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天喔國際控股有限公司
Tenwow International Holdings Limited

(In Provisional Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01219)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
(RMB million, unless otherwise specified)	**2018**	2017	Changes
Revenue	**1,547.5**	5,018.4	-69.2%
Gross Profit	**179.6**	909.0	-80.2%
Gross Profit Margin	**11.6%**	18.1%	-6.5 p.p.
(Loss)/Profit attributable to equity holders	**(4,172.7)**	160.0	N/A

The board (the "**Board**") of directors (the "**Directors**") of Tenwow International Holdings Limited (the "**Company**" or "**Tenwow**") hereby announces the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018 with comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
			(Restated)
Revenue	*4*	**1,547,545**	5,018,430
Cost of sales		**(1,367,905)**	(4,109,461)
Gross profit		**179,640**	908,969
Interest revenue		**8,227**	7,321
Other income		**24,139**	28,575
Other (losses)/gains, net		**(8,096)**	5,399
Distribution cost		**(790,935)**	(414,501)
Administrative expenses		**(238,809)**	(188,991)
Other operating expenses		**(3,196,749)**	(13,326)
(Loss)/profit from operations		**(4,022,583)**	333,446
Finance costs		**(153,127)**	(106,273)
Share of profits of associates		**758**	263
Share of profits of a joint venture		**—**	716
(Loss)/profit before tax	*6*	**(4,174,952)**	228,152
Income tax credit/(expense)	*7*	**1,123**	(58,408)
(Loss)/profit for the year		**(4,173,829)**	169,744
(Loss)/profit for the year attributable to:			
Owners of the Company		**(4,172,668)**	159,975
Non-controlling interests		**(1,161)**	9,769
		(4,173,829)	169,744
(Loss)/earnings per share	*8*		
(expressed in RMB cents per share)			
Basic		**(189.15)**	7.25
Diluted		**(189.15)**	7.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit for the year	**(4,173,829)**	169,744
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**48,892**	(112,596)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(41,497)**	88,949
Other comprehensive income/(expense) for the year, net of tax	**7,395**	(23,647)
Total comprehensive (expense)/income for the year	**(4,166,434)**	146,097
Attributable to:		
Owners of the Company	**(4,165,467)**	136,610
Non-controlling interests	**(967)**	9,487
	(4,166,434)	146,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**705,176**	1,060,120
Land use rights		**162,553**	148,801
Goodwill		**31,933**	31,933
Other intangible assets		**53,908**	56,153
Investments in associates		**3,785**	3,027
Investments in a joint venture		—	423,315
Deferred tax assets		—	25,336
		957,355	1,748,685
Current assets			
Inventories		**365,719**	1,079,160
Land use rights		**3,812**	3,580
Trade and other receivables	*10*	**383,914**	3,475,661
Restricted bank deposits		**15,049**	714,898
Cash and cash equivalents		**17,735**	937,118
		786,229	6,210,417
Current liabilities			
Trade, bills and other payables	*11*	**973,245**	1,837,350
Contract liabilities		**161,715**	—
Borrowings		**2,609,080**	2,142,987
Deferred income		**1,765**	2,575
Finance lease payables		**38,266**	41,044
Current tax liabilities		**6,247**	53,047
		3,790,318	4,077,003
Net current (liabilities)/assets		**(3,004,089)**	2,133,414
Total assets less current liabilities		**(2,046,734)**	3,882,099
Non-current liabilities			
Borrowings		—	534,800
Deferred income		**16,993**	17,947
Finance lease payables		—	13,583
Deferred tax liabilities		**15,418**	31,372
		32,411	597,702
NET (LIABILITIES)/ASSETS		**(2,079,145)**	3,284,397
Capital and reserves			
Share capital		**176,448**	176,448
Share premium		**1,190,822**	1,190,822
Reserves		**(3,499,574)**	1,857,325
Equity attributable to owners of the Company		**(2,132,304)**	3,224,595
Non-controlling interests		**53,159**	59,802
TOTAL EQUITY		**(2,079,145)**	3,284,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 August 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Suite 1101, 11/F, 28 Hennessy Road, Hong Kong. With effect from 1 February 2019, the address of its principal place of business has changed to Units 3306–12, 33/F., Shui On Centre, No. 6–8 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company, an investment holding company, and its subsidiaries are principally engaged in the manufacturing, distribution and trading of beverages, food and snacks and others in the People's Republic of China (the "**PRC**").

The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors of the Company (the "**Directors**") considered it more appropriate to use Renminbi ("**RMB**") as the presentation currency of the consolidated financial statements because RMB is the currency of the primary economic environment in which most of the group entities operate and being the functional currency of most of the entities comprising the Group, and all values are rounded to the nearest thousand ('000) unless otherwise stated.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

References are made to the Company's announcements dated 10 May 2018 and 17 August 2018, in relation to, among other things, the investigation of former chairman, Mr. Lin Jianhua and certain abnormal transactions. The trading in shares of the Company has been suspended since 13 August 2018.

Appointment of the Provisional Liquidators

On 24 October 2018, a winding up petition was presented in the Grand Court of the Cayman Islands (the "**Grand Court**") by a creditor for the winding up of the Company (the "**Petition**"). The Petition seeks the appointment of joint official liquidators of the Company. In the same proceedings as the Petition, the Company filed a summons seeking the appointment of joint provisional liquidators ("**JPLs**") of the Company on a light touch basis for the purpose of restructuring, as an alternative to compulsory liquidation (the "**JPL Application**"). Under the JPL Application, the Company has requested that, should JPLs be appointed and until further order of the Grand Court, the Board shall retain all its powers of management, subject to the JPLs' supervision of the exercise of such powers in relation to the ordinary course of business of the Company, and in relation to matters outside the ordinary course of business of the Company granting prior approval of the exercise of such powers. This would allow the Company's current management to work with the JPLs to oversee the implementation of a restructuring and resumption proposal that seeks to preserve value and business operations of the Company that would not otherwise be possible in a compulsory liquidation scenario. Accordingly, the Board believes it is in the interests of the Company, its shareholders and creditors that JPLs are appointed in respect of the Company pursuant to the JPL Application.

Listing status of the Company

On 24 August 2018, 18 February 2019 and 3 April 2019, the Stock Exchange had imposed on the Company the following resumption conditions:

(i) conduct a forensic investigation on certain abnormal transactions conducted during 2016 and/or 2017, including (i) the Financial Assistance under the Comprehensive Credit Line Contract; (ii) the arrangement in relation to the Prepayment and (iii) the Purchase Agreement (together as the "**Transactions**") (details of abnormal transactions are defined and as set out in the announcement of the Company dated 17 August 2018), disclose details of the investigation, the findings and rectifying actions taken and to be taken by the Company, and the implications on the Company's financial position (including but not limited to the financial results for the year ended 31 December 2016 and 2017) and operations;

(ii) conduct an appropriate investigation on the incident (the "**Incident**") in relation to the PRC investigation by the relevant authority in the PRC, the asset freeze and the involvement of Mr. Lin Jianhua, Nanpu Food (Group) Co., Ltd. ("**Nanpu**") (and any related entities) and the Group (details of the Incident are defined and as set out in the announcement of the Company dated 12 June 2018), disclose details of the investigation(s), the findings and rectifying actions taken and to be taken by the Company, and the implications of the Incident on the Company's financial positions and operations;

(iii) conduct an independent internal control review and demonstrate adequate internal control systems being in place to meeting the obligations under the Rules Governing the Listing of Securities on the Stock Exchange;

(iv) demonstrate that there is no reasonable regulatory concern about the management integrity, and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(v) demonstrate (with an appropriate level of professional assurance to the Stock Exchange's satisfaction) that the Company's published financial results remains accurate and complete in all material respects and not be misleading or deceptive;

(vi) inform the market all material information (including but not limited to the Incident and the Transactions) for shareholders and other investors to appraise the Company's position;

(vii) have the winding up petition(s) (or order(s), if made) against the Company withdrawn or dismissed and the appointment of any liquidator(s) (provisional or not) discharged; and

(viii) publish all outstanding financial results and address any audit modifications, (collectively, the "**Resumption Conditions**").

As mentioned in the announcement of the Company dated 30 August 2019, trading in the shares of the Company will remain suspended until further notice pending fulfilment of the Resumption Conditions and such other further conditions that may be imposed by the Stock Exchange.

Going concern basis

The Group incurred net loss for the year ended 31 December 2018 of approximately RMB4,173,829,000, and as at 31 December 2018, the Group had net current liabilities and net liabilities of approximately RMB3,004,089,000 and RMB2,079,145,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts previously reported at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities:				
Trade and other payables	*(i)*	1,837,350	(183,184)	1,654,166
Contract liabilities	*(i)*	—	183,184	183,184

Note:

(i) As at 1 January 2018, advances from customers of approximately RMB183,184,000 in respect of sales contracts previously included in trade and other payables were reclassified to contract liabilities.

(b) **HKFRS 9 "Financial Instruments"**

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The table below illustrates the measurement of financial assets subject to ECL under HKFRS 9 at the date of initial application, 1 January 2018.

	Trade and other receivables	Retained earnings
	RMB'000	*RMB'000*
Closing balances at 31 December 2017 — HKAS 39	3,475,661	1,607,633
Effect arising from initial application of HKFRS 9:		
— Impairment under ECL model	(1,192,107)	(1,192,107)
Opening balances at 1 January 2018 — HKFRS 9	2,283,554	415,526

(c) New/revised HKFRSs that have been issued but are not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position except as stated below.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

he Group's leased premises are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and amortisaton on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its leased premises amounted to approximately RMB16,955,000 as at 31 December 2018. Based on a preliminary assessment, the Group anticipates that the initial adoption of HKFRS 16 in the future will result in an increase in right-of-use assets and lease liabilities, which is unlikely to have material impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expense under existing standard) on the Group's financial performance will not be material.

4. REVENUE

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
— Sales of beverages, food and snacks	**1,547,545**	5,018,430

Disaggregation of revenue from contracts with customers:

	2018	2017
	Sales of beverages, food and snacks	Sales of beverages, food and snacks
	RMB'000	*RMB'000*
Major products		
Own brand products		
Non-alcoholic beverages	**356,591**	603,312
Alcoholic beverages	**87,046**	464,106
Food and snacks	**286,822**	724,083
Others	**30,033**	49,889
	760,492	1,841,390
Third party brand products		
Non-alcoholic beverages	**8,126**	51,766
Alcoholic beverages	**613,958**	2,537,308
Food and snacks	**140,509**	503,721
Others	**24,460**	84,245
	787,053	3,177,040
Total	**1,547,545**	5,018,430

All revenue from contracts with customers are recognised at a point in time.

Sales of beverages, food and snacks

The Group manufactures and trades beverages, food and snacks to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the executive directors. The executive directors consider the performance of the Group from a product perspective. The executive directors assess the performance of the operating segments based on a measure of gross profit for the year which is consistent with that in the consolidated financial statements.

The Group's operations are mainly organised under the following business segments: own brand products and third party brand products, and each has the segments of non-alcoholic beverages, alcoholic beverages, food and snacks, and others.

The amounts provided to the executive directors with respect to total assets, total liabilities and capital expenditure are measured in a manner consistent with that of consolidated financial statements. The executive directors reviewed the total assets, total liabilities and capital expenditure at Group level. Therefore, no segment information of total assets, total liabilities and capital expenditure information was presented.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format.

Segment information

	Own brand products					Third party brand products					
	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Other *RMB'000*	Sub-total *RMB'000*	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Other *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018											
Segment revenue	356,591	87,046	286,822	30,033	760,492	8,126	613,958	140,509	24,460	787,053	1,547,545
Segment cost of sales	(306,926)	(55,970)	(223,028)	(16,325)	(602,249)	(8,497)	(596,448)	(135,267)	(25,444)	(765,656)	(1,367,905)
Segment gross profit	49,665	31,076	63,794	13,708	158,243	(371)	17,510	5,242	(984)	21,397	179,640

	Own brand products					Third party brand products					
	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Other *RMB'000*	Sub-total *RMB'000*	Non-alcoholic beverages *RMB'000*	Alcoholic beverages *RMB'000*	Food and snacks *RMB'000*	Other *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017											
Segment revenue	603,312	464,106	724,083	49,889	1,841,390	51,766	2,537,308	503,721	84,245	3,177,040	5,018,430
Segment cost of sales	(392,401)	(369,326)	(518,273)	(36,709)	(1,316,709)	(45,837)	(2,214,595)	(454,315)	(78,005)	(2,792,752)	(4,109,461)
Segment gross profit	210,911	94,780	205,810	13,180	524,681	5,929	322,713	49,406	6,240	384,288	908,969

Reconciliations of reportable segment profit or loss:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Total profit of reportable segments	**179,640**	908,969
Unallocated amounts:		
— Interest revenue	**8,227**	7,321
— Other income	**24,139**	28,575
— Other (losses)/gains, net	**(8,096)**	5,399
— Distribution cost	**(790,935)**	(414,501)
— Administrative expenses	**(238,809)**	(188,991)
— Other operating expenses	**(3,196,749)**	(13,326)
— Finance costs	**(153,127)**	(106,273)
— Share of profits of associates	**758**	263
— Share of profit of a joint venture	**—**	716
Consolidated (loss)/profit before tax	**(4,174,952)**	228,152

The Group's operations are substantially located in the PRC. Accordingly, no geographical segment information is presented.

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Amortisation of other intangible assets	**2,718**	2,635
Amortisation of land use rights	**3,716**	3,524
Depreciation	**104,445**	94,805
Directors' emoluments	**3,552**	6,514
Loss/(gain) on disposals of property, plant and equipment	**5,660**	(6,584)
Impairment losses on property, plant and equipment *	**286,440**	—
Operating lease charges	**56,192**	20,736
Auditor's remuneration	**1,800**	3,580
Cost of inventories sold	**1,358,273**	3,888,055
Allowance for inventories *	**150,000**	4,142
Write-down of inventories *	**578,757**	—
Impairment loss on investment in a joint venture *	**423,315**	—
Increase in loss allowances for trade and other receivables *	**1,758,237**	9,184
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**172,745**	245,272
— Retirement benefits contributions	**31,667**	45,695
— Share-based payments	**—**	200
	204,412	291,167

* Included in other operating expenses

7. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong Profits Tax has been made for both years ended 31 December 2018 and 2017 as either the Group entities did not generate any assessable profits arising in Hong Kong or the Group entities have sufficient tax losses brought forward to set off against current year's assessable profit during that year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. However, no provision was made for the financial year ended 31 December 2018 as the Group's entities incurred tax losses in the year. The EIT Law and Implementation Regulation of the EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1 January 2008. The applicable dividend withholding tax rate is 10%.

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current tax — PRC Enterprise Income Tax		
— Provision for the year	**9,849**	54,888
— Over-provision in prior years	**(22,490)**	—
	(12,641)	54,888
Current tax — PRC Dividends Withholding Tax		
— Provision for the year	**2,136**	4,828
Current tax — Hong Kong Profits Tax		
— Provision for the year	**—**	—
Deferred tax	**9,382**	(1,308)
	(1,123)	58,408

A reconciliation of income tax (credit)/expense and (loss)/profit before tax is as follows:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(4,174,952)**	228,152
Tax at weighted average income tax rate of 24.9% (2017: 24.2%) (note)	**(1,040,258)**	55,263
Tax effect of expenses not deductible for tax purpose	**837,890**	1,278
Tax effect of income not taxable for tax purpose	**(60)**	—
Tax effect of tax losses not recognised	**183,666**	970
Tax effect of utilisation of tax losses previously not recognised	**—**	(3,686)
Tax effect of deductible temporary differences not recognised	**53,362**	—
Tax effect of utilisation of deductible temporary differences previously not recognised	**(66)**	—
PRC dividends withholding tax	**(12,977)**	4,828
Tax effect of share of results of associates	**(190)**	(245)
Over-provision in prior years	**(22,490)**	—
Total income tax (credit)/expense	**(1,123)**	58,408

Note: The average income tax rates for the years ended 31 December 2018 and 2017 represent the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of (loss)/profit before tax and the relevant statutory income tax rates.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	**(4,172,668)**	159,975
(Loss)/earnings for the purpose of calculating basic and diluted earnings per share	**(4,172,668)**	159,975
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (thousands)	**2,205,970**	2,205,970
Effect of dilutive potential ordinary shares arising from share options outstanding (thousands)	**—**	5,597
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share (thousands)	**2,205,970**	2,211,567

The computation of diluted loss per share for the year ended 31 December 2018 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares during the year ended 31 December 2018.

9. DIVIDENDS

The dividends paid in 2017 were RMB103,065,000, including final dividend and special dividend totalling RMB52,291,000 in relation to the profits for the year ended 31 December 2016 and interim dividends amounting to RMB50,774,000 in relation to the profits for the six months ended 30 June 2017.

	2018	2017
	RMB'000	*RMB'000*
2018 Interim — HK$ Nil (2017: 2017 interim — HK2.71 cents per ordinary share)	—	50,774
2018 Proposed final — HK$ Nil (2017: Proposed Final — HK1.55 cents per ordinary share)	—	29,213
	—	79,987

The final dividend of HK1.55 cents per share proposed to be paid in respect for the year ended 31 December 2017 was not paid finally as the resolution was not passed in the annual general meeting to the company.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018.

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
Related parties	**108,894**	347,211
Other third parties	**619,323**	1,799,047
	728,217	2,146,258
Less: Provision for loss allowance	**(504,417)**	(17,972)
Trade receivables, net	**223,800**	2,128,286
Prepayments		
Related parties	**100,899**	—
Other third parties	**201,499**	461,157
	302,398	461,157
Less: Impairment losses	**(233,526)**	—
Prepayments, net	**68,872**	461,157
Other receivables		
Related parties	**357,190**	27,370
Other third parties	**1,964,817**	859,240
	2,322,007	886,610
Less: Provision for loss allowance	**(2,230,765)**	(392)
Other receivables, net	**91,242**	886,218
Total trade and other receivables	**383,914**	3,475,661

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 1 month to 3 months. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

(a) Ageing analysis

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**145,162**	1,827,458
4 to 6 months	**45,872**	210,719
7 to 12 months	**32,766**	72,720
Over 12 months	**—**	17,389
	223,800	2,128,286

(b) Impairment of trade receivables

The movements in loss allowances for trade receivables is as follows:

	2018	2017
	RMB'000	*RMB'000*
Balance at beginning of year	**17,972**	8,963
Effect of adoption of HKFRS 9	**376,351**	—
Balance at beginning of year (restated)	**394,323**	8,963
Increase in loss allowances for the year	**110,094**	9,009
Balance at end of year	**504,417**	17,972

11. TRADE, BILLS AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Trade and bills payables		
Related companies	**1,069**	125,843
Other third parties	**609,759**	1,099,600
	610,828	1,225,443
Other payables		
Payables for acquisition of property, plant and equipment	**95,347**	79,599
Accrued staff costs	**8,923**	13,763
Other tax payables	**20,227**	182,424
Advances from customers	—	183,184
Accrued operating expenses	**195,366**	137,194
Interest payables	**42,554**	14,280
Due to related companies	—	1,463
	362,417	611,907
Total trade and other payables	**973,245**	1,837,350

The ageing analysis of trade and bills payables, based on invoice date, at the reporting date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 2 months	**281,257**	855,959
2 to 3 months	**56,147**	130,839
4 to 6 months	**118,469**	219,732
7 to 12 months	**138,218**	12,233
Over 12 months	**16,737**	6,680
	610,828	1,225,443

Trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 (2017: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

AUDITOR’S DISCLAIMER OF OPINION

The Company’s auditor has issued a disclaimer of opinion on the Group’s consolidated financial statements for the year ended 31 December 2018, an extract of which is as follows:

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2017 which form the basis for the corresponding figures presented in the current year’s consolidated financial statements were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances, corresponding figures and other related disclosures (as further details explained in the following paragraphs) shown in the current year’s consolidated financial statements.

2. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 31 December 2018 and 2017, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2018 and 2017 and the assets and liabilities as at those dates, and the balances and movements of equity (except for share capital and share premium) and cash flows for the years ended 31 December 2018 and 2017, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2018	2017
	RMB'000	*RMB'000*
Income and expenses for the years ended 31 December:		
Revenue	**1,547,545**	5,018,430
Cost of Sales	**(1,337,117)**	(4,080,816)
Interest revenue	**8,227**	7,321
Other income	**22,375**	26,810
Other (losses)/gains, net	**(8,096)**	5,399
Distribution cost	**(790,935)**	(414,501)
Administrative expenses	**(232,844)**	(183,256)
Other operating expenses	**(3,196,749)**	(13,326)
Finance costs	**(153,127)**	(106,273)
Share of profit of a joint venture	**—**	716
Income tax credit/(expense)	**25,618**	(64,544)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**48,892**	(112,596)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(41,497)**	88,949
Other comprehensive income/(expense) for the year, net of tax	**7,395**	(23,647)

Assets and liabilities as at 31 December:

	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**443,235**	767,160
Land use rights	**10,430**	10,675
Goodwill	**7,913**	7,913
Other intangible assets	**2,412**	2,395
Investment in a joint venture	**—**	423,315
Inventories	**365,719**	1,079,160
Trade and other receivables	**383,914**	3,475,661
Restricted bank deposits	**15,049**	714,898
Cash and cash equivalents	**10,568**	436,010
Trade, bills and other payables	**(973,245)**	(1,837,350)
Contract liabilities	**(161,715)**	—
Borrowings	**(2,245,603)**	(1,901,447)
Finance lease payables	**(38,266)**	(54,627)
Current tax liabilities	**(6,247)**	(53,047)
Deferred tax liabilities	**—**	(15,113)

3. Property, plant and equipment, land use rights, goodwill and other intangible assets

Apart from those financial statements items as mentioned in point 2 above, we have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of other property, plant and equipment, land use rights, goodwill and other intangible assets of approximately RMB261,941,000, RMB155,935,000, RMB24,020,000 and RMB51,496,000 respectively as at 31 December 2018. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment for those amounts should be made in the consolidated financial statements.

4. **Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2018 and 2017.

5. **Related party transactions and disclosures**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2018 and 2017 and the related party balances as at 31 December 2018 and 2017 as required by Hong Kong Accounting Standard 24 (revised) "Related Party Disclosures".

6. **Other disclosures in the consolidated financial statements**

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the directors' remuneration as disclosed in note 13.

Any adjustments to the figures as described from points 1 to 6 above might have significant consequential effects on the Group's results and cash flows for the two years ended 31 December 2018 and 2017 and the financial position of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

7. **Material uncertainty relating to the going concern basis**

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss for the year ended 31 December 2018 of approximately RMB4,173,829,000 and as at 31 December 2018 the Group had net current liabilities and net liabilities of approximately RMB3,004,089,000 and RMB2,079,145,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the assumption that restructuring of the Group will be successfully completed, and that following the completion of the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to restructure of the Group. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Tenwow International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I hereby present the annual results of the Group for the year ended 31 December 2018.

I would like to express my sincerest and utmost appreciation to all the shareholders of the Company (the "**Shareholders**"), investors, business partners and other stakeholders for their patience and continued support to the Company despite the suspension of trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 August 2018. We are working very closely with the JPLs, auditors, and legal advisers to fulfil the Resumption Conditions as required by the Stock Exchange.

RESULTS AND DIVIDEND

For the year ended 31 December 2018, the Group recorded revenue and gross profit of approximately RMB1,547.5 million and RMB179.6 million, respectively, representing a decrease of approximately 69.2% and a decrease of approximately 80.2% as compared to 2017, respectively. Loss attributable to equity holders of the Company amounted to approximately RMB4,172.7 million and basic loss of RMB189.15 cents per share, respectively (2017: Profit attributable to equity holders of the Company of approximately RMB160.0 million and basic earnings of RMB7.25 cents per share).

The Board does not recommend payment of a dividend for the year ended 31 December 2018 (2017: RMB3.63 cents per share).

BUSINESS REVIEW

2018 is the most challenging year in the Group's history. Since May 2018, we are unable to directly contact or reach Mr. Lin Jianhua ("**Mr. Lin**"), the controlling Shareholder, and the then executive director and former chairman of the Board. Mr. Lin was assisting relevant authority of the PRC with its investigation (the "**Incident**"). This Incident has seriously disrupted the ordinary business operation of the Group. It also unveiled a series of abnormal transactions that have huge impact on the Group's financial liquidity. Due to lack of financial resources, the Group had to scale down its business operation.

Despite these challenges, we focused on core business, key stock keeping units (the "**SKUs**") and meaningful third-party brands that can help sustain the business. Thanks to everyone's hard work, the Group managed to stabilise its business by focusing on key products and key markets. Eastern China, where the Group's headquarters located, is still our biggest and most important market. We were also able to maintain a relatively sound distribution network in Central China. I strongly believe our renowned brand and strong distribution channels will serve us well and will be an important asset for us to transform Tenwow to overcome these headwinds. The management team is now working closely with different stakeholders and looking at all sorts of opportunities to streamline our business and focus on what we are good at.

PROSPECTS

The year of 2019 will continue to be full of challenges. As domestic and international economic environment remains uncertain, the Chinese government has adopted various policies to ensure steady progress in the overall economy and to safeguard employment. Many circumstances will remain uncertain in the short term, but in the long run, the huge potential of China's consumer market still provides ample opportunities up for grabs.

The management team will continue to mitigate the negative impact and implement measures to overcome challenges facing the Group, and realise and enhance core strengths of the Group for its sustainable development. Last but not least, the Board has been making its best efforts to the resumption of trading of the Shares as soon as reasonably practicable.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my wholehearted gratitude to all the Shareholders, investors, creditors, business partners and customers. Together, we will tackle all challenges ahead of us and endeavour to maximise value and returns for our Shareholders and investors.

Lin Qi
Chairman

11 October 2019

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group recorded revenue of approximately RMB1,547.5 million, representing a decrease of 69.2% as compared to 2017. Loss attributable to equity holders of the Company amounted to approximately RMB4,172.7 million (2017: Profit attributable to equity holders of the Company of approximately RMB160.0 million). Basic loss per share was RMB189.15 cents (2017: Basic earnings per shares of RMB7.25 cents). The Board does not recommend the payment of dividend for the year ended 31 December 2018 (2017: RMB3.63 cents per share).

Revenue

The table below sets forth the Group's revenue contribution by product segments and main product categories for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Own brand products				
Non-alcoholic beverages	356,591	23.1%	603,312	12.0%
Alcoholic beverages	87,046	5.6%	464,106	9.2%
Food and snacks	286,822	18.5%	724,083	14.4%
Others[(1)]	30,033	1.9%	49,889	1.0%
	760,492	49.1%	1,841,390	36.6%
Third-party brand products				
Non-alcoholic beverages	8,126	0.5%	51,766	1.0%
Alcoholic beverages	613,958	39.7%	2,537,308	50.7%
Food and snacks	140,509	9.1%	503,721	10.0%
Others[(2)]	24,460	1.6%	84,245	1.7%
	787,053	50.9%	3,177,040	63.4%
Total	1,547,545	100%	5,018,430	100%

Notes:

1. Primarily includes "Chuan Xiang" Chinese seasonings and packaging materials.
2. Primarily includes household care products.

Own Brand Product Business

In 2018, revenue of own brand product business decreased by 58.7% to RMB760.5 million, which accounted for 49.1% of the Group's overall revenue in 2018. All four product segments undergone various degrees of sales declines.

— Non-alcoholic beverages

The own brand non-alcoholic beverages comprise ready-to-drink beverages such as "Fruit Tea" series, "Charcoal Roasted" series, "VitC VitE" series, as well as bottled water series such as "Tribute Spring" ("金貢泉") and "My Favourite Water" ("心水"). During the year, the Group focused on key SKUs for better operation efficiency. Revenue of own brand non-alcoholic beverages decreased by 40.9% to RMB356.6 million. The reputational risk brought about by the Incident in May 2018 has harmed confidence of our distributors, which were very cautious when placing orders. This has greatly impacted our sales in the summer of 2018.

— Alcoholic beverages

Revenue of the Group's own brand alcoholic beverages primarily comprised of self-produced Chinese rice wines in 2018. The Group used to distribute larger quantity of imported bottled wines from Italy, France and Chile marketed under the Group's own brands. However, due to the financial difficulties after the Incident, the Group paused purchasing from overseas and marketing its own branded wines. Instead, it focused on well-established and self-produced Chinese rice wine that was tailored for local markets in Eastern China. This shift has caused the decrease of the revenue of own brand alcoholic beverages by 81.2% to RMB87.0 million.

— Food and snacks

The Group's own brand food and snacks mainly include products (such as roasted nuts and seeds, gift boxes, preserved fruits and meat snacks) sold under the Group's flagship "Tenwow" brand and its sub-brands. Revenue of own brand food and snacks decreased by 60.4% to RMB286.8 million in 2018 due to decline in sales of roasted nuts and seeds. Due to the fact that raw materials of roasted nuts and seeds will take up a great portion of capital resources, the Group scaled down this business. Though sales of other food and snacks also saw various degrees of declines, the downsizing of roasted nuts and seeds has the greatest impact on the revenue of own brand food and snacks.

Third Party Brand Product Business

In 2018, the revenue from third-party brand product decreased by 75.2% to RMB787.1 million, which accounted for 50.9% of the Group's overall revenue in 2018.

Third party brand product business tends to be capital intensive business. Taken into consideration of its financial position, the Group realigned itself by focusing on a few fast-selling key third party brands such as Maotai to sustain its third party brand business. To a great extent, products such as alcoholic beverages that generally have longer shelf life and longer cash conversion cycle will not be the business focus of the Group in the near term.

Third-party brand alcoholic beverage products include spirits, wine, Chinese wine and beer. The Group distributes a wide range of international and domestic brands alcoholic beverages. Revenue of third party brand alcoholic beverages decreased by 75.8% to RMB614.0 million. On the other hand, revenue of third-party brand food and snacks declined 72.1% to RMB140.5 million.

In 2018, the Group focused on reducing inventories of third party brand products other than pulling resources into acquiring bulk purchases discount. The Group scaled down its third party distribution business in order to avoid sitting on excessive inventories. This will help preserve capital resources for its own brand products with shorter cash conversion cycle and higher gross profit margins. However, the Group did tactically maintained its relationship with a few key third party brands such as Maotai, which to a great extent, will help to maintain its distribution network.

Revenue by Sales Channels

The table below sets forth the Group's revenue contribution by retail channels for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Direct channels				
On-premise channels[(1)]	81,197	5.2%	838,652	16.7%
Modern retail channels[(2)]	388,767	25.1%	675,659	13.5%
Small business channels[(3)]	461,366	29.8%	357,207	7.1%
Other channels[(4)]	238,871	15.5%	369,717	7.4%
Sub-total	1,170,201	75.6%	2,241,235	44.7%
Distributors				
Nanpu[(5)]	30,521	2.0%	369,462	7.4%
Third-party distributors	346,823	22.4%	2,407,733	47.9%
Sub-total	377,344	24.4%	2,777,195	55.3%
Total	**1,547,545**	100.0%	**5,018,430**	**100.0%**

Notes:

(1) Includes chain restaurants, hotels, and leisure and entertainment locations that provide dine-in services for the Group's products.
(2) Includes chain hypermarkets, chain supermarkets and chain convenience stores.
(3) Includes wholesale centres and various retail stores.
(4) Primarily includes group purchase and online sales.
(5) Nanpu and its associates.

Revenue by Geographic Locations

The table below sets forth the Group's revenue contribution by sales in different geographic locations for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Eastern China	1,022,380	66.1%	3,205,822	63.8%
Central China	359,622	23.2%	1,001,259	20.0%
Southern China	87,003	5.6%	386,438	7.7%
Northern China	31,080	2.0%	215,879	4.3%
Western China	47,460	3.1%	209,032	4.2%
Total	**1,547,545**	**100.0%**	**5,018,430**	**100.0%**

Distribution Costs

Distribution costs primarily include advertising and promotion expenses, wages and benefits, and transportation expenses, etc. relating to the distribution activities. In 2018, the Group's distribution costs amounted to RMB790.9 million (2017: RMB414.5 million).

Administrative Expenses

Administrative expenses consist primarily of wages and benefits for management and administrative staff, and depreciation expenses associated with property, facilities and equipment for administrative purposes, etc. The Group's administrative expenses amounted to RMB238.8 million (2017: RMB189.0 million).

Other Operating Expenses

Other operating expenses increased from RMB13.3 million to RMB3,196.7 million primarily due to: (i) increase in loss allowances of approximately RMB1,758.2 million for trade and other receivables; (ii) impairment of approximately RMB423.3 million in relation to the Group's investment in Nanpu; (iii) increase in loss allowance and write-down of approximately RMB728.8 million for inventories; and (iv) impairment of approximately RMB286.4 million for property, plant and equipment.

Finance Cost

The Group's financial costs primarily include bank loan interests and interests on finance leases. In 2018, net finance costs amounted to RMB153.1 million (2017: RMB106.3 million).

Status of Nanpu, a joint venture

Nanpu's accounts cannot be obtained since May 2018 and its latest status remains unknown to the Board. An impairment on the investment in a joint venture of approximately RMB423.3 million was made in relation to the Group's investment in Nanpu. There will be no share of profit/loss from Nanpu in 2018 (2017: share of profit from Nanpu of RMB0.7 million).

Loss Attributable to the Equity Holders of the Company

Loss attributable to equity holders of the Company was RMB4,172.7 million (2017: profit attributable to equity holders of the Company: RMB160.0 million).

Liquidity and Capital Resources

The Group's funds and capital required for operations are primarily from internal resources and loans provided by the Group's principal banks.

As at 31 December 2018, the Group had bank deposits and cash balance in the amount of RMB32.8 million (31 December 2017: RMB1,652.0 million). As at 31 December 2018, the Group had total borrowings and finance lease payables in the amount of RMB2,647.3 million (31 December 2017: RMB2,732.4 million).

The net borrowings of the Group as at 31 December 2018 (total borrowings and finance lease payables less cash and cash equivalents and restricted cash) was RMB2,614.6 million (31 December 2017: RMB1,080.4 million). The Group's gearing ratio (Gearing ratio = net borrowings ÷ (total equity + net borrowings) as at 31 December 2018 was 488.3% as it has a negative total equity (31 December 2017: 24.8%).

Capital Expenditures and Capital Commitments

In 2018, the Group's capital expenditures and investments amounted to RMB63.9 million (2017: RMB164.8 million), which primarily included the expenditures for construction costs and equipment for Shanghai and Fujian production base. The Group's capital commitments relating to building, equipment and land was RMB143 million as at 31 December 2018 (31 December 2017: RMB285.6 million).

Key Financial Ratios

The following table sets forth the Group's key financial ratios:

	Year ended 31 December	
	2018	2017
Gross profit margin	**11.6%**	18.1%
Operating margin	**N/A**	6.6%
Margin of profit attributable to the equity holders of the Company	**N/A**	3.2%

	31 December 2018	31 December 2017
Current ratio	**0.21**	1.52
Quick ratio	**0.11**	1.26
Gearing ratio*	**488.3%**	24.8%

* Gearing ratio = net borrowings ÷ (total equity + net borrowings)

Inventory Analysis

The Group's inventory primarily includes finished products, followed by raw materials and packaging materials, as well as work-in-process products. As at 31 December 2018, inventory and inventory turnover days were RMB365.7 million (31 December 2017: RMB1,079.2 million) and 193 days (31 December 2017: 87 days) respectively. In order to relieve the liquidity pressure after the Incident, the Group proactively reduced its inventories, causing the inventories to drop significantly.

Trade Receivables

The Group's trade receivables refer to the Group's accounts receivable from its customers. As at 31 December 2018, trade receivables balance and trade receivables turnover days were RMB223.8 million (31 December 2017: RMB2,128.3 million) and 277 days (31 December 2017: 151 days) respectively. For prudence, a provision of RMB504.4 million (31 December 2017: RMB18.0 million) of trade receivables were made after carefully analysing their recoverability.

Trade Payables

The Group's trade payables primarily include payment due to suppliers of third-party brand products, raw materials and outsourced products. As at 31 December 2018, trade payables and trade payable turnover days were RMB610.8 million (31 December 2017: RMB1,225.4 million) and 245 days (31 December 2017: 108 days) respectively.

Foreign Currency Risk

The majority of the Group's transactions are settled in Renminbi, which is not a free-floating currency. The fluctuation of Renminbi during the year did not have any material effect on the Group's performance. The Group will periodically review its foreign currency risks. As the Group is exposed to minimal exchange rate fluctuation risks, the Group currently did not have a hedging policy, however, the Group will closely monitor foreign currency risk, and will consider hedging should the need arise.

Contingent Liability

As at 31 December 2018, the Group is a defendant in various law suits claiming outstanding contractual payments together with damages and interests relating to failures in performing obligations in accordance with the terms of various contracts. The Group intends to contest the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that no provision is to be made in respect of those claims.

As at 31 December 2017, the Group was still in the process of renewing certificates for certain land use rights with net book value amounting to RMB0.9 million, respectively. The Group might incur certain obligations in connection with such application of land use rights certificates. Since the amount of the obligation cannot be measured with sufficient reliability, no provision was made in the consolidated financial statements.

Asset Pledge

As at 31 December 2018, buildings, land use rights, and machinery and equipment with net book value of RMB561.6 million were pledged for borrowings (31 December 2017: RMB567.1 million).

Significant Investments

During the year ended 31 December 2018, the Group did not have any significant investments.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

Future Plans for Material Investments or Capital Assets

The Directors currently do not have any future plans for material investments or capital assets. The management will continue to monitor the industry and review its business regularly, so as to take necessary measures in the Group's best interests.

Human Resources and Staff Remuneration

As at 31 December 2018, the Group had a total of 1,697 employees in the PRC and Hong Kong (31 December 2017: 3,509 employees). In 2018, employee remuneration was RMB204.4 million (2017: RMB291.2 million). The Group's employees and Directors are remunerated with reference to their position, performance, experience and prevailing salary trends in the market. The Company also operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Significant events during the year ended 31 December 2018

As set out in the announcement of the Company dated 10 May 2018, the Company had been unable to directly contact or reach Mr. Lin, a controlling Shareholder, and the then executive director and chairman of the Board. Based on the information then obtained from Mr. Lin's family, Mr. Lin was assisting relevant authority of the PRC with its investigation. Such investigation was purportedly related to Nanpu Food (Group) Co., Ltd. ("**Nanpu**"). In the same announcement, the Company also announced that the Group had assisted in providing certain financial information relating to Nanpu to the PRC authority. Nanpu (i) is owned as to 49% by the Group, and is being recorded as an investment in a joint venture in the financial statements of the Group; and (ii) was the then largest distributor of the Company. As set out in the announcement of the Company dated 29 June 2018, Mr. Lin was removed as, among other things, an executive Director and chairman of the Board.

Trading of the Shares has been suspended since 13 August 2018.

On 17 August 2018, the Company announced it had come to the attention of the Board regarding certain transactions (the "**Transactions**"), namely:

(i) the Financial Assistance — pursuant to a comprehensive credit line contract (the "**Comprehensive Credit Line Contract**") entered into between (a) Tenwow Food (Group) Co., Ltd. (天喔食品(集團)有限公司) ("**Tenwow Food**") (an indirect wholly-owned subsidiary of the Company) and (b) the Ningbo Tongshang Bank (寧波通商銀行) (the "**Loan Bank**"), (x) Tenwow Food agreed to allow Shanghai Tiansheng Warehouse Co., Ltd. (上海天盛倉儲有限公司) (a company purportedly ultimately owned as to more than 30% by Mr. Lin) to use the credit line of RMB450,000,000 granted under the Comprehensive Credit Line Contract, and (y) the Loan Bank had right to directly recover all loans from Tenwow Food upon any event of default, and to debit directly from Tenwow Food's account to settle all debts relating thereto. The Board subsequently discovered an amount of RMB335,657,771 in the relevant accounts of Tenwow Food was deducted by the Loan Bank;

(ii) the Prepayment Agreements — pursuant to seven series of goods purchase agreements signed by six subsidiaries of the Company with two entities, prepayment in the aggregate amount of approximately RMB1,684,853,063 was made by the Group, but no delivery of goods had been made; and

(iii) the Purchase Agreement — pursuant to an alcoholic beverage purchase agreement entered into between (a) Nanpu Fine Wine & Spirits International Co., Ltd. (南浦酩酒坊國際有限公司) ("**Nanpu Fine Wine**") (an indirect wholly-owned subsidiary of the Company) and (b) Remfly Investment Co., Ltd. (寰發投資有限公司), payment in the aggregate amount of HK$60,000,000 was made by the Group, but no delivery of goods had been made.

All the then independent non-executive Directors resigned on 24 August 2018. The Board consisted of no independent non-executive Directors until 26 November 2018 when three new independent non-executive Directors were appointed.

As set out in the announcement of the Company dated 27 August 2018, the Stock Exchange imposed the first six of the eight Resumption Conditions on the Company.

In November 2018, the JPLs were appointed.

Events after the Reporting Period

In respect of Resumption Conditions

As set out in the announcements of the Company dated 19 February 2019 and 4 April 2019, the Stock Exchange imposed the last two Resumption Conditions.

In respect of the Transactions

As set out in the announcement of the Company dated 12 February 2019, an independent committee of the Board (comprising all independent non-executive Directors) (the "**IBC**") for the forensic investigation on the Transactions was established. A forensic accountant has been engaged by the solicitors representing the IBC to conduct an forensic investigation on the Transactions (the "**Forensic Investigation**"). The draft report of the Forensic Investigation has been submitted to the IBC and the Board for consideration. Key preliminary findings of the Forensic Investigation and recommendations by the forensic accountant were announced by the Company on 20 September 2019.

In respect of auditor

PricewaterhouseCoopers ("**PwC**") has resigned as auditor of the Company with effect from 12 April 2019. With the recommendation from the audit committee of the Company (the "**Audit Committee**"), the Board has resolved to appoint ZHONGHUI ANDA CPA Limited as the new auditor of the Company 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.

In respect of internal control

On 19 June 2019, the Company engaged Pan-China Enterprise Risk Management Consulting Limited to act as its independent internal control adviser to conduct an independent internal control review as part of its ongoing effect to fulfill Resumption Conditions. It is anticipated that a preliminary draft internal control review report will be provided to the Company in October 2019.

In respect of potential investor

On 30 September 2019, the Company and 上海智陽投資有限公司 (the "**Potential Investor**", together with the Company, the "**Parties**") have entered into a memorandum of understanding (the "**MOU**") on potential investment in the Company's shares and participation in the Group's affairs in relation to, among other things, the reorganisation and resumption of trading of the Company's shares (the "**Possible Transaction**"). The MOU is non-legally binding (save for a provision on confidentiality) and only records the direction of the strategic cooperation between the Parties.

Details of the Possible Transaction shall be subject to negotiations between the Parties and the execution of formal agreement. The Company will make further announcement(s) as and when appropriate pursuant to the requirements of the Rules Governing the listing of Securities on the Stock Exchange (the "**Listing Rule**") and the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission, if applicable.

THE APPOINTMENT OF JOINT PROVISIONAL LIQUIDATORS

On 24 October 2018, a winding-up petition was presented in the Grand Court of the Cayman Islands (the "**Grand Court**") by a creditor for the winding-up of the Company (the "**Petition**"), which was listed for hearing on 12 December 2018.

Immediately following the presentation of the Petition, the Company filed an application seeking the appointment of joint provisional liquidators ("**JPLs**") of the Company on a light touch basis for the purpose of restructuring, as an alternative to compulsory liquidation (the "**JPL Application**"), pursuant to section 104(3) of the Companies Law of the Cayman Islands on the basis that the Company is unable to pay its debts and intends to present a compromise or arrangement to its creditors.

On 16 November 2018, the Grand Court granted the JPL Application and ordered the appointment of Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung (Glen) of Deloitte Touche Tohmatsu and Mr. Mike Penner of Deloitte & Touche as the JPLs of the Company with the power to act jointly and severally. Following the appointment of the JPLs, the Board shall retain all its powers of management, subject to the JPLs' supervision of the exercise of such powers in relation to the ordinary course of business of the Company, and in relation to matters outside the ordinary course of business of the Company granting prior approval of the exercise of such powers.

The appointment of the JPLs under the order of the Grand Court was recognised by an order of the High Court of Hong Kong on 26 February 2019 with the powers conferred therein. The Grand Court has ordered that the hearing of the Petition be adjourned to a date no later than 6 December 2019.

Purchase, Sale or Redemption of The Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

AUDIT COMMITTEE

The results and consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed and approved by the Audit Committee. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2018.

Scope of Work of ZHONGHUI ANDA CPA Limited

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2018 but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee and has been agreed by the Group's external auditor, Zhonghui Anda CPA Limited as to the amounts set out in the Group's consolidated financial statements. The work performed by Zhonghui Anda CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Zhonghui Anda CPA Limited in this announcement.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its code of corporate governance.

According to CG Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lin was chairman and chief executive officer of the Company during the period from 1 January 2018 up until his removal on 28 June 2018. Mr. Lin Jianhua was then replaced by Mr. Lin Qi who was appointed as chairman of the Board with effect from 28 June 2018 and by Mr. Yan Zhixiong ("**Mr Yan**") who was appointed as chief executive officer of the Company with effect from 28 June 2018 until Mr. Yan resigned with effect from 29 December 2018. Thenafter, day-to-day operation and management of the Company was monitored by the executive Directors and senior management collectively. The Board is of the view that the balance of power and authority is ensured by the operation of the Board, which comprised experienced individuals whom meet from time to time to discuss issues affecting the operation and management of the Company. The Board will review the current situation from time to time and will make necessary arrangements when the Board considers appropriate.

Under CG Code provision A.5.1, the Company's nomination committee must comprise a majority of independent non-executive Directors. Following the resignation of all the then independent non-executive Directors on 24 August 2018, the Company's nomination committee comprised of Lin Qi only which failed to meet the relevant requirement. Subsequently on 26 November 2018, Mr. Lam Tin Faat, Mr. Hu Hongwei and Mr. Lau Fai Lawrence were appointed as independent non-executive Directors as well as members of the Company's nomination committee. Accordingly CG Code provision A.5.1 had been re-complied.

Under CG Code provisions C.1.1 and C.1.2, management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval and provide the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. Instead of providing monthly updates to all members of the Board, all Directors (including independent non-executive Directors) were provided by the management with a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details on a quarterly basis, prior to the regular Board meetings or upon requests.

Under CG Code provision C.2, the Board should establish and maintain appropriate and effective risk management and internal control systems. The Board should oversee the Company's risk management and internal control systems on an on-going basis and ensure that a review of the effectiveness and adequacy of such systems on a Group basis is conducted on an annual basis and when necessary. During the reporting period, the risk management and internal control systems aspect of CG Code provision C.2 was not complied with. In order to ensure an effective risk management and internal control systems of the Company in the future, the Company has engaged an independent internal control adviser, Pan-China Enterprise Risk Management Consulting Limited.

Save as disclosed above, the Company has complied with all other applicable code provisions as set out in the CG code for the year ended 31 December 2018.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors except Mr. Lin Jianhua who cannot be contacted due to the Incident. Accordingly, the Board considered that Mr. Lin Jianhua was unable to exercise his fiduciary duties as an executive Director and removed him as an executive Director on 29 June 2018. Save as disclosed above, all the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of HKEXnews (www.hkexnews.hk) and the Company (ir.tenwow.com.hk) and the annual report for the year ended 31 December 2018 will be despatched to the Shareholders and published on the above-mentioned websites in due course.

CONTINUED SUSPENSION OF TRADING

All dealings in the shares of the Company have been suspended with effect from 9:00 a.m. on 13 August 2018. Trading in the shares of the Company will remain suspended until further notice pending fulfilment of the Resumption Conditions and such other further conditions that may be imposed by the Stock Exchange. The Company will keep its shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

Subject to the application and grant of a validation order, any transfer of Shares may be restricted as Hong Kong Securities Clearing Company Limited may at any time, and without notice, exercise its powers to temporarily suspend any of its services in respect of the Company's shares, including the suspension of acceptance of deposits of share certificates of the Company into CCASS. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

On Behalf of the Board
Tenwow International Holdings Limited
(In Provisional Liquidation)
Lin Qi
Chairman

Hong Kong, 11 October 2019

As at the date of this announcement, the executive directors of the Company are Mr. Lin Qi and Mr. Yeung Yue Ming; the non-executive directors of the Company are Mr. Liu Zhao and Mr. Hu Hongwei; and the independent non-executive directors of the Company are Mr. Lam Tin Faat, Mr. Lau Fai Lawrence and Ms. Shen Congju.