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CTR Holdings Limited

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 1416)

UPDATE ANNOUNCEMENT REGARDING PROPOSED CHANGE OF AUDITORS

This announcement is made by CTR Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of the Company dated 31 May 2021 and 11 June 2021 (collectively, the “**Announcements**”) and the circular of the Company dated 18 June 2021 (the “**Circular**”) in relation to the Proposed Change of Auditors. Terms used herein shall have the same meanings as those defined in the Announcements and the Circular unless the context requires otherwise.

The Board would like to update the Shareholders and potential investors that the Company received a letter of termination from EY (the “**Termination Letter**”) on 7 July 2021. In the Termination Letter, EY acknowledged the Board’s proposal to terminate its appointment as auditor of the Company.

EY stated in the Termination Letter that, up to the date of the Termination Letter, it had not obtained sufficient evidence to substantiate (a) the recognition of the intangible assets and the deposits relating to a distribution agreement entered into between a third-party licensor (the “**Licensor**”) and the Group (the “**Distribution Agreement**”) in which the Group obtained distribution rights from the Licensor for sale of foam cement products in Africa; and (b) the marketing expenses resulting from two agreements entered into between a third-party service provider and the Group (the “**Marketing Services Agreements**”).

As disclosed in the Announcements, the outstanding audit procedures included but not limited to interviewing the relevant third parties. In particular, (i) with respect to the Distribution Agreement, the Company has not been able to procure the interviews with the third-party manufacturer and the third parties payees requested by EY; and (ii) with respect to the Marketing Services Agreements, the Company has not been able to procure the interviews with the two third parties payees requested by EY.

With respect to the Distribution Agreement, EY pointed out in the Termination Letter that, although EY had obtained representations from the Licensor in an interview arranged by the Group, EY was not able to obtain relevant documentary evidence to support the explanations provided by the Licensor to ascertain (i) if the third-party manufacturer of those foam cement products has consented to the Licensor's sub-licensing to the Group to conduct the sales in Africa; (ii) the relationship between the Licensor and a third-party company, whom the Licensor instructed the Group to pay HK\$15 million out of HK\$18.9 million of the license fee and deposits pursuant to the Distribution Agreement; and (iii) the further details such as quantities and unit prices with respect to the deposit of HK\$6.9 million paid by the Group pursuant to the Distribution Agreement.

In the Termination Letter, EY also pointed out that in respect of the Marketing Services Agreements, notwithstanding the Group had arranged for EY to interview the third-party service provider, EY was not able to obtain further explanation on the nature of the market research and marketing services and the payment arrangement in which the Group paid a total of HK\$3.5 million of the relevant fees to two third parties.

EY stated in the Termination Letter that it had communicated the above matters to the Audit Committee and that the related audit work was not completed.

Further, EY confirmed in the Termination Letter that, save for the foregoing, there were no circumstances connected with its termination which it considered should be brought to the attention of the members or creditors of the Company in relation to the Proposed Change of Auditors.

The Company would like to reiterate that it has been working proactively to finalise the 2021 Audited Annual Results and to resume the trading of the shares of the Company. However, despite the Company's efforts, the Board and EY have been unable to reach a consensus on the outstanding audit procedures. In the circumstances, the Board considers that it is in the best interest of the Company and the Shareholders as a whole to replace EY with HLB. Hence, the Board proposed to remove EY as the auditors of the Company by a special resolution and to appoint HLB as the auditors of the Company by an ordinary resolution at the EGM, the notice of which has been included in the Circular and despatched to the Shareholders on 18 June 2021.

Shareholders and potential investors are advised to read this announcement together with the Circular for information relating to the Proposed Change of Auditors.

By Order of the Board
CTR Holdings Limited
Xu Xuping

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 7 July 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Xu Xuping and Mr. Xu Tiancheng; and three independent non-executive Directors, namely Mr. Kung Wai Chiu Marco, Mr. Tang Chi Wang and Ms. Wang Yao.