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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)

QUARTERLY UPDATE ON SUSPENSION OF TRADING

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) and 13.24A 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 22 June 2018, 29 June 2018, 18 July 2018, 6 September 2018, 14 September 2018, 2 October 2018, 14 November 2018, 31 December 2018, 18 January 2019, 28 February 2019, 8 March 2019, 12 April 2019, 11 June 2019, 14 June 2019, 28 June 2019, 2 July 2019, 31 July 2019, 30 August 2019, 2 October 2019 and 19 November 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 “**2018 Annual Results**”), the despatch of the annual report of the Group for the year ended 31 March 2018 (the “**2018 Annual Report**”), the publication of the interim results of the Group for the six months ended 30 September 2018 (the “**2018 Interim Results**”), the despatch of the interim report of the Group for the six months ended 30 September 2018 (the “**2018 Interim Report**”) and the publication of the annual results of the Group for the year ended 31 March 2019 (the “**2019 Annual Results**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

BUSINESS OPERATIONS

The Company would like to inform the Shareholders and the potential investors of the Company that the Group's business is operating normally as usual. The Group continues to maintain its major business segments namely, (i) commodity trading and (ii) financial services. In addition, the Group is planning to re-launch its crude oil business. Set out below is a brief update of the operations of the businesses of the Group.

Reference is made to the announcement of the Company dated 6 January 2020 in relation to the appointment of Professor Kwong Ser Yuen Albert (鄺社源) (“**Professor Kwong**”) and Mr. Lee Siu Fung (李紹烽) (“**Mr. Lee**”) as executive Directors and Mr. Cha Kyong Man (“**Mr. Cha**”) as the chief operation officer (the “**Chief Operation Officer**”) of the Group.

Commodity trading

The Group has been progressively expanding its commodity trading business and is currently carrying out trading of various commodities, including (i) oil related products such as fuel oil and gas oil; and (ii) non-oil related products such as chemical products, varieties of plastic raw materials, non-ferrous metals, raw material for production of medicine, garment related products in China and Asian Pacific markets.

The Group has been expanding the sales force through an in-house operation team to explore more business in the commodity trading business and has also taken initiatives to diversify its supplier and customer base to avoid reliance on a limited number of supply channels.

Mr. Cha has over 30 years of experience in the commodity trading industry. He has worked in various petroleum trading companies in South Korea, the PRC, Taiwan and Singapore. Mr. Cha has also, through his own businesses, built extensive personal connections in the petroleum trading industry.

The Board believes that the appointment of Mr. Cha as the Chief Operation Officer to lead the commodity trading sector will on one hand strengthen the management team of the Group in relation to commodity trading, and on the other hand bring in potential business opportunities to the Group through Mr. Cha's personal network. Leveraging on the benefit of closer supervision, more efficient reporting system and enhanced internal control, the Group shall be able to further expand its own customers and suppliers network, broaden its product base, and strengthen the communication with its customers and suppliers.

Financial services

The finance services segment of the Group includes money lending, securities brokerage and asset management businesses. The Group's money lender's licence is governed by the Money Lenders Ordinance (Cap 163 of the laws of Hong Kong) while its securities brokerage and asset management licences are regulated by Securities and Futures Commission of Hong Kong. As of the date of this announcement, the operations of the above businesses are carried out in compliance with the relevant licensing requirements.

Following his appointment as an executive Director, Mr. Lee, who has extensive experience in the financial services industry, will be responsible for the Group's finance sector, and lead the Group's financial services business.

Crude oil

The Group owns 96% interest of an indirect subsidiary 齊齊哈爾市東北石油開發有限責任公司, which owns an oilfield project in Fularji District near Qiqihar City of Heilongjiang Province of China ("Oilfields"). As at 30 November 2019, the carrying amounts of the oil properties, construction-in-progress and oil exploitation licenses relating to crude oil business amounted to approximately HK\$10.1 million, HK\$3.2 million and HK\$59.7 million, respectively.

In recent years, because of the changes in global oil price and market condition, oil & gas production did not contribute any revenue to the Group, due to temporarily suspension of the production. In view of the gradual increment of the global oil price since the beginning of 2019, the management of the Group has been taking all actions for preparing the re-launch of oil production work in 2019, including but not limited to the renewal of all necessary licenses required for production. For the purpose of renewing the safety production license 《安全生產許可証》 for the forthcoming operation in the oilfields, modification works to the oilfields have been completed in accordance with the local fire safety requirements and the inspection of the fire safety modification has been completed and the Oilfields subsequently obtained the acceptance from the relevant governmental department for the PRC fire safety modification. The renewal of the safety production license 《安全生產許可証》 is expected to be completed by early 2020. With this safety production license, the Oilfields are equipped with all necessary licenses to proceed with production. As the global oil price has risen to a level that the management believes it will be profitable for production, the Group plans to re-launch its crude oil business as soon as possible.

In light of the plan to re-launch the crude oil business, the Group has appointed Professor. Kwong as an executive Director to lead and oversee the crude oil business. He is a renowned oil scholar and a seasoned senior petroleum engineer with worldwide hands-on exploration and production experience, both onshore and offshore, plus sharp cross-border business management skills of an international standard. He has direct exposure to the exploration and exploitation of oil and gas in North America (covering both the United States and Canada), South America, Asia (especially China), Australia, North Africa and the Middle East.

UPDATE ON SUSPENSION OF TRADING

As disclosed in the announcement of the Company dated 14 September 2018, the Resumption Guidance for the Company is as follows:

- (i) conduct an appropriate investigation into the Unresolved Issues in connection with the Auditor's audit of the 2018 Annual Results, announce the findings, address the Unresolved Issues and take appropriate remedial actions;

- (ii) publish all outstanding financial results under the Listing Rules and address any audit modification; and
- (iii) inform the market all material information for shareholders and investors to appraise the Company's position.

In relation to the Unresolved Issues, in September 2019, a preliminary internal control review report (the “**Phase 1 Report**”) was issued by the Internal Controls Auditor setting out the findings and recommendations to the Company in relation to the internal controls of the Group. Having considered the findings and recommendations set out in the Phase 1 Report, the Company has adopted various measures to strengthen its internal control procedures. Following further review, the Internal Controls Auditor issued a follow up report (the “**Phase 2 Report**”) on 8 January 2020 setting out the findings and recommendations to the Company. Set out below is a summary of the key findings and remedial measures being implemented as extracted from the Phase 2 Report:

Deficiencies	Proposed remedial measures	Status
No annual meeting was held by the chairman with the independent non-executive Directors without the presence of other Directors pursuant to code provision A.2.7. of the corporate governance code as set out in Appendix 14 to Listing Rules (“ CG Code ”) during 1 April 2018 to 13 June 2019 (the “ Review Period ”)	To ensure compliance with the Listing Rules, the chairman is recommended holding meetings with the independent non-executive Directors without the presence of other directors at least annually and to retain the record of meeting	Remediated
General meeting has not been held during the Review Period	The Company is recommended to hold general meeting on a timely basis to comply with code provisions A.4.2, A.5.5, E.1.1, E.1.2, E.1.3 and E.2.1. of the CG Code	Remediated
It was noted that Mr. Poon Sum was the sole authorized signatory of the bank account of Wing Shing Chemical Macao Commercial Offshore Co. Limited (“ MOC ”) and 浙江投融長富控股有限公司 (“ Zhejiang Tou Rong ”), each a subsidiary of the Company. However, he passed the e-banking security tokens to Ms. Vivian Lau for authorizing some suppliers' payment.	It is recommended the Group transfers online banking tokens of MOC and Zhejiang Tou Rong to the Company, which requires multiple personnel to approve a payment. The Group should also establish an authorized signature matrix to govern the payment process	Remediated

Deficiencies	Proposed remedial measures	Status
Audited consolidated financial statements for the year ended 31 March 2018 and 31 March 2019; and provision for bad debts for the year ended 31 March 2018 and 31 March 2019 were not prepared by the Group on a timely basis	It is recommended delegating a designated staff to monitor the timeliness of preparation and disclosure of the documents and information in accordance with the Listing Rules.	Remediated
Pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “MLO”), any person carrying on business as a money lender in Hong Kong must obtain a Money Lenders License. It was noted that the Money Lenders License (No. 1240/2018), granted to China-Hong Kong Link Finance Company Limited, a subsidiary of the Company on 2 October 2018 to carry out money lending business had already expired on 3 July 2019. It is understood that management had already submitted the application for renewal of the license to the relevant authorities on 10 June 2019. However, the audited financial statements for the year ended 31 March 2019 had not been finalized and submitted to the relevant authority.	It is recommended monitoring all the requested documents, including but not limited to the audited financial statements, are submitted to the relevant authority timely to ensure compliance with the MLO	The Company will have a control list for the related licence to monitor the timeline.

Based on the review scope of the Phase 2 Report and subject to the limitations and disclaimer as stated therein, the Internal Controls Advisor confirms that it is of the view that the internal control of the Group was effective. The IC and the Board have reviewed the Final Report and are satisfied that the internal control of the Group is effective.

In relation to the publication of all outstanding financial results, the 2018 Annual Results, the 2018 Interim Results and the 2019 Annual Results have been published by the Company on 8 November 2019 respectively and the 2018 Annual Report, the 2018 Interim Report and the 2019 Annual Report have been despatched on 19 November 2019 respectively. The interim results and interim report of the Group for the six months ended 30 September 2019 have also been published and despatched on 22 November 2019 and 5 December 2019 respectively.

Based on the above, the Company has requested for the Stock Exchange’s confirmation to resume the trading in the Shares and is currently in the process of addressing the enquiries from the Stock Exchange.

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, 8 January 2020

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Huang Guobiao, Mr. Wong Kwok Leung, Professor Kwong Ser Yuen Albert and Mr. Lee Siu Fung; (ii) two non-executive Directors, namely Mr. Poon Wai Kong and Mr. Wu Hao; and (iii) one independent non-executive Director, namely Mr. Cheung Kwan Hung.