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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)

**FINAL REPORT REGARDING FORENSIC INVESTIGATION,
INITIAL INTERNAL CONTROL REVIEW FINDINGS
AND
CONTINUED SUSPENSION OF TRADING**

This announcement is made by Tenwow International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”) and provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 10 May 2018, 29 June 2018, 17 August 2018, 27 August 2018, 12 February 2019, 1 March 2019, 13 May 2019, 2 July 2019, 12 August 2019, 30 August 2019, 20 September 2019 and 12 November 2019 in relation to, among other things, the Forensic Investigation conducted on the Group.

References are made to the announcements of the Company dated 27 August 2018, 12 November 2018, 12 February 2019, 19 February 2019, 4 April 2019, 20 June 2019 and 12 November 2019 in relation to, among other things, the internal control review of the Company.

Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements.

FINAL REPORT REGARDING FORENSIC INVESTIGATION

On 20 September 2019, the Company announced the key preliminary findings of the Forensic Investigation conducted by the Forensic Accountant based on its draft report. The final report on the Forensic Investigation (the “**Final Forensic Report**”) was issued, and after review and discussion by the IBC, had been submitted to the Board. The Board would like to inform its shareholders and investors that the content of the Final Forensic Report is, in all material respects, the same as that disclosed in the announcement of the Company dated 20 September 2019.

INITIAL INTERNAL CONTROL REVIEW FINDINGS

On 19 June 2019, the Company engaged Pan-China Enterprise Risk Management Consulting Limited (“**Pan-China**”) to act as its independent internal control advisor to conduct an independent internal control review as part of its ongoing effort to fulfill Resumption Conditions. An initial internal control review report was provided to the Board on 4 November 2019. The initial internal control review has been conducted with respect to the Company’s operational procedure and system, as well as its monitoring measures (including accounting and management systems), excluding, however, other elements of the internal control structure and operating systems. Pan-China has identified a number of high-risk deficiencies in the internal control systems of the Company as set out below.

(i) Corporate governance — risk management and independence of internal audit

The internal audit department was staffed by one person (the “**Internal Audit Staff**”) who reported to the then executive vice president. It was noted since 2016, the Company began frequent transfers in large-amounts to a number of suppliers that lacked supporting documents. Those transfers appeared to have been approved and authorised by the Company’s then chairman as well as the then executive vice president. Although the Internal Audit Staff reported these transactions to his supervisor, such transactions were excluded from the scope of internal audit, and the abnormalities were not reflected in the Group’s annual risk report.

Recommendations

The Group’s internal audit policy should be amended such that the scope of internal audit should not be restricted and the internal audit department should report directly to the Board or the Company’s audit committee, the latter of which should be responsible for setting out the annual scope of internal audit work and reporting to the Board.

Company’s feedback

The Company is revamping its internal audit function and expanding its manpower. The internal audit policy will be amended, which will be duly executed when promulgated.

(ii) Internal control operations — inadequate timely risk management and financial monitoring

Due to the large number of operating units in the Company, there appeared to have been inconsistencies between subsidiaries’ finance departments in handling customer payments, delivery, accounting, special pricing approval, as well as inconsistencies between salesperson’s ledger and company financial records, etc. Subsidiaries’ finance departments had been operating under different policies on their own. There were no unified policies at Group level for the purpose of financial consolidation and efficient risk management (such as customer/supplier credit terms, ageing, payment collection, cash flow reports, financial performance, and reporting schedule).

Recommendations

The financial monitoring procedures should include timely collection of different operational data. Regular and periodical collection and consolidation of financial accounts and aging information from subsidiaries should also be made. Data monitoring should be done and unified at Group level and a database should be constructed. On the other hand, trading data with related companies should also be analysed, and periodical reconciliation should be made.

Company's feedback

The Company has been re-establishing financial and risk management at the Group level, hiring staff and strengthening regular monitoring procedures.

(iii) Internal control operations — execution of comprehensive credit contract and provision of credit

The Group failed to provide standardised bank loan documents and failed to maintain a complete record. Written credit assessment and analysis, as well as authorisation were lacking. Loan approval process and board approval as required by internal policies could not be provided. The mortgage and guarantees of the Group had not been executed in accordance with the standard procedures of the mortgage and guarantee policy. As regards related party transactions, the Company failed to provide standardised operational procedures to assess funding needs, as well as requirements and approval procedures of the related parties in relation to their respective bank loans and loan repayments.

Recommendations

The Company should have in place standardised procedures to assess and approve mortgages and guarantees. In terms of guarantees granted for the benefit of related parties, they should only be granted to wholly-owned subsidiaries or non-wholly owned subsidiaries where the Company had control. The Group should not provide any guarantees to non-Group entities such as companies controlled by the chairman. The Group should conduct periodical assessment of subsidiaries' business conditions and repayment ability. Any mortgage and guarantee should be approved by the Board if so required by the articles of association. Reporting policy, as well as a list of persons with authority to approve mortgages and guarantees, should also be drawn up. Follow-up reviews should be made as regards loan utilisation. If the loan is advanced for purchase, the Company should conduct follow-up reviews on the background of the suppliers, goods delivery and status of collection of sales receipts. As regards any current credit and guarantees granted by the Group, the Company should negotiate for release of any guarantees granted for non-Group companies. Policies on the use of company chops should be drawn up and closely monitored.

Company's feedback

The Company will strengthen its approval process as regards comprehensive credit contracts and grant of credit by the Group. It will follow up on the business conditions and repayment ability of subsidiaries. Relevant policies will be amended, which will be timely executed when promulgated.

(iv) Internal control operations — customer/accounts receivable credit control

The Group did not conduct background checks for new customers and did not properly evaluate their credit-worthiness. The finance department did not monitor customers' credit status and report them to the Board in a timely manner. Sales department staff was responsible for performing ageing analysis and accounts receivables collection while also responsible for bringing in sales income. This arrangement might give rise to potential conflict of interests. Further, while the Group did collect raw data as regards receivables/payment from each branch unit, ageing analysis at Group level was not performed. Therefore, it was possible that accounts receivables from a customer continued to be overdue while another subsidiary continued allowing sales credit terms to the same customer, resulting in an increased risk of bad debts from that customer.

Company's feedback

The Company will strengthen its financial monitoring procedures to ensure proper customer profile and credit checking, and regular receivables collection arrangement are in place in order to control the credit risk exposure of the Company.

(v) Internal control operations — imported wine product trading negotiation, sales, prepayment control

There was not a standardised department to monitor purchase agreement with third parties. Those third-party purchase agreements were mostly related to imported wine products. In the past, it was mainly the Company's then chairman who was responsible for determining and signing imported wine product purchase agreements. Prior to placing purchase orders on any imported wine products, the Company would conduct market research and investigate market demand. However, in the actual process of negotiation and agreement execution for imported wine products, the Company's then chairman did not follow such market research results, and no explanation or reason for deviation was provided. As a result, the Company purchased more goods from the market than needed and accumulated a large amount of inventory of imported wine.

The Group did not conduct background checks on new suppliers and inspect quality of the supplied goods.

In addition, some suppliers required the Company to provide advance payment. Since negotiations for imported wine products were mainly handled by the Company's then chairman, the Company did not have a corresponding policy on prepayment caps and limits at both company and group levels. No assessment had been made as regards reasonableness of the prepayments. While the Company's then chairman was responsible for approving the prepayment as well as the negotiations of the purchase agreements, there was no clear separation of duties in this respect. The Group's legal

department did not follow up on whether third parties had fulfilled the terms of the purchase agreements, and the Group had not provided policy and guidance in the event third parties were unable to fulfil their contractual obligations.

Recommendations

The market research done by the Group should be included as referenced documents for the purpose of any purchase agreements. If the person determining the transaction deviates from such market research, he must provide explanation to the Board and seek Board's approval.

Company's feedback

Relevant policies on imported wine trading will be amended to cover the operation and for strict monitoring of trading of imported wine products, which will be timely executed when promulgated. The Company will also strengthen its receivables collection procedures as mentioned above.

(vi) Internal control operations — the Purchase Agreement

The Group failed to monitor the performance and fulfilment of obligations under the terms of the Purchase Agreement. Most of the imported wine purchases made by the Group were directly discussed and negotiated with the supplier by the Company's then chairman and there were no lists of qualified and approved suppliers and related profiles to refer to, similar to the situation under paragraph (v) immediately above. In addition, there were no guidance and policies for such similar incidents.

Recommendations

Any purchase of alcoholic products should be made via the requisition department, the purchase department and the finance department. The Group should go through proper requisition procedures, quantity assessment, order management and supplier management in accordance with the procurement management policy. The Group should provide guidance and policies if the Group encounters unforeseen circumstances (such as circumstances where it might be necessary to deviate from normal approval process in order to meet supplier or customer's demand on short notice), and for the provision of post-transaction documentation including correspondence leading to agreeing the deviation terms. If the total amount of prepayments to the same supplier/distributor exceeds a certain amount, the Group should hold senior management meeting to discuss and assess the concentration risk of the relevant supplier/distributor. The finance department should be made aware that prepayments can only be paid when approved by the Board through a special authorisation mechanism. The finance department also needs to follow up and monitor prepayments of a set limit and report to the Board regularly. When adding a new supplier to its list of suppliers, the Company should perform background checks on each new supplier and amass knowledge of that supplier's production/supply capabilities. A system of regular review and annual assessment of suppliers should also be performed. Good record-keeping practices on goods delivery and acceptance, regular back-ups or information sharing filed by different departments should be established as preventive measures. If the distributor or

supplier is different from the manufacturing source, the Company should gather further information on the distributor's product source and supply capabilities to formulate contingency measures to mitigate the risk of non-delivery after prepayment is made.

Company's feedback

The Company will strengthen its risk management system in terms of distributors. Relevant policies will be amended, which will be timely executed when promulgated.

Follow-up Review

Pending actions and steps to be taken by the current management of the Group, Pan-China will conduct a follow-up review on the internal control systems of the Group and will issue the final internal control review report in due course. Meanwhile, the Board will develop and adopt enhanced policies and measures to rectify the identified weaknesses and deficiencies found in the initial internal control review.

Internal Control Review Outlook

The Directors (including all independent non-executive Directors) are in the process of reviewing the initial internal control review report and will be putting in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

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 above-stated 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 the Company's 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 shares or other securities of the Company.

By Order of the Board
Tenwow International Holdings Limited
(in Provisional Liquidation)
Lin Qi
Chairman

Hong Kong, 21 November 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.