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CT Vision S.L. (International) Holdings Limited

中天順聯(國際)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 994)

**SUPPLEMENTAL ANNOUNCEMENT TO
DELAY IN PUBLICATION OF THE AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Reference is made to the announcement of CT Vision S.L. (International) Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 30 April 2021 in relation to, among others, the delay in publication of the audited annual results for the year ended 31 December 2020 (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to supplement the following additional information in relation to the Outstanding Issues as disclosed in the Announcement. Outstanding Issues 4 and 5 were not raised by PwC during the 2020 Audit until late April 2021. A submission in relation to the details of the Company’s response to PwC has been made to The Stock Exchange of Hong Kong Limited.

THE OUTSTANDING ISSUES

According to PwC's letter of resignation dated 30 April 2021, their reasons for resignation and the details of the Outstanding Issues are reproduced as below:

(1) **Purchase of reinforcement bars that was transferred into prepaid subcontracting charges for the Saipan Project**

Sequence of events and concerns from PwC

Management of Win Win Way (the "**Management**") represented that the Saipan Project was suspended during 2019 because of changes of policy in worker visa application of the US Consulate and Customer A issued a letter to Win Win Way on 21 December 2019 agreeing to the extension of time and the completion date of the Saipan Project to 18 months after the recommencement of the construction work.

During FY2020, Win Win Way purchased reinforcement bars from Supplier A of approximately HK\$71,899,000 ("**Purchase Transactions A**"). Purchase Transactions A were settled by Win Win Way by using letter of credit and Win Win Way asked Supplier A to deliver the reinforcement bars to Win Win Way's subcontractor of the Saipan Project ("**Saipan Project Subcontractor**") located in Tianjin Province, the People's Republic of China. Dr. Kan Hou Sek, Jim ("**Dr. Kan**"), a director of Win Win Way, in his capacity as a beneficial owner of Customer A represented that he understood that there was a new investor who would provide financing to Customer A and therefore Customer A would be in a position to resume the Saipan Project. Thus, at that moment, Dr. Kan assessed that Win Win Way should make Purchase Transactions A as soon as possible to prepare for the resumption. However, the resumption plan was put on hold due to the outbreak of COVID-19 pandemic, and the reinforcement bars could not be shipped to Saipan due to the lockdown imposed by Saipan government.

As such, Dr. Kan negotiated with Saipan Project Subcontractor to transfer the reinforcement bars to them at cost as the reinforcement bars would become rusty if remained unused. Subsequently, Saipan Project Subcontractor agreed to take ownership of the reinforcement bars (for use in its other construction projects) and treated the cost of the reinforcement bars as non-refundable prepayment for subcontracting charges of the Saipan Project. As a result, prepayment of subcontracting charges of HK\$71,899,000 was recognised in the consolidated statement of financial position of the Group as at 31 December 2020.

Based on discussion with the Management, the outstanding work under the existing subcontracting agreement with Saipan Project Subcontractor for the Saipan Project would only utilise part of the prepayment and as there are different phases in the Saipan Project, the Management anticipated that the remaining part would be utilised in Phase 2 of the Saipan Project. The contract for Phase 2 of the Saipan Project had not been awarded up to 30 April 2021.

During the course of 2020 Audit, PwC noticed that Win Win Way received similar amount of settlements from Customer A each time shortly after Win Win Way paid to Supplier A for its purchase of reinforcement bars. Moreover, PwC also noticed that the sole owner of Supplier A also acts as the representative of the Saipan Project and is one of the beneficial owners of Customer A. The Management advised PwC later that the sole owner of Supplier A was indebted to Customer A, and that he had used the proceeds from Purchase Transactions A to repay Customer A, which in turn, repaid Win Win Way. The Management represented that, out of settlements for accounts receivable received from Customer A during FY2020, approximately HK\$70,540,000 was originated from funds of Win Win Way paid to Supplier A for Purchase Transactions A.

In view of the above, PwC had extended their audit procedures and requested the Management to provide additional information and documentation. However, up to 30 April 2021, PwC had requested from the Management, but PwC considered but not agreed by the Management that PwC had not been provided with all the explanation, information and documentation, including but not limited to, the following:

- (i) Explanation of the commercial substance and business rationale why Win Win Way continued to incur significant cost for the Saipan Project given there was significant overdue balance due from Customer A during FY2020 and did not request advance payments from Customer A before Purchase Transactions A while it was normal practice of Win Win Way in receiving advance payments at the commencement of a construction project;
- (ii) Supporting documents of the physical existence of the reinforcement bars, such as supplier invoices and shipping documents of Supplier A for purchases of the reinforcement bars from its suppliers, shipping or equivalent delivery documents from third party logistic or shipping companies for the delivery and movements of the reinforcement bars from Supplier A to Saipan Project Subcontractor, supporting documents of physical count, if any and subsequent usage of the reinforcement bars by Saipan Project Subcontractor;

- (iii) Explanation of the business rationale to transfer the cost of Purchase Transactions A into non-refundable prepaid subcontracting charge to Saipan Project Subcontractor given it was not entirely covered by the existing contract sum and scope of the Saipan Project, the uncertainty with respect to the timing of the recommencement of the Saipan Project and the fact that Win Win Way had not yet been awarded with the construction contract for Phase 2 of the Saipan Project;
- (iv) Whether there were any funds originated from the Group (other than HK\$70,540,000 as mentioned above) and ultimately used by Customer A to settle its balance due to Win Win Way;
- (v) The Management's re-assessment of the credit loss allowances for the balances due from Customer A as at 31 December 2019 and 2020, given part of the subsequent settlements of its receivables from Customer A prior to the approval of the 2019 audited financial statements of the Group were originated from the cash outflows from Win Win Way as a result of the Purchase Transactions A; and
- (vi) The Management's assessment of impairment of the prepayment to Saipan Project Subcontractor as at 31 December 2020 given it was uncertain on (a) the likelihood and timing of the project resumption and whether such prepayment could be utilised, and (b) whether Customer A had the financial capability to finance the Saipan Project and settle its balance due to Win Win Way timely.

The Company's action in response to PwC

To facilitate PwC's audit work and to address the above concerns, the Company had provided supporting documents to PwC to explain the business substance of the transactions to PwC and arranged interview between PwC and Saipan Project Subcontractor. The Management has provided detailed explanation to PwC to show that the transactions contemplated under the aforementioned Outstanding Issue are in the ordinary and usual course of business.

(2) Prepayments for purchase of generators, curtain walls and electrical and mechanical items from Supplier B for the Saipan Project

Sequence of events and concerns from PwC

In the last quarter of FY2020, Win Win Way paid approximately HK\$32,320,000 to Supplier B, a new UK based supplier, to acquire certain power generators, curtain walls and electrical and mechanical items ("**Purchase Transactions B**") for the Saipan Project. Up to 30 April 2021, the generators, curtain walls and electrical and mechanical items had not been delivered. The payments made to Supplier B were recorded as prepayments in the consolidated statement of financial position of the Group as at 31 December 2020. The Management represented that the prepayments were non-refundable.

During the course of the 2020 Audit, PwC became aware that (i) Supplier B and the Saipan Project Subcontractor were within the same group, (ii) Dr. Kan is one of the directors of the intermediate holding company of Supplier B, (iii) Dr. Kan's son holds 40% interest of that intermediate holding company since January 2021, and (iv) one of the employees of Win Win Way (the "**Employee**") became a director of Supplier B in March 2021.

Based on the information provided by Supplier B, the price paid by Supplier B to its suppliers for the purchase of the relevant goods was approximately 15% less than the contracted purchase price of Win Win Way.

In view of the above, PwC had extended their audit procedures and requested the Management to provide additional information and documentation. However, up to 30 April 2021, PwC had requested from the Management, but PwC considered but not agreed by the Management that PwC had not been provided with all the explanation, information and documentation, including but not limited to, the following:

- (i) Explanation of the commercial substance and business rationale why Win Win Way continued to incur significant cost for the Saipan Project given there was significant overdue balance due from Customer A during FY2020 and did not request advance payments from Customer A before Purchase Transactions B while it was Win Win Way practice in receiving advance payments at the commencement of a construction project;
- (ii) Details in respect of the Group's procurement and vendor selection procedures, internal controls and approval procedures conducted and proposals/materials considered before Win Win Way placed the purchase orders to Supplier B;
- (iii) the Management's assessment as well as supporting documentary evidence on the reasonableness of the quotations from Supplier B and whether it was comparable to the market to purchase the products from Supplier B with a 15% price difference; and
- (iv) the Management's assessment of impairment of the prepayment to Supplier B as at 31 December 2020 given it was uncertain on (a) the likelihood and timing of the resumption of the Saipan Project, and (b) whether Customer A had the financial capability to reimburse such purchase cost accordingly.

The Company's action in response to PwC

To facilitate PwC's audit work and to address the above concerns, the Company had (i) provided respective sequence of events; and (ii) provided supporting documents requested by PwC to explain the business substance of the transactions. The Management has provided detailed explanation to PwC to show that the transactions contemplated under the aforementioned Outstanding Issue are in the ordinary and usual course of business.

(3) **A series of payments related to the Saipan Project made on behalf of the developer of the Saipan Project**

Sequence of events and concerns from PwC

During FY2020, Win Win Way made various payments to Supplier C of approximately HK\$4,170,000 in January 2020, Supplier A of approximately HK\$36,651,000 from January to February 2020, Supplier D of approximately HK\$40,976,000 from July to November 2020 and Company A of approximately HK\$17,691,000 from September to December 2020 (“**Series of Transactions C**”). The Management represented that these payments were made on behalf of Customer A by Win Win Way and were all settled by Customer A during FY2020.

The Management represented that the payments made to Supplier A, Supplier C, and Supplier D were related to purchase of materials mainly for Phase 2 of the Saipan Project, of which Win Win Way had not yet been awarded as the main contractor, whereas the payments made to Company A were related to expenses (unrelated to the construction project as represented by the Management) incurred by Customer A.

With respect to Company A, it also came to PwC’s attention that Employee is the sole shareholder and director of Company A. The Management explained that Employee is the nominee shareholder of Company A where her shares were beneficially owned by another individual and had provided PwC a copy of the declaration of trust between Employee and the beneficial owner of Company A.

PwC had requested from the Management, but, up to 30 April 2021, considered that had not been provided but not agreed by the Management with all the explanation and supporting documents in respect of Series of Transactions C as described above. The explanation, information and documents that PwC had requested, including but not limited to, are as follows:

- (i) Explanation of the commercial substance and business rationale, as well as the supporting documentary evidence, on why Customer A asked Win Win Way to purchase construction material on its behalf for Phase 2 of the Saipan Project given that Win Win Way was yet to be awarded as the main contractor of this phase of the project and why the construction material was purchased in respect of Phase 2 of the Saipan Project before the recommencement of construction of the Saipan Project and before the process of selecting the main contractor for Phase 2 of the Saipan Project was complete;

- (ii) Explanation of the commercial substance and business rationale of payment of expenses unrelated to the construction project on behalf of Customer A to Company A, together with the supporting documentary evidence on the nature of payments made to Company A; and
- (iii) Explanation as well as the supporting documentary evidence on (a) the identity of the beneficial owner of Company A; (b) the relationship between the beneficial owner of Company A with the Group and its related parties, Dr. Kan and its related parties, Customer A and its related parties, if any; and (c) the rationale of the nomination arrangement of Company A.

The Company's action in response to PwC

To facilitate PwC's audit work and to address the above concerns, the Company had provided supporting documents to PwC to explain the business substance of the transactions. The Company has provided detailed explanation to PwC to show that the transactions contemplated under the aforementioned Outstanding Issue are in the ordinary and usual course of business.

(4) Going concern assessment of the Group

Based on the latest management account provided to PwC, the Group incurred a gross loss of HK\$48,313,000 and loss for FY2020 of HK\$140,342,000. As at 31 December 2020, its had net current assets of HK\$160,416,000. Balance due from Customer A of HK\$23,464,000 (net of loss allowance of HK\$57,114,000) and prepayments related to the Saipan Project of approximately HK\$107,544,000 represented a significant part of the Group's current assets and the recoverability of such balances and the timing of collection may have significant impact on the Group's liquidity. Moreover, Win Win Way was not able to comply with the financial undertaking (net tangible assets) of its banking facilities and no wavier letter of the non-compliance had been received up to 30 April 2021.

As a result, PwC had requested the Management, but claimed that PwC had yet been provided, with the following:

- (i) Wavier letter or similar evidence in respect of the non-compliance of financial undertaking from its bank;
- (ii) the Management assessment, together with supporting documents, of the timing and amount of the settlement of the balance with Customer A and utilisation manner of prepayments related to the Saipan Project; and

- (iii) Going concern assessment including but not limited to a cashflow projection with the consideration to the future liquidity and performance of the Group and its available sources of financing for at least 18 months from 31 December 2020.

Regarding the above issues, PwC did not on any occasion raise any of the above concerns during the 2020 Audit until late April 2021. As such, no sufficient time was allowed for the Company to address the concerns and PwC nonetheless proceeded to perform extended audit procedures. However, the Company provided the confirmation correspondence to PwC relating to the waiver of the non-compliance of financial undertaking from the respective bank.

(5) Funds transfers with Dr. Kan during FY2020 and subsequent to 31 December 2020

During the course of the 2020 Audit, PwC noticed that there were several fund transfers recorded in the account “Other Prepayment” with description remarked as “Kan Hou Sek”. PwC scrutinised the recorded fund movements of Win Win Way during FY2020 within the ledger, and found that there were fund transfers to “Kan Hou Sek” of approximately HK\$94 million and total repayments from “Kan Hou Sek” and Company B, a company owned by Dr. Kan and his spouse, amounting to approximately HK\$94 million for FY2020 with a maximum receivable balance of approximately HK\$62 million during FY2020. PwC also noticed that there were fund transfers to “Kan Hou Sek” of total amount of approximately HK\$20 million subsequent to 31 December 2020 and up to 31 March 2021.

With regard to these transactions, PwC had requested the Management, but claimed that PwC had yet been provided, with the following:

- (i) Complete list of transactions with Dr. Kan and his related parties during FY2020 and subsequent to 31 December 2020;
- (ii) Explanation as well as the supporting documentary evidence for any fund transfers to and from Dr. Kan and his related parties, including but not limited to (a) copies of the cheques; (b) original copies of the bank advice; (c) vouchers and approval documents for each transaction; and (d) the underlying bank statements showing the fund movements;
- (iii) Explanation of the commercial substance and the business rationale for fund transfers with Dr. Kan and his related parties; and

- (iv) Detailed settlement plan of any amounts due from Dr. Kan and his related parties outstanding up to 30 April 2021.

Regarding the above issues, PwC did not on any occasion raise any of the above concerns during the 2020 Audit until late April 2021. As such, no sufficient time was allowed for the Company to address the concerns and PwC nonetheless proceeded to perform extended audit procedures. The Management is of the view that the above transactions were in the ordinary and usual course of business.

COMPANY'S VIEW ON THE OUTSTANDING ISSUES

It is regretful in respect of the resignation from PwC due to the following reasons:

- (i) In respect of the Outstanding Issues 1 to 3, PwC did not express those issue would have hindered the completion of the 2020 Audit of the Company after the Company provided all the supporting documents and explanation of the business to PwC during the 2020 Audit;
- (ii) In respect of Outstanding Issues 4 and 5, PwC did not even raise those concerns till late April 2021. The Company was not allowed to have reasonable time to address those concerns. PwC did not even attempt to provide any further audit procedures to allow the Company to address those concerns. The only subsequent action carried out by PwC was to include the Outstanding Issues 4 and 5 in the letter to the Board and the Audit Committee issued by PwC dated 27 April 2021.

Despite the effort to address the Outstanding Issues 1 to 3 by the Company during the audit, the Company is of view that it has, at its best effort, already provided all exhaustive explanations and supporting documents to PwC. The Company currently focused on the work relating to the release of the audited result announcement for FY2020. The Company will avoid any occurrence of the delay of the publish of the annual results in the future.

RECENT DEVELOPMENT OF THE OUTSTANDING ISSUES AND THE AUDITED ANNUAL RESULTS

As at the date of this announcement, ZHONGHUI is still performing audit procedures for the consolidated financial statements for FY2020. The Company has preliminarily inquired the view on the nature of the Outstanding Issues from ZHONGHUI on numerous occasions, which indicated that (i) the concerns contemplated under the Outstanding Issues may involve internal control weakness; and (ii) they had no reasons to believe the Outstanding Issues would impose material adverse impact on the consolidated financial statements for FY2020.

The Company has urged ZHONGHUI to complete the 2020 Audit as soon as possible. It is expected that the audited annual results for FY2020 should be able to be published in around mid-June 2021.

Save as disclosed above, all other information and contents set out in the Announcement remain unchanged.

By order of the Board
CT Vision S.L. (International) Holdings Limited
Ho Chun Kit Gregory
Chief Executive Officer and Executive Director

Hong Kong, 27 May 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wu Rui, Dr. Ho Chun Kit Gregory, Mr. Lee Kai Lun and Mr. Guo Jianfeng, three non-executive Directors, namely Ms. Du Yi, Ms. Yip Man Shan and Mr. Lu Qiwei, and three independent non-executive Directors, namely Ms. Ng Yi Kum, Estella, Mr. Wong Wing Cheong Philip and Dr. Tang Dajie.