted an extensive forensic investigation about the Transactions. In the forensic investigation, the Independent Advisor had duly taken into account the apparent close relationship between various entities/individuals in devising the appropriate investigation methodologies for their forensic investigation, and to the extent that is reasonably practicable, had duly taken all necessary and appropriate procedures to investigate the Transactions. The Independent Advisor has in accordance with its investigation methodologies obtained information and documents from third parties in its investigation of the Transactions to the extent such information and documents were available.

The Company and the Independent Committee see no reason why access to the Independent Advisor's working papers by PwC is necessary or appropriate, mindful that the Independent Advisor has outlined the facts and materials underlying its findings in their report.

In light of the forensic investigation undertaken by the Independent Advisor, the Company and the Independent Committee consider that many requests of PwC for information and procedures are unnecessary.

Notwithstanding that, the Company had indicated to PwC that it was willing and was prepared to render all necessary assistance (to the extent that it is reasonable and appropriate) to them so as to facilitate their conduct of the audit, and would be prepared to use its best effort to help PwC obtain information from Wing Shing's suppliers and customers and arrange interviews with them subject to their agreement. The Company is in possession of various information and documents requested by PwC (including the complete listings of sales and purchase transactions of Wing Shing and all related documents, the bank transaction details with the Major Customer and the Major Supplier), and the Company has made them available for PwC's inspection at its office. PwC, however, did not take any steps to inspect them.

#### **(4) Company's decision to change the auditor**

The Company took a responsible and prompt response to address the issues raised by PwC during the course of their audit: an Independent Committee was established to investigate the Transactions; an extension of the scope of forensic investigation has been undertaken by the Independent Advisor; and the findings of the Investigation have been published. Following the Investigation, and with the issues raised by PwC being addressed by the Investigation, it was hoped that PwC would be able to complete their audit work within a reasonable timeframe. Regrettably, despite repeated requests, PwC were unable to commit themselves to any reasonable timetable for completion of their audit.

The Company owes a duty to its shareholders to ensure that the audit of the 2018 Financial Statements be completed as soon as possible and a duty to its shareholders to ensure that trading be resumed without delay. It is simply not acceptable to the Company that PwC were not able to commit to any timeline for the completion of the audit. In the circumstances, the Company considers that it is necessary for it to explore the option of appointing replacement auditor who are able and are willing to take over PwC's role and complete the audit within a definite and reasonable timeframe. It was against such background that PwC resigned as the auditor of the Company and Moore Stephens CPA Limited was appointed as the new auditor 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, 14 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.*