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## ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED

中昌國際控股集團有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 859)**

### RESIGNATION AND PROPOSED APPOINTMENT OF AUDITOR

This announcement is made by Zhongchang International Holdings Group Limited (the “**Company**”, together with its subsidiaries, 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 “**Listing Rules**”).

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the circular of the Company dated 14 December 2020 (the “**December 2020 Circular**”).

#### RESIGNATION OF AUDITOR

The board of directors of the Company (the “**Board**”) announces that HLB Hodgson Impey Cheng Limited (“**HLB**”) has tendered its resignation as the auditor of the Company and 16 of its subsidiaries (the “**HK Subsidiaries**”) on 31 December 2020 which resignation takes immediate effect.

HLB stated in their letter of resignation (the “**Resignation Letter**”) that other than matters referred below, HLB confirmed that there are no other circumstances connected with their resignation which they consider should be brought to the notice of the members or the creditors of the Company and the HK Subsidiaries:

1. HLB stated in the Resignation Letter that they were not aware of (i) the Civil Claim; and (ii) the suspected Dissipated Funds (together, the “**Matters**”) when they performed their audit procedures for the Group’s consolidated financial statement for the year ended 31 December 2019 (the “**2019 Financial Statement**”) and the Acquisition Circular. For details of the Civil Claim and the subsequent withdrawal of the Civil Claim, please refer to the announcements of the Company dated 15 October 2020, 20 and 23 November 2020, and the December 2020 Circular. For details of the suspected Dissipated Funds, please refer to the announcement of the Company dated 16 October 2020, and the December 2020 Circular;

2. HLB also stated that after they have been made aware of the Matters, they have been communicating with the Board and the audit committee of the Company (the “**Audit Committee**”) in writing informing them that they are required to discuss with the members of the Board including the Audit Committee about (i) the nature and circumstances of the Matters; (ii) how the Board intends to address the Matters in the 2019 Financial Statement and the Acquisition Circular; and (iii) whether the 2019 Financial Statement and the Acquisition Circular require amendment. HLB indicated in the Resignation Letter that the Company provided certain documents relating the Matters but provided no explanation on the materials;
3. HLB further noted that as disclosed in the Company’s announcements dated 20 and 23 November 2020 and the December 2020 Circular, (i) despite the Civil Claim appeared to have been withdrawn, since it was alleged in the Civil Claim that certain documents had been entered into and also contained facts which appeared to differ from the records kept by the Company, the Company will continue to investigate into such matters; and (ii) the Company will carry out investigation for the suspected Dissipated Funds;
4. HLB further stated that as the Matters could have an impact on the 2019 Financial Statements and the Acquisition Circular as well as other financial years, HLB notified the Board and the Audit Committee that they reserved their rights in the matter, including in particular (i) to prevent future reliance on the Company’s announcement concerning the 2019 Financial Statements and Acquisition Circular as well as the annual results of the Group as they may need to be amended because of the presence of the aforementioned facts; and (ii) to prevent future reliance on the auditors’ report and the audited financial statements for the previous financial years since they may need amendment as a result of the presence of the aforementioned facts. Moreover, in light of the potential impact of the aforementioned facts, HLB required to extend their audit procedures to obtain sufficient and appropriate evidence to provide a basis as to whether they will amend their auditors’ reports or provide a new auditor report for the 2019 Financial Statements and the Acquisition Circular as well as for other previous financial years, if necessary; and
5. as at 31 December 2020, HLB have not yet received any information regarding the investigation and they are not able to determine the scope and timing of their extended audit procedures for the 2019 Financial Statements and the Acquisition Circular as well as for other previous financial years.

In relation to the above, the Board would like to clarify as follows:

- (a) the Company initiated the discussion with HLB regarding the potential change of auditors to maintain a good corporate governance in late December 2020 as HLB has been the auditors of the Company since 2010;

- (b) after the provision of the documents to HLB that the Company considered relevant to the Matters on 4 November 2020, the Company had not received any further request for discussion or explanation of the documents, or for the Matters up to the date of HLB's resignation. The Company had also reached out to HLB to follow-up the progress of their review of the documents on 13 November 2020;
- (c) as disclosed in the December 2020 Circular, at the relevant time of the Acquisition that was the subject matter of the Civil Claim and the suspected Dissipated Funds, the Company was under the management of, among others, certain executive Directors appointed by the Previous Controlling Shareholders and under the control of the Previous Controlling shareholders. All such persons have ended their office as Directors, and the current executive Directors and senior management of the Company are each independent of, and not connect with, such persons. The current management of the Company is uncertain whether the information and other records of the Company, including those relating to the Acquisition and the Zhenjiang Tiangong Acquisition are full and complete, and investigation by the Company has been initiated as there may be potential impact of such events upon historical disclosures made by the Company and the financial statements, and other information of the Company. As at the date of this announcement, the Company's investigation in respect of the alleged facts in the Civil Claim and the suspected dissipation of funds by Shanghai Sansheng on the Company are still ongoing. As such, no information from the investigation is available to be provided to HLB; and
- (d) subsequent to receiving the written requests from HLB containing matters in Paragraphs 2 and 4 above, and the provision of the documents in relation to the Matters in Paragraph (b) above on 4 November 2020, the Company requested a quotation for audit service fees from HLB for the annual audit for the financial year ending 31 December 2020. HLB then provided the quotation on 24 November 2020 but HLB and the Company had yet to reach consensus for the annual audit service fees up to the date of HLB's resignation.

Other than as disclosed above, the Board and the Audit Committee have confirmed that there are no other matters or circumstances in respect of the resignation of HLB as auditor of the Company that need to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to express its gratitude to HLB for their services rendered to the Company during the past years.

#### **PROPOSED APPOINTMENT OF AUDITOR**

Pursuant to Article 157 of the bye-laws of the Company, if the office of auditor becomes vacant by the resignation of the auditor, the Directors shall fill the vacancy and fix the remuneration of the auditor so appointed. Any auditor so appointed shall hold office until the next annual general meeting.

The Board, with the recommendation of the Audit Committee, proposed to appoint Ernst & Young (“EY”) as the auditors of the Company (the “**Proposed Appointment**”) to fill the casual vacancy following the resignation of HLB. EY is currently undergoing certain internal procedures in relation to the Proposed Appointment. The Company will make further announcement(s) to inform its shareholders once the appointment is confirmed.

By order of the Board  
**Zhongchang International Holdings Group Limited**  
**Ma Yilin**  
*Chairman and Executive Director*

Hong Kong, 31 December 2020

*As at the date of this announcement, the Board comprises Mr. Ma Yilin (Chairman), Mr. Chen Zhiwei, Mr. Tang Lunfei and Ms. Huang Limei as executive directors; Mr. Wang Xin and Dr. Huang Qiang as non-executive directors; and Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him as independent non-executive directors.*