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Sino Energy International Holdings Group Limited
中能國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1096)

KEY FINDINGS AND RESULTS OF
(1) INTERNAL CONTROL REVIEW; AND
(2) INDEPENDENT INVESTIGATION REPORT

This announcement is made by Sino Energy International Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 and Rule 13.24A 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).

Reference is made to (i) 31 March 2020, 15 May 2020, 2 June 2020, 30 June 2020, 8 July 2020, 31 July 2020, 5 August 2020, 31 August 2020, 30 September 2020, 6 November 2020, 30 November 2020, 31 December 2020, 29 January 2021, 31 March 2021, 1 April 2021, 30 April 2021, 31 May 2021, 2 July 2021, 30 September 2021, 29 October 2021, 31 January 2022 and 22 February 2022 in respect of the delay in the publication of audited annual results and annual reports as well as the unaudited interim results and interim reports; (ii) the announcement of the Company dated 14 October 2020 in respect of the Initial Resumption Guidance; (iii) the quarterly update announcements of the Company dated 30 November 2020, 7 April 2021, 2 June 2021, 31 August 2021, 30 November 2021, 4 March 2022 and 1 June 2022; (vi) the announcements of the Company dated 21 February 2022, 12 April 2022 and 24 May 2022 in relation to the deconsolidation of the PRC Subsidiaries made pursuant to Rule 13.25 of Listing Rules; and (v) the announcements of the Company dated 25 March 2022 and 28 March 2022 in relation to the Company’s review request of the decision of the Listing Committee for cancellation of listing (collectively, the “**Announcements**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

As disclosed in the announcement of the Company dated 12 April 2022, as part of the Independent Investigation, the Company engaged an independent internal control consultant to complete an internal control review and to make recommendation for the Company to improve its internal control system.

The Company has engaged Elite Partners Risk Advisory Services Limited (the “**EP Advisory**”) on 12 April 2022 as its independent internal control consultant to conduct a comprehensive review of the internal control system, policies and procedures of the Group and provide corresponding recommendations for rectification to the management of the Company (the “**Management**”) in order to improve the Group’s financial reporting procedures and internal control system (the “**Internal Control Review**”). EP Advisory is an independent specialist business advisory firm, and has extensive experience in reviewing and advising on the internal controls and corporate governance environments of companies listed on the Stock Exchange.

Based on the factual findings and the implementation of the enhanced internal control measures, the Management and the audit committee of the Company (the “**Audit Committee**”) are able to assess the effectiveness of the Group’s financial reporting procedures and internal control systems.

The key internal control findings identified by EP Advisory throughout the Internal Control Review, corresponding recommendations for rectification (the “**Rectification Recommendation(s)**”), the Company’s response and the remediation status are summarised as follows:

Key Findings	Rectification Recommendation	Company’s response and the remediation status
Risk management		
1. Formally written policies and procedures to govern the Company’s risk assessment and risk management process have not been established.	The Company should develop formal policies and procedures to govern the risk assessment and risk management process and be approved by senior management.	The Management accepted the recommendation and formally established a risk management manual to address the significant risk factors of the Group’s business and formulate the mechanism on identifying, assessing and evaluating, handling and monitoring the relevant risks. The risk management manual has been adopted by the Group with effective date on 17 June 2022.
2. No formal risk registers to supervise and manage the risk of the Group.	It is recommended the Group to set up a formal risk register to record evaluation result of the risk.	The Group has prepared the risk register on 17 June 2022.

Key Findings	Rectification Recommendation	Company's response and the remediation status
Corporate governance		
3. Absence of Corporate Governance Policy	The Company should establish a corporate governance manual and policy and circulated to all management and staffs to ensure the acknowledgement of the policy.	The Board agreed to establish the corporate government policy and the policy has been adopted on 17 June 2022.
4. Absence of a comprehensive induction package for new directors	It is recommended the Company to establish an induction package for orientating the new directors so that they can familiarize themselves with the background and the requirements of the Company.	The Company has established the introduction package for all newly appointed directors on 17 June 2022.
5. Lack of records maintaining the director's training records	The Company should obtain from directors their records of training including the format and contents of each training attended and maintain such records as evidence of participation of continuous professional development.	The Company has set up the training records of all directors and maintained a directors' training register on 17 June 2022.

Key Findings	Rectification Recommendation	Company's response and the remediation status
Corporate governance		
6. Absence of formal procedure on disclosure of directors' interests	The Company should establish a formal written policy which clearly states the procedures on recording and approving the contract with directors or director interest.	The Company has agreed the recommendation and has established the written policy regarding the disclosure of director's interest.
Financial recording and reporting procedures		
7. Disclaimer of opinion has been given from the auditor of the Group for the year ended 31 December 2018	The management of the Group should enhance the internal control system of the Group to ensure the financial statements of the Group are fully supported with necessary evidence and avoid to have significant going concern issues. The full scope internal control manual should be established to guide the business activities of the Group and the governing mechanism should be established to ensure the implementation of the internal control system.	Since certain subsidiaries of the Company has been out of control and has been de-consolidated from the financial statements of the Group. The management would focus on improvement of the internal control system in the remaining core business of the Group. The updated internal control manual of the business of the Group has been prepared and adopted on 17 June 2022.

Key Findings	Rectification Recommendation	Company's response and the remediation status
Financial recording and reporting procedures		
8. Insufficient of human resources and capacity to ensure proper control over the financial reporting function of the Group	<p>The Company should employ sufficient staff with relevant capacity in Hong Kong to supervise the financial department staff in the PRC and monitor if material transactions have been incurred and ensure proper approval has been obtained.</p> <p>A direct control from Hong Kong's financial reporting functions to the PRC's financial department shall be established for proper control.</p>	<p>The management of the Group has established that the PRC financial department team need to directly report to the Hong Kong office. The management will also appoint additional human resource to assist the financial control to extend the responsibility of the financial department in Hong Kong.</p>
9. Non-compliance of Listing Rules regarding the requirement of result announcement and publish of annual report	<p>The timing requirement of publish of financial statements of the Group should be enforced by the financial reporting policy. The procedures of handling the financial reporting under extreme circumstance should also state to allow the Group to react quickly.</p>	<p>The management of the Group agreed with the recommendation. The financial reporting policies and procedures have been prepared by the Group which including the timing requirement and enforcement procedure.</p>
10. Lack of procedures of identifying related parties or connected persons	<p>The Group should provide training to the relevant staff for the definition of related party transactions and connected transactions. The Company should also maintain the register of related parties or connected persons to enable the preliminary checking.</p>	<p>The management has agreed with our recommendation and the related party and connected person register has been prepared.</p>

Key Findings	Rectification Recommendation	Company's response and the remediation status
Financial recording and reporting procedures		
11. Loss of control of number of subsidiaries due to loss of contact	<p>The Company should exercise its control over the subsidiaries of the Group:</p> <ul style="list-style-type: none"> - The Company should assign legal representative of the subsidiaries of the Group - The article of association shall be amended that the Board of directors to be established instead of sole director to avoid management override - The financial department of all the subsidiaries of the Group should directly report to the financial controller of the Company - Handover procedures should be established - If staff violate their duty and responsibility and result loss of the Company, legal action should be considered - Expert team should be formed to handle the situation of loss of control 	<p>The management of the Group agreed with the recommendation. The requirement of control over subsidiaries have been added. The management has approved the amendment of the establishment of board of director in major operating subsidiary of the Company.</p>

Key Findings	Rectification Recommendation	Company's response and the remediation status
Investment policies and procedures		
12. Comprehensive investment policies and procedures are required to improve the investment decision	We suggest the Company to establish a formal written policy and comprehensive procedures regarding investment activities for different size of investment to reduce the risk of investment and prevent loss from investments.	The formal written policy regarding investment procedures have been established on 17 June 2022.
Treasury function		
13. Insufficient segregation of duty to process payment with significant amount	The financial control policy and procedures should be included the financial controller or the chief financial officer into the authorisation of payment arrangement. The Company should require the financial controller or chief financial officer to exercise their skepticism for unusual payment with significant amount and perform necessary enquiry and investigation on the payment.	The financial control policy and procedures have been updated on 17 June 2022 to include the duty of financial department and the payment process.
14. Lack of review on cash flow forecast and analysis to handle the liquidity of the Group	The Group should prepare the annual budget to control the expenses and cash out flow of the Group to encounter the potential liquidity of the financial positions of the Group. The Group shall also to review the monthly cash flow forecast to analyses the difference of the forecast and the actual results to enforce controls of cash flow forecast or adjust the annual budget when necessary.	The management agreed with the recommendation and the cash flow forecast has been prepared on 17 June 2020.

Key Findings	Rectification Recommendation	Company's response and the remediation status
Sales and receipt		
15. Formal pricing policy and sales procedures shall be established	The Company should establish formal pricing policy and sales procedures to ensure all sales procedures and documents are properly authorised and maintained. Especially, for the cash sales to individual customers.	The Company agreed with the recommendation and pricing policy and procedures has been established on 17 June 2022.
Human resources management		
16. Lack of formal procedures on assessing the staff performance	The Company should establish a formal procedure on staff performance appraisal	The staff manual has been approved by the Board and distribute to all staffs of the Group.
17. No proper records of payroll has been maintained	The Company should request all staff paid by cash to sign the acknowledge of receipt of payment to ensure the Company have proper control over the payroll payment. In addition, the Company should consider to pay the staff by bank or other means of electronic payment for proper record.	The management of the Group has asked all staff to sign receipt of payroll and to include the document into the accounting voucher to support the payroll. The management of the Group would consider using bank transfer for payroll starting from August 2022.
Capital expenditure		
18. Lack of competition bids for capital expenditure	The Company shall obtain at least three quotations from suppliers regarding the capital expenditure to avoid over payment of capital expenses.	The management has establish capital expenditure policies and procedures to obtained at least three quotes from supplier for expenses over RMB100,000.

Results of the Internal Control Review

The Internal Control Review has been completed by EP Advisory on 20 June 2022. As at the date of this announcement, the Group has (i) adopted and implemented the relevant Rectification Recommendations; and (ii) rectified the relevant deficiencies in the Group's internal control system.

The Company believes that adequate internal controls and procedures have been in place in the Company to comply with the Listing Rules. Based upon the results of the abovementioned Internal Control Review, EP Advisory is of the view that the Company has in place adequate and reliable corporate governance, internal controls and financial reporting procedures to comply with the Listing Rules.

Opinions of the Audit Committee and the Board

Having considered the report of the Internal Control Review and the remediated actions taken by the Group, both the Audit Committee and the Board are of the view that the enhanced internal control measures implemented by the Company based on the Rectification Recommendations are adequate and sufficient to address the key findings of the report of the Internal Control Review. The Group will continue to implement the Rectification Recommendations on an ongoing basis so as to further strengthen its internal control system, to meet its obligations under the Listing Rules.

KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

The Company had engaged Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)), an independent investigation accountant (“**Mazars**”), to conduct an independent investigation of the matters arising from the Unauthorised Payments (as hereinafter defined) (the “**Independent Investigation**”).

The scope of the Independent Investigation

Mazars has conducted an Independent Investigation in relation to the matters arising from the Unauthorised Payments and the Independent Investigation involves the following procedures including but not limited to:

- (i) Reviewed the relevant documents of the Unauthorised Payments provided by the Company;
- (ii) Conducted background check to obtain information and data of relevant companies and personnels;
- (iii) Conducted interviews with relevant personnels, including personnels involved in the suspicious fund transactions; and
- (iv) Reviewed, analysed and assess the information and documents obtained, and conducted supplementary interviews.

Key findings of the Independent Investigation

Between January and May 2020, it is confirmed in the investigation that Mr. Zhang Wenbin, a former executive director of the Company, acted as the legal representative, executive director and general manager of Greiff (Xiamen) International Trading Co., Ltd.* (哥雷夫(廈門)國際貿易有限公司) (“**Greiff Xiamen**”), a wholly-owned subsidiary of the Company and one of the Fujian Jinmaiwang Subsidiaries, had procured Greiff Xiamen to effect a total of 109 payments totalling RMB325,578,153.95 (the “**Abnormal Payments**”) to a number of individuals and companies, which lack documentary supports and/or business justification.

These payments were personally decided by Mr. Zhang Wenbin, lacking of any proof and evidence for payment. In addition, as these payments were not made according to the Company’s normal payment procedures, and there were several payments in huge amounts not authorized by the Board, the payments were designated as Abnormal Payments. No other Directors were involved in such incident relating to the Unauthorised Payments.

Opinion of the Board on the Independent Investigation

The Company understands that Mazars submitted the independent investigation report on 20 June 2022 to the Independent Investigation Committee, the Audit Committee and the Board (the “**Independent Investigation Report**”); and the Independent Investigation Committee, the Audit Committee and the Board had reviewed and approved the Independent Investigation Report on the same day.

The Board (including independent non-executive director) are of the view that the content and findings in the Independent Investigation Report are Abnormal Payments and in line with the independent investigation advice, and the Board believes that the Independent Investigation Report has fully explained the allegation of the relevant payments investigated by the Company.

The Independent Investigation Committee, the Audit Committee and the Board (including independent non-executive directors) attach great importance to the Independent Investigation Report, and believe it requires to take legal actions to retrieve loss of the Company. If the Abnormal Payments are found to have fraud, the Company will resort to police force to protect the overall interests of the Shareholders and the assets of listed companies. The Company further believes that Abnormal Payments is a separate incident, the Group’s business operation continues as usual despite the suspension of trading since 1 September 2020.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in shares of the Company was suspended from 9:00 a.m. on 1 September 2020 and will remain suspended pending for the publications of 2019 Audited Annual Results, 2020 Interim Results, 2020 Audited Annual Results and 2021 Interim Results.

UPDATE ON REVIEW REQUEST OF THE DECISION OF THE LISTING COMMITTEE FOR CANCELLATION OF LISTING

The Company has submitted the Review Application to the Listing Review Committee on 28 March 2022, and the appeal hearing is to be scheduled on 21 June 2022. Therefore, the Company's shares will not be delisted pending the outcome of the Review Application.

Should there be any material development(s) in the Review Application, further announcement(s) will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Company's shares or other securities of the Company.

By Order of the Board
Sino Energy International Holdings Group Limited
Chen Jianbao
Chairman

Hong Kong, 22 June 2022

As at the date of this announcement, the executive Directors are Mr. Chen Jianbao, Mr. Wang Qingsan, Mr. Zhu Tianxiang, Mr. Kwong Yuk Lap and Mr. Ding Ming; and the independent non-executive Directors are Mr. Chen Jinzhong, Roy, Mr. Chai Chung Wai and Mr. Chong Cha Hwa.