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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)**

### **UPDATE ON THE AFFAIRS OF THE PRC SUBSIDIARY**

This announcement is made by Tou Rong Chang Fu Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 8 March 2019 and 28 June 2019 respectively, in relation to certain affairs (the “**PRC Subsidiary Affairs**”) of 浙江投融長富控股有限公司 (Zhejiang Tou Rong Chang Fu Holding Co., Ltd.#) (the “**PRC Subsidiary**”), an indirect wholly-owned subsidiary of the Company, including but not limited to the difficulties in handing bank accounts and certain alleged transactions entered into by the PRC Subsidiary. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

In relation to the affairs of the PRC Subsidiary, the Company wishes to update the shareholders and potential investors of the Company as follows:–

## **Independent review**

The Board announces that an independent review expert (the “**Review Expert**”) has been appointed in July 2019 and it has completed its review on the PRC Subsidiary Affairs, including the bank accounts of and the Supply Agreements entered into by the PRC Subsidiary.

Findings of the Review Expert include, among other things:–

- (i) The Frozen Bank Account was maintained by the previous legal representative of the PRC Subsidiary, namely Mr. Li Zhenjun (a former Director), or finance personnel of the PRC Subsidiary, and all the usage of fund/bank payment instructions thereof were operated by them without seeking approval from the Company.
- (ii) The Review Expert cannot verify whether the purchased items under the Supply Agreements have been delivered.
- (iii) There is no evidence to indicate that the Directors other than Mr. Li Zhenjun have approved to conclude the Supply Agreements or authorised any payment to relevant suppliers.

The Directors have considered the findings of the Review Expert and consider that Mr. Li Zhenjun did not follow the internal control procedures of the Group in relation to the PRC Subsidiary Affairs. The Directors have also been seeking legal advice on the further actions the Group would take, including but not limited to assisting the relevant authorities for investigation and the possible criminal prosecution against the relevant personnel. The Company has also promptly adopted more stringent internal control policies with a view to avoid recurrence of similar incidents in the future.

## **Legal action**

On 8 July 2019, the Company engaged a PRC legal adviser (“**the PRC Legal Adviser**”) to advise on the feasibility to report the suspected criminal offences pertaining to the Supply Agreements and the making of unauthorized payments through the bank accounts of the PRC Subsidiary (including the Frozen Bank Account) to the relevant authorities. Various enquiries have been made by the PRC Legal Adviser with the relevant authorities since August 2019. In early October 2019, the PRC Legal Adviser reported to the Company the practical difficulties they encountered in reporting the suspected criminal offences as the dividing line between economic disputes and economic crimes is usually unclear in the PRC, and the relevant cases of investigation are required to be reported to and be undertaken by different teams or divisions. As further advised by the PRC Legal Adviser in end of October 2019, they were of the view that the likelihood of successfully laying a criminal prosecution against the relevant personnel on the PRC Subsidiary Affairs is slim.

## **Disposal of the PRC Subsidiary**

In view of the practical difficulties encountered in the possible legal actions against the relevant personnel involved in the PRC Subsidiary Affairs and with a view to save the resources and efforts on dealing with the PRC Subsidiary Affairs, the Directors considered it would be beneficial to the Group and the Shareholders that the PRC Subsidiary was to be disposed of.

In October 2019, China Oil Resources Group Limited (中油資源集團有限公司) (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, as vendor, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with an independent third party (the “**Purchaser**”) as purchaser and Creative Sense Industrial Limited (創先實業有限公司) (the “**Target Company**”) as the target company, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire equity of the Target Company at a nominal consideration of HK\$1.00 (the “**Disposal**”). The PRC Subsidiary is wholly-owned by the Target Company.

In October 2019, a recovery agreement (the “**Recovery Agreement**”) was entered into between the PRC Subsidiary, the Purchaser and 安徽永暉醫藥科技有限責任公司 (Anhui Yonghui Medical Technology Co., Ltd.#) (“**Anhui Yonghui**”), an indirect wholly-owned subsidiary of the Company. Pursuant to the Recovery Agreement, the Purchaser will, upon recovery of the receivables under the Supply Agreements and the cash deposits in the Frozen Bank Account, share 30% of the net proceeds to Anhui Yonghui. The Purchaser is principally engaged in the investment and management of distressed assets.

Having considered that the Target Company and the PRC Subsidiary have no operation, the net liabilities of the Target Company of approximately HK\$107 million as of 30 September 2019, the possible share of proceeds pursuant to the Recovery Agreement and the status of the PRC Subsidiary Affairs and the expected further resources and efforts involved, the Directors are of the view that the Disposal is in the interest of the Company and its Shareholders as a whole.

The Disposal was completed on 19 November 2019, following which each of the Target Company and the PRC Subsidiary ceased to be a subsidiary 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 as set out in the announcement of the Company dated 14 September 2018.

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, 19 November 2019

*As at the date of this announcement, 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.*

*# The English translation of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*