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CTR Holdings Limited

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

(Stock Code: 1416)

FULFILMENT OF ALL RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

This announcement is made by the board of directors (the “**Board**”) of CTR Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions 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 31 May 2021, 11 June 2021, 7 July 2021, 8 July 2021, 6 August 2021, 31 August 2021, 29 October 2021, 30 November 2021, 1 March 2022, 2 March 2022, 19 April 2022, 18 May 2022 and 31 May 2022 (collectively, the “**Announcements**”). Unless otherwise stated, the capitalised terms used herein shall have the same meaning as defined in the Announcements.

RESUMPTION GUIDANCE

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 June 2021.

As disclosed in the announcement of the Company dated 6 August 2021, the Stock Exchange set out the guidance for the resumption of trading in the shares of the Company (the “**Resumption Guidance**”) as follows:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications (“**Resumption Guidance 1**”);
- (b) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules (“**Resumption Guidance 2**”); and
- (c) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position (“**Resumption Guidance 3**”).

FULFILMENT OF ALL RESUMPTION GUIDANCE

The Board is pleased to announce that the Company has fulfilled all the Resumption Guidance as at the date of this announcement, details of which are set out below.

(a) **Resumption Guidance 1 – To publish all outstanding financial results required under the Listing Rules and address any audit modifications**

Publishing all outstanding financial results

The auditors of the Company, HLB Hodgson Impey Cheng Limited (“**HLB**”), has completed the audit for the financial results for the years ended 28 February 2021 and 28 February 2022.

The Company published (i) the audited annual results announcement for the year ended 28 February 2021 on 3 March 2022; (ii) the interim results announcement for the six months ended 31 August 2021 on 19 April 2022; and (iii) the audited annual results announcement for the year ended 28 February 2022 on 31 May 2022. As such, the Company has published all outstanding financial results as required under the Listing Rules in satisfaction of the Resumption Guidance 1.

As of the date of this announcement, the Company has no outstanding financial results required by the Listing Rules to be published.

Addressing audit modifications

As disclosed in the results of the Company for the year ended 28 February 2021 and for the year ended 28 February 2022, HLB was unable to express an opinion on the consolidated financial statements of the Group for the year ended 28 February 2021 (the “**2021 Disclaimer Opinion**”) and for the year ended 28 February 2022 (the “**2022 Disclaimer Opinion**”) (collectively, the “**Disclaimer Opinions**”).

The Disclaimer Opinions essentially arose from:

- (i) the Group’s recognition of intangible assets (the “**Intangible Assets**”) and deposits (the “**Deposits**”) in respect of payments made by Promontory Company Limited (“**Promontory**”), an indirect wholly-owned subsidiary of the Company, to a licensor (the “**Licensor**”) pursuant to a distribution agreement during the year ended 28 February 2021;
- (ii) the Group’s recognition of marketing expenses paid by Promontory under two marketing services contracts entered into between Promontory and a third-party service provider for the provision of marketing research and marketing promotion services during the year ended 28 February 2021; and

(iii) the determination of the gain on disposal of Promontory on 28 February 2022.

The directors of the Company (the “**Directors**”) consider, and HLB concur, that all issues giving rise to the Disclaimer Opinions have been satisfactorily addressed as follows:

- (1) During the year ended 28 February 2022, the Group negotiated with the Licensor for refund of the payments made for the acquisition of the Intangible Assets and refund of the Deposits, and eventually the Licensor refunded in aggregate the sum of approximately S\$1.74 million (equivalent to approximately HK\$10.1 million). As a result, the Group derecognised the Intangible Assets and the Deposits during the year ended 28 February 2022 and recognised a gain on derecognition of the Intangible Assets and the Deposits.
- (2) On 28 February 2022, the completion of the disposal of Promontory (the “**Disposal**”) took place. As a result, the financial results, cash flows, assets and liabilities of Promontory were no longer consolidated into the Group’s consolidated financial statements from the date of the Disposal (i.e., 28 February 2022) onwards.
- (3) Except for the audit modification on the comparative figures to be stated in the consolidated financial statements of the Group for the year ending 28 February 2023, there would not be other audit modifications in respect of the matters referred to above. In respect of the Group’s consolidated financial statement for the year ending 28 February 2023, any audit modifications should solely relate to the comparability of 2022 figures. Accordingly, the issues giving rise to the Disclaimer Opinion will not have any continuing effect on the Group’s consolidated financial statements for the year ending 28 February 2024 and the subsequent years.
- (4) The Company engaged Baker Tilly Consultancy (Singapore) Pte. Ltd. (“**Baker Tilly**”) to carry out an internal control review on processes relating to investment management. The internal control review was completed in May 2022. The Company has taken steps to rectify the deficiencies identified in the internal control review. Enhanced internal control procedures on investments and payments are currently in place and Baker Tilly has performed a follow-up review and has stated that all issues identified had been remediated.

Based on the foregoing, the Company is of the view that it has fulfilled the Resumption Guidance 1.

(b) Resumption Guidance 2 – To demonstrate the Company’s compliance with Rule 13.24

The Group is a Singapore-based contractor specialising in structural engineering works and wet architectural works.

The Company considers that the Group’s business operation are both of substance and are viable and sustainable. The Group also has sufficient level of operation and assets of sufficient value to warrant the continued listing of the Company’s securities.

- (i) There has been no change in business model by the Group. The Group’s two business segments at the time of the Listing remain the same as of the date of this announcement, and there has been no disposal of existing business since the Listing.
- (ii) There has been no revocation or suspension of any licences maintained by the Group since the Listing.
- (iii) The number of projects in the Group’s backlog remained stable at 12 as at 29 February 2020 and 28 February 2021, and increased to 20 as at 28 February 2022.
- (iv) Despite the impact of COVID-19 since 2020, the Group’s revenue for the financial years after the Listing (i.e. the year ended 29 February 2020, the year ended 28 February 2021 and the year ended 28 February 2022) was comparable with that for the financial years comprising its track record period as stated in its prospectus (i.e. the three years ended 28 February 2017, 2018 and 2019):

	For the year ended 28 (or 29) February					
	2022	2021	2020	2019	2018	2017
	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>	<i>S\$’000</i>
Revenue	105,678	35,806	65,599	64,353	54,481	26,453

The Company also continues to have sufficient assets of sufficient value to support its operations, having considered that the value of its assets for the latest three financial years were comparable to those for the pre-Listing track record period. The following table sets forth certain selected financial information as at the dates indicated:

	As at 28 (or 29) February					
	2022	2021	2020	2019	2018	2017
	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>	<i>S\$ million</i>
Non-current assets						
Property, plant and equipment	2.6	2.5	2.8	2.2	2.3	1.7
Investment properties	4.3	4.6	4.6	5.4	5.6	5.7
Contract assets	13.0	6.4	7.2	7.1	3.7	2.0
Current assets						
Contract assets	7.2	6.6	7.1	2.7	6.9	3.3
Trade receivables	10.3	5.4	5.6	4.2	5.7	4.0

Based on the above, the Company is of the view that the Group continues to carry out business with a sufficient level of operation and assets of sufficient value to support its operations in compliance of Rule 13.24 of the Listing Rules.

(c) Resumption Guidance 3 – To inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position

Since its trading suspension, the Company has announced quarterly updates on the suspension of trading under Rule 13.24A and has published audited results for the years ended 28 February 2021 and 2022, in which disclosures in relation to the issues causing the trading suspension and how the Company had addressed such issues were included. The Board believes that the Company has announced all material information it considers necessary and appropriate for the Company’s shareholders and potential investors to appraise the Company’s position.

ENHANCING THE INTERNAL CONTROL OF THE GROUP

As disclosed in the 2021 Annual Report, the Company engaged Baker Tilly Consultancy (Singapore) Pte. Ltd. (“**Baker Tilly**”) to conduct an internal control review on investment management processes. In May 2022, Baker Tilly completed the internal control review and issued the report (the “**Internal Control Review Report**”).

The key findings of Baker Tilly and the follow-up actions taken by the Group are summarised below:

Key findings

Subsequent follow-up actions taken by the Group

Management issue 1: Delegation of authority for investment activities had not been established.

On 25 March 2020, Promontory Company Limited (a former indirect wholly-owned subsidiary of the Company) and a licensor (“**Licensor**”) entered into a distribution agreement (“**Distribution Agreement**”) pursuant to which the Licensor agreed to sub-license the distribution rights to Promontory for the sale of foaming cement products (sourced from a manufacturer in Mainland China (“**Manufacturer**”) in Cameroon, Africa.

The following inadequacies were noted:

- (a) The Board’s approval on the investment plan was obtained around two months after the execution of the Distribution Agreement.
- (b) The Group had not formalised the delegation of authority for investment activities, such as the authorisation of investment decisions, entering into of investment-related agreements, and making investment-related payments.

The Group has formalised its delegation of authority for investment activities. In May 2022, the Group introduced the new investment policy (the “**Investment Policy**”) to set out guidelines for the investment management activities carried out by the Company and its subsidiaries. In particular, the Investment Policy establishes various guidelines on the delegation of authority to make investment-related decisions (the “**Delegation of Authority Guidelines**”). Generally speaking, for investment-related decisions over S\$500,000, they shall be submitted to the Board for deliberation and approval. For investment-related decisions up to the amount of S\$500,000, they shall be approved jointly by the Chief Executive Officer (CEO) and one other executive director and reported to the Board for their information. After obtaining the necessary approval from the Board (for investment-related decisions over S\$500,000) or the CEO and an executive director (for investment-related decisions under S\$500,000), only the authorised persons have the authority to sign/authorise paperwork in relation to the investment-related decisions. Going forward, investment activities will be approved based on the delegation of authority. Investment transactions will not be executed before obtaining approval in accordance with the approval matrix.

Key findings

Subsequent follow-up actions taken by the Group

Management issue 2: There was inadequate control in the payment processes for the Distribution Agreement, the Marketing Services Agreement and the Marketing Research Agreement.

There was no evidence documenting approval from the Group's senior management team prior to the payments made in accordance with the Distribution Agreement, the Marketing Services Agreement and the Marketing Research Agreement.

Payments for the Distribution Agreement were made before the commencement of the distribution of foaming cement products in Africa.

Further, payments were made to third parties at the instructions of the contracting parties. While company searches were performed against the third parties, there were no evidence to justify the relationship between the third parties and the contracting parties.

The Group has already implemented Baker Tilly's recommendation as follow:

- (a) Approval for payments should be obtained based on the delegation of authority matrix set forth in the Company's Finance Policies and Procedures Handbook. Dual authorising signatories (who are the Executive Directors) are required for all payments to be made by the Company.
- (b) Justifications for payments made before the commencement of investment activities should be documented and approved.
- (c) Payments to non-contracting third parties should be avoided. Where payments to non-contracting third parties could not be avoided, approval from the Board shall be obtained before any payment is made. The Executive Directors and the Chief Financial Officer (CFO) are responsible for supervising, monitoring and controlling the payment process. The handling employees shall report to the CFO in writing when they receive the contracting party's request or instruction to make payments to a non-contracting third party. The Company should obtain documentation including the written evidence demonstrating the relationship between the third parties and the contracting party as well as the results of company searches and news searches against the third parties. Due diligence on non-contracting third parties shall be conducted, which include:
 - (i) understanding the nature of the non-contracting third parties business, and the ownership and control structure of the non-contracting third parties;
 - (ii) obtaining information on the purpose and intended nature of the business relationship.

The aforesaid documentation and due diligence results shall be included in the written report to the CFO and presented to the Board for their review and assessment in deciding whether to grant approval over payments to non-contracting third parties. The Board's assessment should be recorded.

Procedures concerning payment disbursement to non-contracting third parties have been incorporated as part of the Group's standard operating procedures.

Key findings

Subsequent follow-up actions taken by the Group

Management issue 3: There was no evidence of conflict-of-interest checks and declarations for the investment activities.

There was no written records of conflict-of-interest checks being performed for the Distribution Agreement. The checks should include whether the directors of Promontory had any relationship with the Licensor.

The Group has implemented Baker Tilly's recommendation. Conflict-of-interest checks and written declarations will be performed against the key personnel involved in making the investment decisions.

Management issue 4: There was no evidence of the Manufacturer's consent for the Licensor's sub-licensing of the distribution rights to Promontory.

The Manufacturer granted a "certificate of authorization" to the Licensor in relation to the exclusive distribution rights of foaming cement products in Africa, Indonesia, Malaysia and Thailand.

The Group has implemented Baker Tilly's recommendation. For future investment activities involving sub-licensing of distribution rights, the manufacturer's consent to the sub-licensing of distribution right to the Group will be documented.

However, there was no evidence showing that the Manufacturer had consented to the Licensor's sub-licensing of the distribution rights to Promontory for the sale of foaming cement products in Cameroon, Africa.

Key findings

Subsequent follow-up actions taken by the Group

Management issue 5: There was inadequate control over the entry into of the Marketing Services Agreement and the Marketing Research Agreement.

On 2 April 2020, Promontory entered into a marketing promotion agreement with a third-party service provider (“**Service Provider**”) pursuant to which Promontory shall pay service fees of HK\$2.5 million.

On 7 April 2020, Promontory entered into a marketing research agreement with the Service Provider pursuant to which Promontory shall pay service fees of HK\$1.6 million.

With respect to the entry into of the marketing promotion agreement and marketing research agreement (collectively, the “**Marketing Agreements**”) with the Service Provider, the following inadequacies were noted:

- (a) There was no evidence of competitive sourcing and price comparison being conducted by Promontory against marketing companies offering similar services as the Service Provider.
- (b) There were no evidence of company searches and checks conducted on the Service Provider.
- (c) The Group’s management verbally represented that the Service Provider was an independent third party. However, there were no written conflict-of-interest declarations from the directors of Promontory regarding the entering into of the Marketing Agreements.
- (d) There was no evidence of the review and approval by the Board and/or the Group’s senior management for engaging the Service Provider.

The Group has implemented the recommendations set forth in the report and formalised the following processes for the engagement of third party service providers:

- (a) Competitive sourcing and price comparison shall be performed and documented. The Investment Policy provides guidelines for the Group’s management to conduct due diligence and investment evaluation as part of the investment making process. In particular, the management should perform comparison with industry norms and state the results in the investment proposal.
- (b) Company searches and background checks against the service provider shall be conducted and documented.
- (c) Written declarations for conflict of interest shall be performed for the key personnel involved in engaging the service provider.
- (d) The Delegation of Authority Guidelines have been established. Written approvals will be obtained before entering into agreements with service provider(s).

Key findings

Subsequent follow-up actions taken by the Group

Management issue 6: Investment management policies and procedures have not been formalised.

The investment plan of distributing foaming cement products in Cameroon, Africa was proposed by the directors of Promontory and approved at a Board meeting.

However, policies and procedures for the Group's investment management activities were not formalised.

Baker Tilly recommended that investment management policies and procedures should be established in writing and cover the following:

- (a) roles and responsibilities;
- (b) delegation of authority;
- (c) investment objectives, constraints and strategies;
- (d) investment risk management;
- (e) investment making process;
- (f) investment monitoring;
- (g) divestment procedures; and
- (h) public announcement & regulatory filing procedures.

The Group has adopted the aforesaid recommendations. In May 2022, the Group introduced the Investment Policy.

Key findings

Subsequent follow-up actions taken by the Group

Management issue 7: Investment due diligence processes were not adequate.

Promontory presented the “Business Plan for Foaming Cement Products” to the Board in May 2020. The business plan covered matters such as the introduction of foaming cement products, information of the Licensor and the Manufacturer, the market, production and consumption forecast in Cameroon from 2016 to 2029.

However, the following investment due diligence activities were not performed:

- (a) There was no evidence of risk assessment being carried out and documented for the business plan of selling foaming cement products in Cameroon, Africa.
- (b) There was no site visit conducted to assess the Manufacturer’s product quality and production capability.

Baker Tilly recommended that more comprehensive due diligence procedures (such as risk assessments and site visits) should be performed on the Group’s investment plans in the future.

The requirement for more comprehensive due diligence procedures has been included in the Investment Policy. In particular, the Group’s management is required to conduct comprehensive due diligence and evaluation on various aspects and state the results in the investment plan. Examples of such matters include the following:

- (a) quality, reputation and management policy of the target company’s management personnel;
- (b) current and past financial status and operating cash flow of the target company;
- (c) pros and cons or strengths and weaknesses of the target company’s operations and acquisitions and business operations;
- (d) verify relevant information with suppliers, customers, banks and related institutions of the target company;
- (e) legal assessment (such as corporate and corporate asset ownership, legal proceedings etc.) on the target company and the investment;
- (f) restrictions on withdrawal of investment;
- (g) competitive advantages brought by the investment project to the Group;
- (h) profitability of the investment project to the Group;
- (i) historical performance and/or projected returns of the target company and the investment.

Key findings

Subsequent follow-up actions taken by the Group

Management issue 8: There was no evidence of assessment for the reasonableness of the amount of license fee and minimum purchase commitment in the Distribution Agreement.

According to the Distribution Agreement, the annual licensing fee was HK\$4 million for the exclusive distribution rights. The annual minimum purchase commitment was HK\$10 million for the 2020–2021 contract year and HK\$25 million for 2021–2022 contract year and HK\$35 million for 2022–2023 contract year.

However, there was no evidence of assessments being performed on the reasonableness of the amount of the license fees and the minimum purchase commitment.

Baker Tilly recommended that for investment activities involving licensing rights, assessment on the reasonableness of the amount of license fees payable to the licensor should be performed and documented.

Such requirement has been included in the Investment Policy.

The Group has updated its internal control policies and procedures to reflect the enhanced measures mentioned in the aforesaid follow-up actions. The updated policies and procedures have also been circulated to the employees of relevant departments of the Group and will be made available to new joiners in the future.

The Board confirms that the Group has implemented all updated policies and procedures and will continue to implement the same in the future.

Baker Tilly has reviewed the follow-up actions adopted by the Group and considered that all management issues have been adequately remediated and the Company has currently put in place an adequate internal control system.

With a view to preventing and detecting the occurrence of investment activities which are not in compliance with the internal policies, the Group has put in place the following measures:

- (a) Monthly management information reports covering information such as the management accounts and budgetary variances shall be submitted to the Executive Directors and the senior management for review.
- (b) The Board shall, at least on an annual basis, review the adequacy and effectiveness of the Group's investment management methodology to ensure that it reflects current practices.
- (c) An external consultant shall be engaged to review the effectiveness of the Group's overall risk management and internal control systems on an annual basis.
- (d) The finance department shall conduct an internal review twice a year to ensure the effective implementation of the policies and procedures detailed in the Finance Policies and Procedures Handbook. The head of finance department or his/her designate shall also conduct a balance sheet review on a regular basis.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

The Audit Committee and the Board have reviewed the findings set out in the Internal Control Review Report. Having considered the aforesaid follow-up actions taken by the Group and Baker Tilly's view, the Audit Committee and the Board are of the view that the deficiencies identified in the Internal Control Review Report have been satisfactorily addressed, and the Company has currently put in place adequate internal controls and procedures to comply with the Listing Rules.

RESUMPTION OF TRADING IN THE SHARES

As all the Resumption Guidance have been satisfied, the Company has made an application to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 August 2022.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By Order of the Board
CTR Holdings Limited
Xu Xuping

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 16 August 2022

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 Dr. Kung Wai Chiu Marco, Mr. Tang Chi Wang and Ms. Wang Yao.