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CWT INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

INSIDE INFORMATION

(1) FULFILMENT OF RESUMPTION GUIDANCE; AND (2) RESUMPTION OF TRADING

FULFILMENT OF RESUMPTION GUIDANCE

The Board is pleased to inform the Company's shareholders and investors that the Company has fulfilled the Resumption Guidance given by the Stock Exchange.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 April 2023 at the request of the Company. As all conditions set out in the Resumption Guidance have been fulfilled, the Company has applied to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 29 May 2024 on the Stock Exchange.

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of CWT International Limited (the "**Company**", which together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those used in the announcement of the Company dated 14 May 2024.

References are made to:

- (i) the announcement of the Company dated 31 March 2023 in relation to the delay in publication of its annual results for the year ended 31 December 2022, as the Board had received a letter issued by the Former Auditor (the “**Auditor Letter**”) relating to the commercial substance of the 140 Transactions conducted by the Group;
- (ii) the announcement of the Company dated 5 May 2023 in relation to the establishment of the IIC comprising all the then independent non-executive Directors and the engagement of the Independent Professional Party to conduct the Investigation;
- (iii) the announcement of the Company dated 14 June 2023 in relation to the resumption guidance (the “**Initial Resumption Guidance**”) given by the Stock Exchange;
- (iv) the quarterly update announcement of the Company dated 30 June 2023 in relation to, among other matters, the progress of the Investigation;
- (v) the August Announcement (being the announcement of the Company dated 11 August 2023) in relation to the then findings made by the Independent Professional Party;
- (vi) the announcement of the Company dated 11 August 2023 in relation to the order granted by the High Court of Hong Kong extending the time for the Company to hold its annual general meeting for the year ended 31 December 2022 to 31 December 2023;
- (vii) the announcement of the Company dated 4 September 2023 in relation to the additional resumption guidance given by the Stock Exchange (which together with the Initial Resumption Guidance, the “**Resumption Guidance**”);
- (viii) the results announcement of the Company dated 17 September 2023 in relation to the annual results of the Company for the year ended 31 December 2022;
- (ix) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) published on 20 September 2023;
- (x) the results announcement of the Company dated 21 September 2023 in relation to the interim results of the Company for the 6 months ended 30 June 2023;

- (xi) the interim report of the Company for the 6 months ended 30 June 2023 published on 27 September 2023;
- (xii) the quarterly update announcement of the Company dated 3 October 2023 in relation to, among other matters, the commencement of the IC Review;
- (xiii) the announcement of the Company dated 7 November 2023 in relation to the proposed change of the Company's auditor;
- (xiv) the announcement of the Company dated 15 December 2023 in relation to, among other matters, poll results of the annual general meeting of the Company for the year ended 31 December 2022 and compliance of the court order in relation to the holding of such annual general meeting;
- (xv) the results announcement of the Company dated 27 March 2024 in relation to the annual results of the Company for the year ended 31 December 2023;
- (xvi) the quarterly update announcement of the Company dated 2 April 2024 in relation to, among other matters, the additional work undertaken and being undertaken by the Independent Professional Party;
- (xvii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) published on 12 April 2024; and
- (xviii) the announcement of the Company dated 14 May 2024 in relation to the additional work done as regards the Investigation and the findings of the IC Review.

BACKGROUND

As set out in the announcement of the Company dated 31 March 2023, the Board received the Auditor Letter from the Former Auditor regarding the commercial substance of the 140 Transactions conducted by the Group. The Former Auditor suggested the Investigation be conducted. Accordingly, publication of the annual results of the Company for the year ended 31 December 2022 would be delayed. Trading in the shares of the Company on the Stock Exchange was therefore suspended from 9:00 a.m. on 3 April 2023 at the request of the Company.

THE RESUMPTION GUIDANCE

As set out in the announcements of the Company dated 14 June 2023 and 4 September 2023, the following Resumption Guidance was given by the Stock Exchange:

- (1) conduct an appropriate independent investigation into the matters set out in the Auditor Letter, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (2) publish all outstanding financial results under the Listing Rules and address any audit modifications;
- (3) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (4) conduct an independent internal control review of the Group and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules; and
- (5) announce all material information for the Company's shareholders and other investors to appraise the Company's position.

FULFILMENT OF THE RESUMPTION GUIDANCE

The Board is pleased to inform its shareholders and investors that as at the date of this announcement, the Company has fulfilled all conditions set out in the Resumption Guidance, details of which are set out below:

- (A) Resumption Guidance (1) – conduct an appropriate independent investigation into the matters set out in the Auditor Letter, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions**

As set out in the announcement of the Company dated 5 May 2023, the IIC was established, comprising all the then independent non-executive Directors. Grant Thornton Advisory Services Limited was engaged as the Independent Professional Party to conduct the Investigation. Key findings of the Investigation were set out in the August Announcement and the announcement of the Company dated 14 May 2024 (the "**Investigation Announcements**").

The 140 Transactions

The Group is principally engaged in (a) logistics services; (b) engineering services; (c) commodity marketing; and (d) financial services. Under its segment of financial services, it was carrying out structured trading of commodities via its Trade Services Department of the SF Group.

The SF Group acquired cargo of gold concentrates (the “**Commodities**”) from another subsidiary of the Company with simultaneous agreement to sell the same back to such subsidiary on a later date, ie., a “repo trade”.

As set out in the Investigation Announcements, the 140 Transactions involved Straits Asia DMCC (“**DMCC**”) and Orient Cache Limited (“**OCL**”, which together with DMCC, the “**Affected Subsidiaries**”, and both being companies within the SF Group) buying the Commodities from a counterparty and selling the same to another counterparty with an aim to making profit, thus constituting what the SF Group internally referred to as “sleeve trade”. Summary of details relating to the 140 Transactions is set out below:

- (i) the Commodities were stored at the warehouse of CWT Commodity Logistics (Malaysia) Sdn Bhd (“**CWT Logistics**”), another subsidiary of the Company;
- (ii) transferrable warehouse receipts of CWT Logistics were used to transfer the title of the Commodities;
- (iii) DMCC or OCL sold and transferred the Commodities to counterparty A; counterparty A then transferred the same to counterparty B; DMCC or OCL bought back the Commodities from counterparty B; and
- (iv) the Commodities remained within CWT Logistics’ warehouse and were not physically lifted by the counterparties.

The 140 Transactions comprise all of the following characteristics, which set them apart from the sleeve trades previously conducted by the Group:

- (i) the transactions had low profit margin – they brought upon a profit margin of approximately 0.01% or lower;
- (ii) the transactions involved a small number of counterparties – other than DMCC or OCL, only two other counterparties were involved in each transaction. In total, only seven counterparties were involved in the 140 Transactions; and
- (iii) the transactions were repeated in a short period of time – the 140 Transactions were all conducted within two months in 2022.

Possible reasons for the 140 Transactions

Pursuant to the Investigation, it appeared senior management of the Group noted a gap between the budget and actual revenue of SF Group, and expressed that SF Group should work on reducing such revenue gap.

As set out in the Investigation Announcements, based on the representations obtained from the Investigation, the 140 Transactions may be for the purpose of increasing the turnover of the counterparties and increasing the counterparties' chance of trading with bigger companies or selling the business. While certain staff of the SF Group represented that they conducted the 140 Transactions in response to the trading needs of the counterparties, it appeared that the 140 Transactions also served to close the revenue gap of the SF Group.

Payment of introduced business commissions (the "IB Commissions") from Affected Subsidiaries to 4 counterparties of the 140 Transactions

As set out in the Investigation Announcements, it was noted IB Commissions were paid to four counterparties of the 140 Transactions.

While a key personnel of the Affected Subsidiaries represented that the IB Commissions paid to these counterparties were not related to the 140 Transactions but were instead derived from other parts of the business of SF Group, the Independent Professional Party was unable to verify such representation due to insufficient supporting documents on how the commissions were negotiated, derived, or calculated. The Independent Professional Party requested for internal memo, written agreements or email correspondence between the counterparties and Affected Subsidiaries but was not provided with any of the relevant information.

Other transactions

As set out in the August Announcement, the Independent Professional Party identified seven other transactions during the review period which shared one or more characteristics of the 140 Transactions. Based on the Independent Professional Party's review of the underlying supporting documents of these seven transactions and the interview with the relevant personnel of the Affected Subsidiaries, the Independent Professional Party observed that the commercial rationale, underlying cargo and shipping documents, the frequency and settlement pattern of the seven transactions differed from the 140 Transactions. Therefore, it was concluded that these seven transactions were not similar to the 140 Transactions.

Findings

Key findings of the Investigation were set out in the Investigation Announcements. In short, the Independent Professional Party was of the view that, subject to the Investigation limitations set out therein:

- (i) (a) the possible reasons and commercial substance of the 140 Transactions; and (b) the possible reasons for making the IB Commissions and their connection to the 140 Transactions remained unclear;
- (ii) the Business Unit Key Personnel (being the then head of Trade Services Department) was responsible for negotiating, initiating and executing the 140 Transactions. Such Business Unit Key Personnel acknowledged she was made aware of the revenue gap of the SF Group and responded the Trade Services Department could do trades to bridge the revenue gap;
- (iii) while a Management Key Personnel (being the then chief financial officer and deputy chief executive officer of the Intermediate Holdco) was involved in payment approval in accordance with usual routine, there was no evidence to show that such Management Key Personnel was involved in or had any obvious role relating to the initiation, approval or execution of the 140 Transactions; and
- (iv) it appeared all other Management Key Personnel (being the financial controller of SF Group, the chief executive officer of SF Group, a former executive Director, and the chairman and chief executive officer of the Company) had no obvious role in the initiation, approval or execution of the 140 Transactions (except for payment approval in accordance with usual routine by the said financial controller and chief executive officer of the SF Group), and there appeared to have no substantive evidence showing they had any integrity issue in connection with the 140 Transactions, and that there was no evidence to show that they were involved in or had any obvious role relating to the initiation, approval or execution of the 140 Transactions.

The IIC concurred with the view of the Independent Professional Party and recommended the Board to take appropriate steps to minimise the involvement of the Management Key Personnel mentioned in (iii) above in daily management or approval process in the Group as it appears that given the relevant capacity of such Management Key Personnel during the relevant periods, such Management Key Personnel might well need to be held accountable for the likely lack of professional scepticism or appropriate action by such Management Key Personnel's team.

The Board concurred with the views of the Independent Professional Party and the IIC, and resolved to adopt the IIC's recommendations and to implement necessary measures in relation thereto.

Remedial actions

As set out in the announcement of the Company dated 31 March 2023, the Company had accepted the Former Auditor's suggestion to adopt a net basis instead of a gross basis in the accounting treatment of the 140 Transactions. As set out in the 2022 Annual Report and 2023 Annual Report, relevant trade payables and receivables relating to the 140 Transactions were fully settled by the end of August 2023. Also as set out in the 2023 Annual Report, the Group had discontinued the structured trading services (to which the 140 Transactions belonged) carried out by the Trade Services Department. The personnel from the Trade Services Department (including the then head, assistant vice president and senior executive of the Trade Services Department) had ceased employment with the Group. The aforementioned Management Key Personnel had tendered a notice of retirement and such Management Key Personnel's employment with the Group will cease in June 2024. The Company has also engaged the IC Consultant to conduct the IC Review, details of which are set out in the discussions relating to the Resumption Guidance (5) below.

Accordingly, the Board is of the view that incident similar to the 140 Transactions will be prevented, monitored and detected in the future.

(B) Resumption Guidance (2) – publish all outstanding financial results under the Listing Rules and address any audit modifications

Publication of financial results

As at the date of this announcement, all of the Company's outstanding financial results have been published.

In relation to the year ended 31 December 2022, the Company had published:

- (i) the results announcement on 17 September 2023; and
- (ii) the 2022 Annual Report on 20 September 2023.

In relation to the 6 months ended 30 June 2023, the Company had published:

- (i) the results announcement on 21 September 2023; and
- (ii) the interim report on 27 September 2023.

In relation to the year ended 31 December 2023, the Company had published:

- (i) the results announcement on 27 March 2024; and
- (ii) the 2023 Annual Report on 12 April 2024.

Appointment of new auditor

As set out in the announcement of the Company dated 7 November 2023, following the retirement of the Former Auditor at the conclusion of the Company's then forthcoming annual general meeting and subject to shareholders' approval at the said annual general meeting, Baker Tilly Hong Kong Limited ("**Baker Tilly**") would be appointed as the Company's new auditor. Further as set out in the announcement of the Company dated 15 December 2023, the Company's shareholders had approved the appointment of Baker Tilly as the auditor of the Company at the Company's annual general meeting held on the same date.

Qualified opinion

The financial statements as set out in the 2022 Annual Report were audited by the Former Auditor who provided a qualified opinion. As set out in the 2022 Annual Report, during their audit of the Group's consolidated financial statements for the year ended 31 December 2022, the Former Auditor identified 140 Transactions and their commercial substance was unclear. The transaction sale value and transaction purchase value relating to the 140 Transactions were recognised by the Company on a net basis. As a result of the 140 Transactions, the Group recorded trade receivables balance and trade payables balance. During the Investigation, it was observed that IB Commissions were paid to same group of counterparties involved in the 140 Transactions. These commissions were recognised in the cost of sales but it was unclear whether they were related to the 140 Transactions. The Former Auditor requested management to provide explanations and supporting documentation to substantiate the commercial substance of the 140 Transactions, the IB Commissions, and the relationship with the counterparties. However, the audit evidence the Former Auditor obtained was insufficient to substantiate and ascertain these matters. Consequently, the Former Auditor were not able to obtain sufficient appropriate audit evidence to determine whether the effects of the 140 Transactions and the IB Commissions had been properly accounted for and disclosed, including the accuracy and completeness of related party transaction disclosures. (the "**2022 Qualifications**").

The financial statements as set out in the 2023 Annual Report were audited by Baker Tilly who provided a qualified opinion. Baker Tilly noted, as set out in the notes to the Group's consolidated financial statements for the year ended 31 December 2023, all balances resulted from the 140 Transactions had been settled and there were no transactions with the same group of counterparties of the 140 Transactions nor related balances as at 31 December 2023. The Group had also ceased the operation of the relevant structured trading services during the year ended 31 December 2023. Baker Tilly's opinion on the Group's consolidated financial statements was qualified only because of the possible effects of the 2022 Qualifications on the comparative information and the opening balances of trade receivables and trade payables for the year ended 31 December 2023 (the "**2023 Qualifications**").

Baker Tilly has indicated that the 2023 Qualifications would not have any impact on and therefore be removed in the Company's consolidated financial statements for the year ending 31 December 2024.

(C) Resumption Guidance (3) – demonstrate compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in (a) logistics services; (b) engineering services; (c) commodity marketing; and (d) financial services.

As set out in the 2023 Annual Report:

- (i) the Company's audited consolidated revenue for the year ended 31 December 2023 amounted to approximately HK\$37,226,295,000;
- (ii) the Company's audited consolidated net profit for the year ended 31 December 2023 amounted to approximately HK\$79,194,000;
- (iii) the Company's audited consolidated total assets as at 31 December 2023 amounted to approximately HK\$25,438,229,000; and
- (iv) the Company's audited consolidated net assets as at 31 December 2023 amounted to approximately HK\$4,798,162,000.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects. Based on the above, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations, as well as assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules, and warrant the continued listing of the Company's shares on the Stock Exchange.

(D) Resumption Guidance (4) – conduct an independent internal control review of the Group and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules

The Company has engaged the IC Consultant to conduct the IC Review – the findings, recommendations and remediation work relating to which are set out in the announcement of the Company dated 14 May 2024. Set out below is a summary table setting out the key findings and remedial acts taken by the Company:

Findings	Recommendations/ management’s responses/ remediation work
<p>Lack of formal mechanisms to handle certain corporate level controls and deal with the potential compliance issues with the Listing Rules</p> <p>The Group had not established any formal mechanisms to handle and/or deal with certain corporate level controls and Listing Rules, especially for the Code on Corporate Governance Practices (Appendix 14 (now Appendix C1) to the Listing Rules).</p>	<p>The Company is recommended to establish measures to handle listing matters and monitor the corporate level controls as well as compliance with applicable Listing Rules requirements.</p>
<p>1. No policy or procedure to govern the enterprise-wide risk management processes for the Company</p>	<p>The Company accepted the recommendation and has established the enterprise risk management policy with effect from 5 October 2023 to set out the key aspects of enterprise-wide risk management. Furthermore, the subsidiaries of the Company are required to submit the risk registers to the management team of the Company to report the risk identified and the relevant treatment implementation annually and bi-annually respectively, which will then be presented to the Board and the audit committee of the Board.</p>

**Recommendations/
management's responses/
remediation work**

Findings

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| 2. | Risk assessment being performed on an ad-hoc basis only when there are triggering events such as new projects or business initiatives, which was not systematically performed in the enterprise-wide level in SF | The Company accepted the recommendation and has delegated works including holding discussions with various business heads/ heads of department to provide guidance on identifying the risks of their business operations. Each department will also be required to work on its risk register. The final risk registers will be submitted to the Board for discussion by December 2024. Furthermore, biennial risk register refresher exercises will be conducted and presented to the Board to ensure the risk register remains up-to-date starting from 2025. |
| 3. | No policy for the identification, monitoring, review and report of notifiable, connected and related party transactions under Chapter 14 and Chapter 14A of the Listing Rules and relevant accounting standards applicable to the Company | The Company accepted the recommendation and has established connected and related party transactions policy and notifiable transactions policy. The Company has also assigned its assistant company secretary to prepare and submit the “monthly report” that includes all connected transactions and continuing connected transactions to the management and company secretary of the Company. A corporate governance service team (the “CGST”) was established to perform regular review in relation thereto. |
| 4. | No communication mechanism, such as reporting procedures for responding to enquiries from regulatory authorities and distribution of annual/ interim reports and publication of results announcements | The Company accepted the recommendation and has established the communication policy for responding to enquiries from regulatory authorities and for the distribution of annual/interim reports and publication of results announcements. The CGST would perform regular review in relation thereto. |

Findings	Recommendations/ management’s responses/ remediation work
<p>5. No enterprise-wide business continuity plan and disaster recovery plan for the Company</p> <p>Lack of formally written policies and procedures</p> <p>Although certain entities of the Group had adopted the existing policies and standard operating policies (the “SOP”) to govern the business process, the following policies and procedures were not comprehensive or did not include certain key controls or sub-processes.</p> <p>1. Employee handbook and code of conduct of the Company of certain subsidiaries of the Company</p> <p>2. Financial closing, reporting and disclosure procedures for the Company</p>	<p>The Company accepted the recommendation and has established the business continuity and disaster recovery plan.</p> <p>The Company is recommended to finalise and document the policies and procedures.</p> <p>The Company accepted the recommendation and has circulated the revised employee handbook and code of conduct to the staff accordingly.</p> <p>The Company accepted the recommendation and has established and approved the financial reporting and disclosure manual that covers the group financial closing, reporting and disclosure processes. Such manual has also been circulated to the finance department of the Company on 5 October 2023. Accordingly, the month-end closing, year-end closing and consolidation procedures have been established along with the timeline to govern the progress of closing and consolidation procedures. The CGST would perform regular review in relation thereto.</p>

Findings	Recommendations/ management's responses/ remediation work
3. Written policies and procedures for revenue management for a subsidiary of the Company	The Company accepted the recommendation and has updated the anti-money laundering policy of the subsidiaries of the Company. Furthermore, financial documentation process has been established, approved and circulated to the relevant staff. The CGST would perform regular review in relation thereto.
4. Procedural flow for handling long outstanding accounts receivable for certain subsidiaries of the Company including SF	The Company accepted the recommendation and has established the SOP for handling long outstanding unpaid broking fees to govern the procedural flow of handling along outstanding accounts receivable.
5. Written policies and procedures for cash and treasury management for the Company	The Company accepted the recommendation and has established the cash flow management policy and business investment policy that cover cash management principles, bank reconciliation, cash forecasting, intercompany borrowing, investment and project financing. The CGST would perform regular review in relation thereto.
6. Human resources management policies and procedures for a subsidiary of the Company	The Company accepted the recommendation and has updated the human resource procedures to set out written guidelines on hiring of employees, calculating and processing payroll and performance evaluation for the subsidiary of the Company. The CGST would perform regular review in relation thereto.

**Recommendations/
management's responses/
remediation work**

Findings

Insufficient evidence of performance of controls

Certain transactions did not maintain appropriate documentary evidence to record the performance of controls especially for the review and approval processes of such control measures.

1. Lack of acknowledgement of understanding by new employees on the employee handbook and code of conduct for the Company and SF
2. Financial closing schedule and disclosure checklist for the Company not being used or provided to the relevant parties
3. No written evidence of approval maintained on the recruitment request for new staff for a subsidiary of the Company

The Group is recommended to emphasise the importance of producing and maintaining documents to support the operating processes and monitoring controls, as well as the performance of reviews and approvals.

The Company accepted the recommendation and the new joiners are required to confirm understanding and compliance of the employee handbook.

The Company accepted the recommendation and has established financial closing and disclosure checklist which was incorporated as an appendix in the financial reporting and disclosure manual that was established on 5 October 2023.

The Company accepted the recommendation and has updated the human resource procedures to set out hiring process and note that approval of the chief executive officer should be properly documented for engaging in recruitment activities of new staff through agencies or webpage application. The CGST would perform regular review in relation thereto.

Findings	Recommendations/ management's responses/ remediation work
4. Inadequate follow-up actions taken on the doubtful debt listing for certain subsidiaries of the Company	The Company accepted the recommendation and has established the SOP for handling long outstanding unpaid broking fees to govern the procedural flow of handling long outstanding accounts. The finance team is responsible for reporting the status of outstanding accounts receivables while the legal team is responsible for preparing and issuing the necessary demand letters.
5. Lack of proper record of visiting customer for credit application for a subsidiary of the Company	The Company accepted the recommendation and has adopted a new credit application form which has incorporated a new column for documenting the record of visiting customer. The CGST would perform regular review in relation thereto.
6. Undated approval signature on new account/credit application form for a subsidiary of the Company	The Company accepted the recommendation and has reminded the finance team to include the approval date on new account/credit application forms and other forms that require approval, in order to ensure the timeliness of the approval is reflected in the relevant form.
7. No documentary evidence on the regular review on trading structure/business initiative for certain subsidiaries of the Company	The Company accepted the recommendation and review documentation has been maintained. For any new trading structure/business initiative, a SOP is defined by the business unit and rolled out for implementation. Subsequent review will depend on nature of the business and be performed by the respective chief financial officer and the chief operating officer of business unit. The CGST would perform regular review in relation thereto.

**Recommendations/
management's responses/
remediation work**

Findings

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| 8. Lack of proper record of review on the accounts payable aging report for certain subsidiaries of the Company | The Company accepted the recommendation and has established a process for properly maintaining review evidence as audit trail. |
| 9. No written evidence of review on monthly bank reconciliation performed for all bank accounts of the Company | The Company accepted the recommendation and has compared the bank balance from general ledger to bank statements each month during month end closing procedure. Furthermore, the Company has established the cash flow management policy to ensure monthly reconciliation is performed by the treasury manager for all bank accounts, with email record maintained as a confirmation of the completion of the reconciliation. |

Inadequate segregation of duties

The Company did not maintain an appropriate level of checks and balances upon the review activities of accounting vouchers and bank reconciliation for a subsidiary of the Company. There was a lack of independent review in place.

The Company is recommended to implement appropriate segregation of duties such as incompatible duties on authorization, custody, checking and reconciliation.

The Company accepted the recommendation and the analytical review on the financial figures of the subsidiary of the Company has been performed by an independent finance personnel. Furthermore, the Company has implemented a process to review the bank reconciliation once every quarter, at random, for any entities of the Group with only 1 finance staff.

Findings

Inadequate senior management oversight by the Company management (at listed company level) on its subsidiaries

Most of the businesses of the Group were carried out by its intermediate holding company (the “**Intermediate Holdco**”) and its subsidiaries, and majority of the operational decisions were decided by the management of the Intermediate Holdco without much involvement of the Company’s senior management. There was no clear monitoring mechanism between the Company and its subsidiaries in order to exercise a proper management oversight by the Company.

Recommendations/ management’s responses/ remediation work

The Company is recommended to establish measures and mechanism to monitor the compliance of its subsidiaries in accordance with the Company’s policies and the applicable laws and regulations.

The Company accepted the recommendation and has adopted a regulation for strengthening business management of the Company including the establishment of specific committee, namely the business management committee (the “**BMC**”) to enhance the monitoring procedures of its subsidiaries. The Company has updated the limits of authority framework. The Company has also scheduled offline training sessions for internal control system development and Listing Rules compliance.

As set out in the 2023 Annual Report, the CGST consists of professionals from the Group's legal and internal audit, to enhance and systematise internal controls and corporate governance within the Group. The BMC, on the other hand, is comprised of the chairman and chief executive officer of the Company, the chief financial officer of the Company, the company secretary of the Company and the head of the CGST who possesses legal qualifications. To tackle the problem of localised authority as evidenced in the 140 Transactions, as set out above, both CGST and BMC are not comprised of business unit personnel. This is to ensure no inappropriate corroboration would be present among the business personnel, and to provide a so-called "third-pair of eyes" to enhance internal monitoring. The CGST would also perform more macro review on the Group's policies including anti-money laundering policies, in that history and frequency of transactions between counterparties and the Group will be more closely reviewed and monitored. In reviewing and monitoring transactions, the BMC members would look into details of the transactions including named parties, transaction scale, transaction history etc. in order to detect any red flags.

As at the date of this announcement, the Company has completed all remediation work recommended by the IC Consultant.

As set out in the announcement of the Company dated 14 May 2024, the IIC accepted and endorsed the IC Reports, in particular, in relation to the findings and recommendations set out therein. The IIC therefore also recommended the Board to accept the IC Reports.

Having taken into account the findings set out in the IC Reports, the remedial actions taken by the Group and the view of the IIC, the Board accepted and endorsed the IC Reports, and is of the view that incident similar to the 140 Transactions will be prevented, monitored and detected in the future, and that proper personnel have been assigned to oversee the proper operation of the internal control mechanism.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that that the internal control measures implemented by the Company based on the recommendations of the IC Consultant are adequate and sufficient to address the key findings of the IC Reports, and that the Company has now in place adequate internal control systems to meet its obligations under the Listing Rules.

(E) Resumption Guidance (5) – announce all material information for the Company’s shareholders and other investors to appraise the Company’s position

Since its trading suspension on 3 April 2023, the Company has continued to disclose material information relating to the cause of its suspension, including quarterly updates, and findings relating to the Investigation and IC Review.

Accordingly, the Company has announced all material information it considers necessary and appropriate for the Company’s shareholders and investors to appraise the Company’s position.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 April 2023 at the request of the Company. As all conditions set out in the Resumption Guidance have been fulfilled, the Company has applied to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 29 May 2024 on the Stock Exchange.

By order of the Board
CWT INTERNATIONAL LIMITED
Wang Kan
Executive Director

Hong Kong, 28 May 2024

As at the date of this announcement, the Board comprises Mr. Wang Kan (Executive Director, Chairman and Chief Executive Officer), Mr. Zhao Quan (Executive Director), Mr. Wang Qi (Executive Director), Mr. Huang Fenglin (Executive Director), Mr. Leung Shun Sang, Tony (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director), Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director) and Ms. Liu Yifei (Independent Non-executive Director).