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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01219)

INSIDE INFORMATION

(I) FINANCIAL ASSISTANCE, (II) PREPAYMENT, AND (III) THE PURCHASE AGREEMENT; AND (IV) PROFIT WARNING

This announcement is made by Tenwow International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Reference is made to the Company’s announcements dated 10 May 2018, 12 June 2018 and 28 June 2018, respectively, in relation to, among other things, the investigation of Mr. Lin Jianhua (“**Mr. Lin**”), the former chairman of the board of directors of the Company, a former executive director and the former chief executive officer of the Company.

Subsequent to the publication of the announcement of the Company dated 10 May 2018, the board (the “**Board**”) of directors of the Company (the “**Director(s)**”) and senior management of the Group continued to conduct internal checking (the “**Internal Checking**”) on the records of the Group with the view to taking over Mr. Lin’s executive functions. During the Internal Checking, it has recently come to the attention of the Board the existence of certain abnormal transactions which include: (i) the Financial Assistance (as defined below) pursuant to the Comprehensive Credit Line Contract (as defined below); (ii) the arrangement in relation to the Prepayment (as defined below); and (iii) the potential litigation in relation to the Purchase Agreement (as defined below).

(1) THE FINANCIAL ASSISTANCE

Based on the findings of the Board, it was unraveled that on 23 August 2017, a “Comprehensive Credit Line Contract” (the “**Comprehensive Credit Line Contract**”) was executed by Mr. Lin, purportedly acting for and on behalf of 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, with Ningbo Tongshang Bank (寧波通商銀行) (the

“**Loan Bank**”) without the knowledge of the executive Directors (including Mr. Yeung Yue Ming and Ms. Au Lai Hang), the non-executive Directors and the independent non-executive Directors at the relevant time. It was also not reported in the annual report of the Company for the year ended 31 December 2017.

Pursuant to the Comprehensive Credit Line Contract, the Loan Bank loaned RMB450,000,000 (the “**Credit Line**”) to Tenwow Food for a term from 23 August 2017 to 23 August 2018 and Tenwow Food agreed to allow Shanghai Tiansheng Warehouse Co., Ltd. (上海天盛倉儲有限公司) (“**Tiansheng Warehouse**”), (a wholly-owned subsidiary of Nanpu (Hong Kong) Investments Limited (南浦(香港)投資有限公司), which is in turn owned by Mr. Lin Jianhua as to more than 30%), to use the Credit Line (the “**Financial Assistance**”). Also, as per the Comprehensive Credit Line Contract, upon the triggering of any event of default, the Loan Bank has the right to directly recover all the loans (including contingent liabilities, interest, penalty interest and compound interest) from Tenwow Food and the realization of the cost of the Loan Bank’s rights (including but not limited to litigation costs, attorney fees, notary fees, enforcement fees, etc.), the other losses and expenses incurred by Tiansheng Warehouse.

Pursuant to the default terms of the Comprehensive Credit Line Contract, the Loan Bank has the right to debit directly from Tenwow Food’s account to settle all the debts incurred under the Comprehensive Credit Line Contract without the need to obtain prior consent of Tenwow Food.

Relationship between Mr. Lin and Tiansheng Warehouse

Mr. Lin is a controlling shareholder and a connected person of the Company who is interested in approximately 64.62% of the entire issued share capital of the Company. Based on the information available to the Company, Tiansheng Warehouse is a wholly-owned subsidiary of Nanpu (Hong Kong) Investments Limited (南浦(香港)投資有限公司), which is in turn owned by Mr. Lin Jianhua as to more than 30%, hence, it is an associate of Mr. Lin and therefore a connected person of the Company. Accordingly, the entering into of the Comprehensive Credit Line Contract constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Board’s Preliminary findings

To the best of the Directors’ knowledge, information and belief, the Board recently noted that an amount of RMB335,657,771 in the relevant bank account(s) of Tenwow Shanghai under the Comprehensive Credit Line Contract has been debited by the Loan Bank. The Board is in the process of enquiring the Loan Bank to obtain further details in relation to the reasons for the said debit in the bank account of Tenwow Food and has been actively collecting further information to protect the interests of the Company. The Company wishes to emphasize that the above findings and analysis are of a preliminary nature.

Based on the findings of the Board, it should be noted that on 23 August 2017, the date of which the Comprehensive Credit Line Contract was executed, the board of directors of Tenwow Food were as follows:

1. Mr. Gong Yuxiong (龔玉雄), oversees the financial operations since 27 June 2018;
2. Ms. Lin Liping (林莉萍), daughter of Mr. Lin;
3. Mr. Lin Jianhua (林建華), chairman and legal representative of Tenwow Food;
4. Mr. Lin Qi (林奇), Chairman of the Board and son of Mr. Lin;
5. Ms. Lu Ying (陸影), responsible for financial operations until her last working day on 1 August 2018;
6. Mr. Shen Weinian (沈偉年); and
7. Mr. Zhou Guangzhao (周光照), ceased to be a director on 23 April 2018; former deputy general manager of Nanpu Food (Group) Co., Ltd (南浦食品(集團)有限公司), a joint venture of the Group.

The Board will continue to investigate this incident seriously.

Consequences and remedial actions

Upon review of the documents relating to the Comprehensive Credit Line Contract and after consulting the legal advisers of the Company, the Board considers that the arrangements under the Comprehensive Credit Line Contract are regarded as the provision of financial assistance to Tiansheng Warehouse. As the applicable percentage ratio in respect of the Financial Assistance exceeded 5%, it should have constituted a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules which were in force at the relevant time and a disclosable transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules. However, as disclosed above, the Financial Assistance was entered into by Tenwow Food without the knowledge of the Directors at the relevant time other than Mr. Lin, the Board would like to emphasize that had such transaction been submitted to the Board for approval in accordance with the internal procedures, the Board would have never approved the same. Based on the information currently available, the Board is of the view that this incident should have arisen as a result of the personal conduct of individual(s) without due authorization from the Board and the Board shall further investigate into this matter. Further announcement(s) in relation to the above will be made as and when appropriate.

The Company is seeking legal advice from its legal advisers as to the appropriate actions which the Company should take regarding the Financial Assistance. The Company is also exploring plans of remedial actions with Tiansheng Warehouse with the view to releasing Tenwow Food from the Financial Assistance. Shareholders of the Company (the “**Shareholder(s)**”) and the investing public will be informed by way of

announcement(s) if and when there is any significant development on this matter. In particular, the Company shall reserve all the rights against any party involved in this incident.

(2) THE PREPAYMENT

Based on the findings of the Board, it was unraveled that a series of agreements (collectively “**Prepayment Agreements**”) had been entered between various subsidiaries of the Company with independent third parties and for the sale and purchase of goods since 1 January 2016 and that prepayment in an aggregate amount of approximately RMB1,684,853,063 was paid by the Group without the knowledge of the executive Directors (including Mr. Yeung Yue Ming and Ms. Au Lai Hang), the non-executive Directors and the independent non-executive Directors at the relevant time. Based on the findings of the Board, the Group was not aware of any delivery of outstanding goods, which might constitute breaches. As of the date of this announcement, based on the findings of the Board, details were as follows:

1. On 1 January 2017, Tenwow Food entered into an agreement with Shanghai Tianpu Food Co., Ltd. (上海天浦食品有限公司), an independent third party of the Company, for the supply of goods within a term from 1 January 2017 till 31 December 2017 with one year automatic renewal term. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB636,938,198 was paid by Tenwow Food to Shanghai Tianpu Food Co., Ltd. pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.
2. Tenwow Food entered into an agreement with Weiyi International Trade (Shanghai) Co., Ltd. (威誼國際貿易(上海)有限公司), an independent third party of the Company, (“**Weiyi International**”) for the supply of goods within a term from 1 January 2017 till 31 December 2017 with one year automatic renewal term. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB32,754,333 was paid by Tenwow Food to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.
3. Tenwow (Chengdu) Food Co., Ltd. (天喔(成都)食品有限公司), a wholly-owned subsidiary of the Company (“**Tenwow Chengdu**”) entered into an agreement with Weiyi International for the supply of goods within a term from 1 January 2017 till 31 December 2017 with one year automatic renewal term. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB62,825,407 was paid by Tenwow Chengdu to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.

4. On 1 January 2016, Shanghai Tiansheng Wines and Spirits Co., Ltd. (上海天盛酒業有限公司), a wholly-owned subsidiary of the Company (“**Shanghai Tiansheng**”) entered into an agreement with Weiyi International for the supply of goods within a term from 1 January 2016 till 31 December 2018. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB800,124,446 was paid by Shanghai Tiansheng to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.
5. On 1 January 2016, Tenwow Food Group (Shanghai) Sales Co., Ltd. (天喔食品集團(上海)營銷有限公司), a wholly-owned subsidiary of the Company (“**Tenwow Sales Co**”) entered into an agreement with Weiyi International for the supply of food and beverages within a term from 1 January 2016 till 31 December 2018. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB14,514,392 was paid by Tenwow Sales Co to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.
6. On 5 January 2016, Shanghai Royal Wines and Spirits Co., Ltd. (上海皇家酒業有限公司), a wholly-owned subsidiary of the Company (“**Royal Wines and Spirits**”) entered into an agreement with Weiyi International for the supply of products made by Weiyi International within a term from 1 January 2016 till 31 December 2018. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB134,016,283 was paid by Royal Wines and Spirits to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.
7. On 1 June 2017, Changxing Meilin Drinks Co., Ltd. (長興梅林飲用水有限公司), a wholly-owned subsidiary of the Company (“**Meilin Drinks**”) entered into an agreement with Weiyi International for the supply of products within a term from 1 June 2017 till 30 July 2019. As at 30 June 2018, prepayment in an aggregate amount of approximately RMB3,680,000 was paid by Meilin Drinks to Weiyi International pursuant to the said agreement. As at the date of this announcement, the Group was not aware of any delivery of outstanding goods, which might constitute a breach under the said agreement.

The Board’s Preliminary findings

To the best of the Directors’ knowledge, information and belief, the Board noted such Prepayment Agreements are of ordinary and usual course of business. The Board is in the process of enquiring the transaction arrangement contemplated under the Prepayment Agreements to obtain further details and has been actively collecting further information to protect the interests of the Company. The Company wishes to emphasize that the above findings and analysis are of a preliminary nature.

Consequences and remedial actions

The Company is now seeking legal advice from its legal advisers as to whether the Company should commence any action or other legal proceedings in the name and on behalf of the Company in the People's Republic of China for seeking remedy and/or recovery of losses and damages suffered or sustained by the Company. The Company is now considering the same and will take appropriate actions promptly, where appropriate. In particular, the Company shall reserve all the rights against any party involved in this incident. Further announcement(s) in relation to the above will be made as and when appropriate.

(3) THE PURCHASE AGREEMENT

Based on the findings of the Board, it was unraveled that, on 9 August 2017, 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, entered into a purchase agreement (the “**Purchase Agreement**”) with Remfly Investment Co., Ltd. (震發投資有限公司) (“**Remfly Investment**”), an independent third party of the Company, for the sale and purchase of red wines. Accordingly, Nanpu Fine Wine had paid a total of HK\$60,000,000 to Remfly Investment for red wines. In December 2017, the delivery of red wines has fallen due which constituted a breach under the Purchase Agreement. Subsequently, Nanpu Fine Wine and Remfly Investment agreed to further extend the date for the delivery of red wines under the Purchase Agreement to 31 March 2018 as supplemented and amended by a supplemental agreement dated 8 February 2018 (the “**First Supplemental Agreement**”), without the knowledge of an executive Director (Mr. Yeung Yue Ming), the non-executive Directors and the independent non-executive Directors at the relevant time. It was also not reported in the annual report of the Company for the year ended 31 December 2017.

Nanpu Fine Wine and Remfly Investment agreed to further extend the deadline for the delivery of red wines to 11 May 2018 and changed the goods to be delivered from red wines to spirits under the Purchase Agreement (as supplemented and amended by the First Supplemental Agreement and as supplemented and amended by the second supplemental agreement dated 8 May 2018 (the “**Second Supplemental Agreement**”).

Nanpu Fine Wine had been actively liaising with Remfly Investment in May and June 2018 in arranging for the delivery of goods pursuant to the Purchase Agreement (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement). In late June 2018, Remfly Investment informed Nanpu Fine Wine that the goods had been delivered, yet, to the best of the Directors' knowledge, information and belief, the Group did not receive any such goods from Remfly Investment. As of the date of this announcement, no goods had been received from Remfly Investment by the Group.

Consequences and remedial actions

The Company is seeking legal advice from its legal advisers as to how to further protect its interest in connection with the potential default by Remfly Investment. In the meantime, the Company will attempt to further negotiate with Remfly Investment in relation to the refund arrangement pursuant to the Purchase Agreement (as supplemented and amended by the First Supplemental Agreement and as supplemented and amended by the Second Supplemental Agreement) and the interest accrued thereon. In particular, the Company shall reserve all the rights against any party involved in this incident. Further announcement(s) in relation to the above will be made as and when appropriate.

ENGAGEMENT OF INDEPENDENT PROFESSIONAL ACCOUNTANT AND STRENGTHENING OF FINANCIAL CONTROL AND IN-HOUSE LEGAL FUNCTIONS

An independent board committee comprising the three independent non-executive Directors has been formed and it has engaged an independent professional accountant to conduct an independent investigations of the matters relating to the Financial Assistance, the Prepayment, the Purchase Agreement, and the bank balances and bank transactions of the major bank accounts of the major operating subsidiaries of the Group and guarantees provided by the Group, for an understanding of the cash and guarantees positions, as well as the fund flow and bank transactions of such major operating subsidiaries (the “**Independent Investigations**”).

The Company is in the process of strengthening its internal control and in-house legal functions. Ms. Wu Wennan Bessie, the newly appointed chief financial officer on 15 August 2018, will also help review and implement measures to strengthen the internal control functions. Further announcement(s) will be made as and when appropriate.

(4) PROFIT WARNING

In view of the uncertainties as to whether the Group will be able to recover the amount being debited by the Loan Bank, the amount of the Prepayment and the amount being paid pursuant to the Purchase Agreement as disclosed in this announcement above, the Board has decided, for the sake of prudence, to make provision for the abovementioned transactions (the “**Provisions**”). The Board wishes to inform the Shareholders and potential investors that the Group expects to record a substantial loss for the six months ended 30 June 2018 as compared to the net profit attributable to the Shareholders for the six months ended 30 June 2017, which was mainly attributable to the disruption of ordinary course of business as a result of the investigation of Mr. Lin and the making of the Provisions.

The Board would like to emphasize that the management of the Company is now actively taking all possible actions, including liaising and negotiating with the relevant suppliers for repayment of the money paid and/or the delivery of the relevant goods to the Group as soon as possible, with a view to minimize the impact of the above incidents on the Group by all means. In particular, the Company shall reserve all the rights against any party involved in this incident. Further announcement(s) will be made as and when appropriate.

The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited management accounts of the Group for the six months ended 30 June 2018 and information currently available to the Board. This information has not been reviewed or audited by the auditors of the Company. Interim results of the Group for the six months ended 30 June 2018 may be different from the information disclosed in this announcement. Further information will be disclosed in the announcement of the interim results of the Company for the six months ended 30 June 2018, which is expected to be published at the end of August 2018.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 13 August 2018. Trading in the shares of the Company will remain suspended pending the release of announcement(s) regarding, among other things, matters relating to the Financial Assistance, the Prepayment, the Purchase Agreement, and further information of the Independent Investigations.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Tenwow International Holdings Limited
Ho Wing Yan
Company Secretary

Hong Kong, 17 August 2018

As at the date of this announcement, the executive Directors are Mr. Lin Qi, Mr. Yan Zhixiong, Mr. Yeung Yue Ming, Ms. Au Lai Hang and Mr. Xu Jianxin; the non-executive Director is Mr. Liu Zhao; and the independent non-executive Directors are Mr. Liu Chang-Tzong, Mr. Cheung Yui Kai Warren and Mr. Wang Longgen.