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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)

INSIDE INFORMATION UPDATE ON VIEWS REGARDING FORENSIC INVESTIGATION AND PRC INVESTIGATION AND REMOVAL OF THE CHAIRMAN OF THE BOARD

This announcement is made by Tenwow International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) 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) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of Company dated 10 May 2018, 29 June 2018, 17 August 2018, 27 August 2018, 26 November 2018, 12 February 2019, 1 March 2019, 17 April 2019, 13 May 2019, 14 June 2019, 2 July 2019, 12 July 2019, 12 August 2019, 30 August 2019, 20 September 2019, 11 October 2019, 21 November 2019 in relation to, among other things, (i) provision of financial information of Nanpu to PRC authority; (ii) removal of Mr. Lin as executive Director and chairman of the Board; (iii) the Financial Assistance, the Prepayment and the Purchase Agreement (together, the “**Transactions**”); (iv) the establishment of an independent committee of the Board comprising all independent non-executive Directors; (v) appointment of the Forensic Accountant; (vi) legal actions taken in respect of the Transactions; (vii) key preliminary findings of the forensic investigation conducted by the Forensic Accountant on the Transactions (the “**Forensic Investigation**”); (viii) publication of the Company’s annual results for the year ended 31 December 2018; and (ix) final report of the Forensic Investigation. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements.

BACKGROUND

On 17 August 2018, the Company announced it had come to the attention of the Board regarding certain abnormal transactions comprising:

- (i) the Financial Assistance — pursuant to the Comprehensive Credit Line Contract entered into between (a) Tenwow Food (a wholly-owned subsidiary of the Company) and (b) the Loan Bank (being Ningbo Tongshang Bank (寧波通商銀行)), (x) Tenwow Food agreed to allow Tiansheng Warehouse (a company purportedly ultimately owned as to more than 30% by Mr. Lin) to use the Credit Line, 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 accounts 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 agreements for the sale and purchase of goods (being the Prepayment Agreements) signed by various subsidiaries of the Company with two entities (the “**Suppliers**”), 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 (being the Purchase Agreement) entered into between Nanpu Fine Wine (a wholly-owned subsidiary of the Company) and Remfly Investment, payment in the aggregate amount of HK\$60,000,000 was made by Nanpu Fine Wine, but no delivery of goods had been made.

As set out in the Company's announcements dated 13 May 2019 and 20 September 2019:

- (a) in respect of the Financial Assistance — Tenwow Food was granted a civil mediation letter from the Shanghai First Intermediate People's Court confirming Tiansheng Warehouse had to repay RMB335,657,761 to Tenwow Food. Tenwow Food was further granted an order by the Shanghai First Intermediate People's Court to freeze assets of Tiansheng Warehouse. In order to protect its rights and interests, Tenwow Food has registered its claim against Tiansheng Warehouse;
- (b) in respect of the Prepayment Agreements — no legal action has yet been taken because of the high upfront payment of legal fees (which pursuant to the relevant laws of the PRC were estimated to be not less than RMB22 million);
- (c) in respect of the Purchase Agreement — legal proceedings have been commenced by Nanpu Fine Wine against Remfly Investment in Hong Kong.

On 21 November 2019, the Company announced the final report on the Forensic Investigation was issued and the contents of the final report was, in all material respects, the same as that disclosed in the announcement of the Company dated 20 September 2019.

The Company would like to update its shareholders and investors as regards the Board's views on the Transactions as a result of the Forensic Investigation.

BOARD'S VIEW ON THE TRANSACTIONS

The Board (including the independent non-executive Directors) has taken into account legal advice obtained by it, as well as the operational and financial circumstances faced by the Group.

The Board noted that the Company has taken the following remedial measures:

1. removal of Mr. Lin as an executive Director and chairman of the Board on 28 June 2018 (“**Removal**”);
2. composition of non-executive Directors:
 - (a) appointment of (i) Mr. Lam Tin Faat who has an accounting background, (ii) Mr. Lau Fai Lawrence who also has an accounting background and (iii) Mr. Hu Hongwei (“**Mr. Hu**”) who has a legal background as independent non-executive Directors with effect from 26 November 2018;
 - (b) re-designation of Mr. Hu from an independent non-executive Director to a non-executive Director, and the appointment of Ms. Shen Congju who has a legal background as an independent non-executive Director with effect from 12 July 2019;
3. a new chief financial officer (“**CFO**”) joined the Company with effect from 25 April 2019 and is responsible for the overall financial operation of the Company and its subsidiaries;
4. the CFO has reviewed the management accounts of the Group for the year ended 31 December 2018 and for the period ended 30 June 2019 and made corresponding impairment provisions;
5. the Group has improved its internal control process for payment applications, strengthened documentation for corresponding approvals, and required employees to strictly implement the same;
6. 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. Pan-China has conducted a preliminary internal control review of the Company’s operating procedures, systems and control measures (including accounting and management systems). The current management of the Group has taken actions and measures regarding the high-risk defects identified by Pan-China related to the internal control system of the Company. Due to the recent outbreak of the novel coronavirus, Pan-China has not completed a follow-up review of the internal control system of the Group;
7. the Company has sought further legal or professional advice in the PRC regarding potential claims for losses and damages caused by, among others, breach of contract, default, negligence of the parties to the Transactions;

8. as set out in paragraph (a) in the section headed “Background” of this announcement, Tenwow Food has filed a lawsuit in relation to the Financial Assistance, and Tenwow Food won the lawsuit and obtained an order to freeze the assets of Tiansheng Warehouse. However, no further action could be taken as Tiansheng Warehouse’s assets have been temporarily frozen by other Tiansheng Warehouse’s priority creditors;
9. as set out in paragraph (c) in the section headed “Background” of this announcement, legal proceedings have been commenced by Nanpu Fine Wine against Remfly Investment in Hong Kong in relation to the Purchase Agreement; and
10. in respect of the Prepayment Agreements, the Company has assessed the solvency of the Suppliers and understands the recovery and risks of filing potential claims.

After careful discussion and due consideration, the Board (including the independent non-executive Directors) has resolved that:

- A. to date, there is no evidence that clearly indicates the Transactions involve matters of a criminal nature;
- B. to date, there is no evidence that clearly shows that the Mr. Lin Qi has integrity issues in relation to the Transactions, but the results of the Forensic Investigation indicated that he may not have performed his duties appropriately;
- C. having said that, considering discussions with potential investors on the Group’s restructuring and the recent outbreak of the novel coronavirus, the retention of Mr. Lin Qi on the Board may be more conducive to in-depth discussions with potential investors during the Group’s restructuring process and the maintenance of on-going operations, and in the interests of the Company and its shareholders in the interim;
- D. as set out in the announcement of the Company dated 14 June 2019, all parcels of land and properties of the Group previously frozen by the Shanghai Municipal Security Bureau have been released and equity interests of the 11 subsidiaries of the Group previously temporarily frozen by the Shanghai Municipal Security Bureau have all been released. Accordingly, based on presently available information, Mr. Lin’s investigation in the PRC seems to be more related to him personally. There is currently no evidence that Mr. Lin’s investigation in the PRC is related to the Group and having considered his Removal, the Resumption Condition in respect of his PRC investigation should be viewed as having been fulfilled;
- E. at present, the Group’s cash flow is close to breakeven but the recent novel coronavirus outbreak will likely exert financial pressure on the Company;
- F. regarding any potential claim against Mr. Lin, the Company’s PRC legal advisers advised that as the investigation in the PRC on Mr. Lin is of a criminal nature, if Tenwow Food files a civil lawsuit against Mr. Lin, it may not be able to obtain a swift court judgment. Further, as the Group currently does not have sufficient funds to pay an estimated court acceptance fee of RMB1,720,088 to process the case and any civil claim by the Group against Mr. Lin will be suspended until his investigation in the PRC is concluded; and

- G. as regards any potential claim against the Suppliers, the Group currently does not have sufficient funds to pay the latest estimated litigation costs of approximately RMB20 million.

The Board has also further resolved that the following additional remedial measures be taken:

- I. the Group should consider transferring the right to file the above potential claims to the administrator of the offshore creditors or the domestic bankruptcy and reorganisation administrator. Any residual funds recovered from the claims after settling claims of the creditors are to be distributed back to the Company;
- II. it is recommended that Mr. Lin Qi be removed from his role as chairman of the Board and remain as an executive director of the Company in order to facilitate in-depth discussions with potential investors and the maintenance of on-going operations during the reorganisation of the Group;
- III. the Group should hold regular training courses for Mr. Lin Qi to ensure that necessary financial and internal control measures can be implemented and complied with;
- IV. the Group should strictly implement its internal control systems and procedures, regularly review and improve the Group's internal control systems and procedures, including but not limited to all internal control deficiencies identified in the internal control review report;
- V. the Group should consider transferring the rights to potential claims against any former executives mentioned in the PRC legal opinion to the administrator of the overseas creditors or the domestic bankruptcy and reorganisation administrator. Any residual funds recovered from such claims after settling with the creditors are to be distributed back to the Company. The Group has not been able to contact any former executives; and
- VI. the Company to assess the impact of the relevant impairment provisions made in 2018 but attributable to the Transactions in 2017 on the 2017 financial results.

Mr. Lin Qi and Mr. Yeung Yue Ming, both existing executive Directors who were also executive Directors at the material times, had abstained from voting at the Board meeting discussing and resolving the above, and they were not counted towards the quorum of such Board meeting.

REMOVAL OF THE CHAIRMAN OF THE BOARD

The Board has resolved to serve a notice on Mr. Lin Qi to remove him as chairman of the Board with effect from the date of this announcement. Mr. Lin Qi continues to serve as an executive Director, authorised representative, member of the remuneration committee, and member and chairman of the nomination committee of the Company.

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.

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

Hong Kong, 13 February 2020

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.