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## **BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED**

**光滙石油(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 933)

### **CHANGE OF AUDITOR**

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

Reference is made to the announcements of the Company dated 26 September 2017, 3 October 2017, 10 November 2017, 28 December 2017, 15 February 2018, 28 February 2018, 3 April 2018, 21 May 2018, 13 July 2018, 30 July 2018, 1 August 2018, 4 September 2018, 28 September 2018, 31 October 2018, 21 November 2018, 28 December 2018, 18 January 2019, 31 January 2019, 1 February 2019, 16 April 2019, 6 May 2019, 11 June 2019, 28 June 2019, 17 July 2019, 22 July 2019, 30 July 2019, 9 August 2019, 1 November 2019 and 15 November 2019 (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **RESIGNATION OF AUDITOR**

The Board (the “**Board**”) of directors of the Company announces that PricewaterhouseCoopers (“**PwC**”) have tendered their resignation as the auditor of the Company with effect from 23 January 2020.

PwC was engaged by the Company to audit its consolidated financial statements for the year ended 30 June 2017 (the “**2017 Financial Statements**”). The Company had discussed with PwC on the audit timetable and the audit fees but no agreement was reached. The trading of the shares of the Company has been suspended since 3 October 2017 due to the delay in completion of the audit, and that one of the resumption conditions is the publication of audited financial results for the years ended 30 June 2017, 2018 and 2019 and address any audit qualifications.

On the other hand, PwC consider that they were not able to obtain further information nor satisfactory explanations to the matters raised regarding the audit of the 2017 Financial Statements nor were they able to perform the necessary audit procedures which they believed were necessary for the audit of the 2017 Financial Statements. Accordingly, after the Company indicated its intention to terminate the auditor relationship with PwC, PwC have agreed to terminate the auditor relationship.

An extract of the resignation letter of PwC dated 23 January 2020 (the “**Resignation Letter**”) that has set out their reasons for resignation and the unresolved matters in the respect of the audit of the 2017 Financial Statements are reproduced below:

*“We were engaged to conduct audit of the consolidated financial statements of the Company as of and for the year ended 30 June 2017 (the “2017 Financial Statements”). During the course of our audit, we noted that Brightoil Petroleum (S’pore) Pte. Ltd. (“BOPS”), an indirect wholly-owned subsidiary of the Company, conducted back-to-back trading of oil product transactions with twelve customers (the “Customers”) (the “Transactions”). Seven of these Customers represented new customers to BOPS. Management did not indicate to us that the Customers might themselves be related, however, we became aware that nine of these Customers are owned by certain individual and certain of these Customers have the same registered and/or correspondence addresses. The corresponding purchases for the sales to these Customers were from Shenzhen Brightoil Group Co., Ltd. (“SZBO”, a company which is beneficially owned and controlled by Dr Sit Kwong Lam, the ultimate controlling shareholder of the Company), three of the Customers and an alleged third party supplier. We also became aware that there were multiple sales transactions of cargos of oil to certain of the Customers which were carried by the same vessel and of same or similar quantities within the same day. Management represented that the nature and terms of these transactions were similar to those commodity trading transactions executed in the market place, however, it came to our attention that substantially all of the corresponding purchases for these multiple sale transactions were made from SZBO. We were advised by management that certain of the receivables arising from the Transactions were netted off with the trade payables to SZBO pursuant to certain tri-parties agreements, while a portion of which were settled by the above-mentioned three Customers who are also suppliers of BOPS. As at 30 June 2017, certain outstanding trade receivables from these Customers were overdue but the due dates were extended by BOPS. Management advised us that there were no further cash settlement of the outstanding receivables balance by the Customers from 30 June 2017 to 15 September 2017.*

*In connection with the above, as communicated to the Board and the Audit Committee of the Company through our letter dated 15 September 2017 and subsequent follow up letters dated 28 February 2018, 10 May 2018, and 10 December 2018, we have requested to interview the Customers and to obtain full explanation and the necessary information and documentation to substantiate the Transactions, including but not limited to:*

- (i) the background of the Customers and the relationships among themselves, especially for those with same registered and/or correspondence addresses, and the relationship of the Customers with SZBO and with the Group, if any;*
- (ii) background checks and credit assessments on the Customers together with the detailed information reviewed by the Group at the time of accepting these Customers and upon the extension of the repayment dates of certain of the receivables from these Customers;*
- (iii) the occurrence and underlying commercial substance and business reasons of the multiple sales and purchases transactions of cargos of oil carried by the same vessel and of same or similar quantities in one day between the Customers and SZBO;*
- (iv) the underlying commercial substance and business reasons of the netting off arrangement together with the underlying information;*
- (v) supporting documents in respect of the settlement transactions between SZBO and the Customers;*

- (vi) *the commercial substance and underlying business reasons of purchases from certain of the Customers;*
- (vii) *the underlying purchase and goods receiving supporting information and documents of SZBO to substantiate its sources of oil supply; and*
- (viii) *management's assessment of the collectability of the outstanding receivables as at 30 June 2017, together with the related evidences and the underlying business reasons of extending the repayment dates of certain of the overdue receivables.*

*Because of the unusual nature and the significance of the matters noted, we 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 those matters. The Audit Committee, as authorised by the Board, engaged an independent advisor ("Independent Advisor") in September 2017 to provide forensic technology and investigation services (the "Independent Advisor's Investigation") in respect of BOPS as well as other entities within the Group, where appropriate, and the Transactions.*

*We were provided with the Draft Progress Update Report prepared by the Independent Advisor in December 2018. The report summarised the findings of the procedures carried out by the Independent Advisor up to 3 November 2017. We understand that the Independent Advisor did not receive all the information and explanations which they had requested. They also proposed to carry out further investigation procedures, including but not limited to computer forensic procedures.*

*However, the Independent Advisor's Investigation was not resumed as the Company considered that the estimated costs and expenses involved were unexpectedly high.*

*On 28 June 2019, the Company appointed three new independent non-executive directors (the "new INEDs") to the Board and its Audit Committee to fill the vacancy arose from the resignation of the then Independent Non-executive Directors, and the Board had resolved to form an Independent Control Committee (the "ICC") comprising the new INEDs as members to oversee the Investigation.*

*Subsequently, we were advised by the ICC that another independent professional advisor was engaged on 27 August 2019 to perform the Investigation as an Independent Forensic Accountant to replace the Independent Advisor.*

*As communicated in a number of occasions to the Board, the Audit Committee and the ICC, we, as auditor of the Company, need to be satisfied with respect to the adequacy of the scope and procedures of the Investigation. During the period from September to November 2019, various conference calls were held amongst the members of the ICC, the Independent Forensic Accountant and ourselves to verbally discuss the scope and status of the Investigation. We have requested the Independent Forensic Accountant to provide us with access to their working papers during these meetings but it is yet to be arranged up to the date of this letter.*

*On 2 January 2020, we were provided with the Draft Forensic Investigation Report ("Draft Investigation Report") prepared by the Independent Forensic Accountant....."*

**PwC, based on the Draft Investigation Report, noted certain key findings made by the Independent Forensic Accountant and made the following comments in the Resignation Letter:**

*“.....Those key findings from the Draft Investigation Report are new to us, and might have significant bearings on the matters that we raised in our letters dated 15 September 2017, 28 February 2018, 10 May 2018 and 10 December 2018. Upon receipt of the Draft Investigation Report, we immediately started our internal review process and were in the process of assembling our comments and follow up questions on the Draft Investigation Report. Before we were able to do so, however, we received a letter from the Chairman of the Board on 8 January 2020 stating the intention of the Board to terminate our appointment as auditor of the Company for the 2017 Financial Statements due to the concerns as to whether we will be able to complete the audit of the 2017 Financial Statements by 31 January 2020 and as well, the potential additional fee for the completion of the audit of the 2017 Financial Statements.*

*As we have not been able to obtain further information nor satisfactory explanations and evidence in connection with the matters described in our aforementioned letter dated 15 September 2017, 28 February 2018, 10 May 2018 and 10 December 2018, and given the messages stated in the above-mentioned letter from the Chairman of the Board, we believe we will not be able to perform the necessary audit procedures for the audit of the 2017 Financial Statements and therefore agree to terminate the audit relationship with the Company.”*

#### **APPOINTMENT OF AUDITOR**

The Board announces that HLB Hodgson Impey Cheng Limited have been appointed as the new auditor of the Company with effect from 23 January 2020 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**

Trading in the Company’s shares on the Stock Exchange has been suspended since 3 October 2017 pending the publication of the results announcements of the Company for the year ended 30 June 2017, the six months ended 31 December 2017, the year ended 30 June 2018, the six months ended 31 December 2018 and the year ended 30 June 2019, and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

By Order of the Board  
**Brightoil Petroleum (Holdings) Limited**  
**Tang Bo**  
*Chairman*

Hong Kong, 23 January 2020

*As at the date of this announcement, the Board comprises (i) one Executive Director, namely Mr. Tang Bo; (ii) two Non-executive Directors, namely Mr. Dai Zhujiang and Mr. Zhao Ligu; and (iii) three Independent Non-executive Directors, namely Dr. Lo Wing Yan William, JP; Mr. Wang Tian and Mr. Chan Wai Leung.*

*\* For identification purpose only*