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## **SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED**

### **新昌創展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

## **COMPLETION OF INTERNAL CONTROL REVIEW**

This announcement is made by Sun Cheong Creative Development Holdings Limited (the “**Company**”) pursuant to Rule 13.09(2) and 13.25 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).

Reference is made to the announcement of the Company (the “**Announcement**”) dated 16 June 2020 relating to the appointment of receiver over certain shares of the Company, and the monthly update announcements dated 16 July 2020, 16 August 2020, 16 September 2020, 16 October 2020, 16 November 2020, 16 December 2020, 15 January 2021, 16 February 2021, 16 March 2021, 16 April 2021, 14 May 2021, 16 June 2021, 16 July 2021, 16 August 2021, 16 September 2021, 15 October 2021, 16 November 2021 and 30 December 2021 respectively. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

## **INTERNAL CONTROL REVIEW REPORT**

In order to fulfill the resumption conditions number 3 (“**RG3**”), the Company has appointed CityLinkers Corporate Advisory Services Limited as the independent professional advisor (the “**Internal Control Advisor**”) on 24 November 2021 to conduct a thorough review of and make recommendations to improve the Company’s internal control system to enable the Company to meet its obligations under the Listing Rules (the “**Internal Control Review**”).

The Internal Control Review covers various corporate governance aspects including (i) entity level controls – control environment, risk assessment and management, information and communication, monitoring, and (ii) financial reporting and disclosure controls. Set out below are the major internal control deficiencies and remedial actions completed by the Company:

<b>(i) Entity level controls</b>	
<b>Major internal control deficiencies</b>	<b>Remedial actions completed by the Company</b>
Lack of records to validate whether formal corporate governance policy or guidelines had been established covering the corporate governance requirements.	Established and implemented corporate governance policies with reference to Appendix 14 of the Listing Rules.
Lack of documented descriptions of the roles and responsibilities of the board of Directors and management.	Established organisation charts, job descriptions and authority matrix specifying the roles, responsibilities and delegation of authority of the board of Directors and Management.
Lack of formal code of conduct and ethical guidelines and lack of formal declaration of conflicts of interest.	Established a code of conduct and conflicts of interest policy.
Lack of formal remuneration policy to govern the remuneration of executive and non-executive directors.	Established a formal policy for remuneration.
Lack of training record of directors.	Arranged training to directors and evidence of attendance will be retained once training is conducted.
Lack of adequate controls over the issuance and usage of Company credit card used by a former executive director.	Established written policy and properly assigned delegation of authority for Company credit card usage.  An investigation will be launched to review and investigate suspicions of fraud and unethical behaviour.
Lack of formal loan approval procedures for former executive directors.	Established the cash and treasury management policy.  An investigation will be launched to review and investigate suspicions of fraud and unethical behaviour.

Lack of policies and procedures regarding risk management, assessment and ongoing monitoring.	Established the risk management framework to ensure compliance with code provision C.2.1 and C.2.3 of Appendix 14 of the Listing Rules.
Lack of formal procedures in relation to the monitoring and reporting inside information.	Established a formal framework on monitoring and reporting to ensure compliance with Appendix 10 of the Listing Rules and has delegated the Group secretary to handle and make relevant announcements.
Lack of formal control mechanism to identify, monitor and report related parties and connected parties for financial reporting and disclosures purposes.	Established a policy to monitor related parties transactions and connected parties transactions to ensure compliance with Chapter 14 and Chapter 14A of the Listing Rules and the Hong Kong Accounting Standard 24 in the next published annual reports and accounts. In addition, the Company will review quarterly on external directorships and ownerships to identify any potential related parties transactions and connected parties transactions.
Lack of communication policy and procedures including investor relations and reporting table timetable in line with the 2019 annual report descriptions.	Established a formal communication policy to ensure compliance with Code Provision E.1.4 of Appendix 14 of the Listing Rules.
Lack of formal management reporting framework for reporting of financial and operational information to the board of Directors.	Established a management reporting framework including financial and operational reporting to ensure compliance with Code Provision C.1.2 of Appendix 14 of the Listing Rules.
The Group has no internal audit functions and has no internal audit activities in 2020 and 2021.	Established an internal audit policy and will make a decision on whether to recruit or to outsource the internal audit function.
Lack of formal control mechanism to identify and monitor whether the Group complies with all relevant Listing Rules, and other laws and regulations that are applicable to its business and operation since listing.	Established a compliance checklist to identify and monitor whether the Group complies with all Listing Rules, and other laws and regulations, and will conduct self-assessment using the checklist semi-annually.

Lack of formal anti-fraud framework, whistle-blower programme and other misconduct detective measures.	Established and implemented a formal whistle-blowing policy.
<b>(ii) Financial reporting and disclosure controls</b>	
<b>Major internal control deficiencies</b>	<b>Remedial actions completed by the Company</b>
Controls over financial statements preparation and review process should be enhanced.	The Company will prepare consolidated financial statements on a monthly basis and the Executive Director will review journal voucher listings to ensure the completeness and accuracy of journal entries posted.
Financial closing procedures should be formalised.	Established and implemented a period end closing checklist for monthly and annual financial closing procedures that includes all period end closing procedures, name of the responsible party, completion date and also a control sign-off for each period end closing procedure completed.
Formal budget and variance analysis should be performed.	The chief financial officer had prepared a financial budget for financial year 2022.
Cash flow analysis should be conducted.	The chief financial officer had prepared a cash flow forecast for financial year 2022.

The Company has adopted various policies and procedures and substantially completed the remediation actions by 31 December 2021. The Internal Control Adviser noted that based on the results of their enquiries, observations and discussions with the management and responsible personnel of the Group as well as examination of documents and records, there was no indication of any material irregularity or error on the internal control systems of the Group.

Having considered the results of the Internal Control Review conducted by Internal Control Adviser, the Directors are of the view that the Group's internal control systems are sufficient to meet the obligations under the Listing Rules.

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company has been suspended since 9:00 a.m. on 2 July 2020, and will remain in suspension until further notice.

**Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.**

By order of the Board  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes)*  
**Sun Cheong Creative Development Holdings Limited**  
**Chan Sai On Bill**  
*Executive Director*

Hong Kong, 4 January 2022

*As at the date of this announcement, the executive Directors are Mr. Chan Sai On Bill and Mr. Ng Chun Chung; and the independent non-executive Directors are Ms. Lin Weiqi Wendy, Mr. Wong Chi Kei and Dr. Chan Kai Yue Jason.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*