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CONVOY GLOBAL HOLDINGS LIMITED

康宏環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1019)

UPDATE ANNOUNCEMENT RESIGNATION OF AUDITOR

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Convoy Global Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rules 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

RESIGNATION OF AUDITOR

The Board hereby announces that PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company on 12 August 2020 with effect from the same date.

PwC was engaged to conduct the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”). The Board hereby announces that PricewaterhouseCoopers (“**PwC**”) has tendered its resignation as the auditor of the Company on 12 August 2020 with effect from the same date by way of a resignation letter dated 12 August 2020 (“**the Resignation Letter**”).

PwC was engaged to conduct the audit of the 2017 Financial Statements. However, after some 30 months have passed since PwC was appointed and a considerable amount of professional fees having been incurred, the 2017 Financial Statements have yet been able to be finalised.

The finalisation of the 2017 Financial Statements is a key requirement for the resumption of trading of the Company. The Listing Division has already decided to delist the Company and the Company is now pending appeal to the Listing Review Committee.

As PwC was unable to commit to a clear timeline for the finalisation of the 2017 Financial Statements and the Board has no clarity how much more professional fees will be incurred in the process, the Board believed that it would be in the best interest of the Company and its shareholders to invite PwC to consider resigning as auditor.

After communicating with the Board, PwC agreed with the Company to tender its resignation.

The following are matters which PwC would like to bring to shareholders' attention in its resignation letter dated 12 August 2020 (the "**Resignation Letter**")."

MATTERS TO BE BROUGHT TO THE ATTENTION OF THE SHAREHOLDERS

In the Resignation Letter, PwC set out certain matters they consider should be brought to the attention of the Company's shareholders and creditors (the "**Matters**"), extract of the Matters is as follows:

1. Matters Subject to the Independent Investigation

As described in the Company's announcement dated 1 August 2018, the Board established an Independent Board Committee (the "**IBC**") to conduct an independent investigation on any potential irregularities relating to the Company (the "**Independent Investigation**"). In the Company's announcement dated 4 November 2019, the Board considered that the Company was effectively operated and managed by certain former directors and key management including Dr. Cho Kwai Chee ("**Dr. Cho**"), Ms. Fong Sut Sam, Ms. Chan Lai Yee and Mr. Tan Ye Kai Byron before 7 December 2017 (the date which the Company learnt that the enforcement authority conducted enforcement operations, involving certain executive directors of the Company). Subsequently, Dr. Cho, Ms. Chan Lai Yee, Mr. Tan Ye Kai Byron and Mr. Mak Kwong Yiu Mark (another former director of the Company) were formally charged by the Independent Commission Against Corruption. The Chairman and members of the Company's Board have changed thereafter as set out in the Company's announcements including the announcements dated 8 December 2017, 11 December 2017, 22 December 2017, 9 January 2018, 1 February 2018, 6 July 2018 and 20 August 2018.

As further described in the Company's announcement dated 24 January 2020 (the "**24 January 2020 Announcement**"), the Company appointed FTI Consulting (Hong Kong) Limited ("**FTI**") to conduct an independent forensic investigation and FTI completed and submitted a final draft of the investigation report (the "**Investigation Report**") to the Board for its review. The Investigation Report identified certain findings and a number of transactions that may have significant impact to the 2017 Financial Statements.

As mentioned in the 24 January 2020 Announcement, the Independent Investigation was subject to certain limitations relating to, inter alia, access to all records and documents, significant staff and management attrition, identification of purported third parties involved in these transactions and the availability of documents and information given the complexity of the transactions identified. Specifically, the lack of access to records and documents is due to a number of reasons during the relevant period prior to 31 December 2017 when the Company was managed by members of the former management, such as lack of a formal document retention policy during the relevant period, loss or misplacement of documentation, inconsistent quality and adequacy of the documentation available, loss of internal knowledge due to high turnover of staff and certain documentation having been seized by the Securities and Futures Commission and the Independent Commission Against Corruption. Besides, a significant number of staff and personnel have resigned and are no longer employees of the Group. Such staff and personnel included a number of former executive directors and senior management of the Company. These constraints have in varying degrees limited the nature and extent of the investigation procedures FTI was able to undertake and complete and PwC's ability to conduct extended procedures on the matters identified. These matters include:

(1) *The issuance of 7.5 billion new shares by the Company in October 2015.*

In October 2015, the Company issued 7.5 billion new shares (the "**2015 October Allotted Shares**") through its placing and subscriptions exercise with a total net proceed of approximately HK\$2,531 million (the "**2015 October Share Placement**"). Based on the Investigation Report, the 2015 October Allotted Shares was facilitated by placement agents, underwriters and financial advisors that were connected with certain listed companies which were alleged to be associated with Dr. Cho, a former director of the Company. The "2015 October Allotted Shares" were allotted and issued to certain places (the "**2015 October Placees**"). It was noted that subsequent to the 2015 October Share Placement, part of the share placement proceeds were lent back to the 2015 October Placees and/or their business associates through a series of unsecured loans and margin finance granted by the Group.

During the audit by PwC, PwC requested for the rationale of the above arrangement in relation to the 2015 October Allotted Shares and related subsequent loan lending. The Board explained that the transactions were conducted by the former management and as such, the Board is not in a position to provide the rationale for the above arrangement. The Board further explained that the matter has been the subject of an ongoing litigation commenced by the Company. The Court's decision, the outcome of which is still very uncertain, may have significant implications on the amount of liabilities, capital reserves and profit and loss recognised in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

(2) *Group's money lending and securities dealing businesses*

The Group undertook various lending businesses through its subsidiaries, including the money lending business conducted through Convoy Collateral Limited ("CCL") and the margin loans business conducted through CSL Securities Limited ("CSL").

Based on the Investigation Report, FTI identified certain key issues in relation to the money lending business, including the unexplained business substance and commercial rationale for loans granted to certain companies listed in Hong Kong. FTI also identified certain key issues in relation to the margin loans business, for example, the credit committee of CSL regularly approved clients' requests for increases in margin loan ratio(s) and/or margin loan limit(s), although the related documentation for approval provided little substantiation of the consideration and rationale, if any, behind these requests. These transactions took place prior to 31 December 2017 when the Group was managed by members of the former management.

PwC enquired with management regarding the nature of these lending transactions identified by the Independent Investigation and its audit. PwC claimed that they have not been provided with satisfactory explanations and supporting information in respect of the nature, purpose and rationale of the transactions with respect to the granting of these loans, together with their recoverability, despite the fact that all of the said loans granted by CSL have been subsequently repaid and some of the said CCL's loan balances have reduced after 31 December 2017. The Board explained that these loans were authorized by the former management and as such the Board is not in a position to provide explanations. Further, there is on-going legal proceedings concerning certain loans granted by the Group.

(3) *Group's proprietary investments*

Based on the Investigation Report, FTI identified certain key issues in relation to the Group's proprietary investments, for example, there was no or limited contemporaneous documentation to confirm the Group's compliance with its formal investment policy and there was insufficient supporting documentation to ascertain the substance, rationale and purpose of investments, including lack of records in the assessment, basis of valuation, due diligence, independent verification and management approval. These transactions took place prior to 31 December 2017 when the Group was managed by members of the former management.

For the aforesaid matters, the Investigation Report indicates that there is a lack of various documents, records and evidence etc. to support the nature and substance of these transactions and/or relevant accounting treatments. Due to the limitation as identified in the Investigation Report, PwC is unable to substantiate whether there existed other acts, transactions or arrangements that might have significant financial reporting and other implications that are not identified by the Independent Investigation.

2. Other Matter Communicated – Fund Transfer Transactions between Subsidiaries

Other than the transactions and findings identified in the Investigation Report, certain intercompany transactions among subsidiaries within the Group were transacted via external parties in 2017 and the prior years. Based on review of the internal records maintained by the Group, the Board considered that the relevant external parties acted as agents to facilitate the transfer of funds from the subsidiaries of the Group in Hong Kong to support the business funding needs of the operations of the relevant subsidiaries in Mainland China. These transactions were recorded as intercompany fund transfer transactions, instead of transactions with external parties, in the Group's unaudited 2017 Financial statements.

However, there were no formal agreements entered into between these subsidiaries and these external parties nor any documentary evidence to explain the role of these external parties. The management was unable to provide PwC with sufficient evidence and reasonable explanation to substantiate the nature, business substance and legality of such transactions. The Board explained that the transactions were conducted by former management and as a result, the Board is not in the position to provide the requested explanation.

3. Major Outstanding Audit Procedures

While PwC has been provided access to the Investigation Report which identified and described most of the issues, PwC has not been provided by FTI with access to certain information and the underlying working papers supporting the Independent Investigation which PwC claimed to require for the purpose of the audit. The Board considered that they have already endeavoured to locate and provide the documents but due to the limitations stated above, they are not in a position to satisfy all the requests, and in particular the working papers in the Independent Investigation belonged to FTI which the Board is unable to provide the same.

The Company would like to emphasize that the Board have already endeavoured to provide the assistance as might be requested by PwC within their ability and power. The Company's senior management and the Audit Committee will continue to look into and handle the Matters as raised by PwC with a view to resolve these with the incoming auditors, if necessary.

To the best of the Directors knowledge, save as disclosed above and the matters stated in the Resignation Letter, there are no other circumstances or matters in connection with the change of the auditors of the Company that need to be brought to the attention of the Company's shareholders.

The Company is in the active process of seeking a new audit firm to replace PwC and will make further announcement(s) in this regard as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted from 11:04 a.m. on 7 December 2017 (automatically converted to “being suspended” thereafter), and will remain suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors should note that the resumption of trading in the shares on the Stock Exchange is subject to various conditions which may or may not be fulfilled. There is no guarantee that resumption of trading in the shares will take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the shares.

By Order of the Board
CONVOY GLOBAL HOLDINGS LIMITED
Johnny Chen
Chairman and Executive Director

Hong Kong, 18 August 2020

As at the date of this announcement, the executive Directors are Mr. Johnny Chen (Chairman), Mr. Ng Wing Fai, Mr. Yap E Hock and Mr. Shin Kin Man; the non-executive Director is Mr. Chen Shih-pin; and the independent non-executive Directors are Mr. Pun Tit Shan, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah. The duties of the executive Directors namely Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee have been suspended since 8 December 2017.