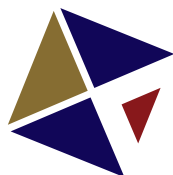


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CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

RESULTS OF INTERNAL CONTROL REVIEW

Reference is made to the Statement of Disciplinary Action published by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 4 January 2022 (the “**Statement**”) and the announcements (the “**Announcements**”) of China Properties Investment Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 21 January 2022, 3 March 2022, 31 March 2022, 29 April 2022 and 31 May 2022 in relation to the appointment of internal control adviser as directed by the Listing Committee in the Statement and the time extensions for submission of the written report of the Internal Control Adviser. Capitalized terms used in this announcement shall have the same meaning as those defined in the Statement and the Announcements, unless the context otherwise requires.

INTERNAL CONTROL REVIEW REPORT

Pursuant to the direction of the Listing Committee, the Company has to, inter alia, submit a written report (the “**Report**”) of the Internal Control Adviser containing its recommendations to the Listing Division to improve the Company’s internal controls and to ensure compliance with Chapter 14 of the Listing Rules. The Company hereby confirms that the Company has submitted the said Report to the Listing Division on 30 June 2022 in compliance with the said direction.

The findings of the Internal Control Adviser in the Review and their recommendations for improvement of the Company’s internal controls and ensuring compliance with Chapters 14 of the Listing Rules are summarized as follows:

1. Failing to establish complete internal control policies regarding notifiable transactions and thresholds for reporting potential notifiable transactions

Findings:

The Company has established the “Internal Control Manual - Notifiable Transactions and Connected Transactions” (內部控制手冊—須予公佈的交易及關連交易). However, such manual does not contain relevant regulations and guidelines on how to analyze, identify, record and approve a notifiable transaction in a timely manner. The Company has also yet to formulate clear thresholds in respect of transaction amount and nature for reporting potential notifiable transactions.

Further, the Company has established the “Internal Control Manual - Risk Management Measures” (內部控制手冊—風險管理辦法), which stipulates that if there is a notifiable transaction pursuant to Chapter 14 of the Listing Rules, a risk assessment report shall be prepared and approved by the board (the “**Board**”) of directors (“**Directors**”) of the Company before entering into such transactions. However, the Company has failed to prepare the risk assessment report for the Board’s approval in accordance with such manual.

Recommendation:

The management of the Company is recommended to:–

- (a) enhance its relevant internal control manuals related to “notifiable transactions” and “connected transactions” and incorporate appropriate responsibilities of the management and responsible employees in order to establish a complete internal control mechanism for timely analysis, identification, recording and approval of the relevant transactions;
- (b) designate personnel (“**Responsible Personnel**”) responsible for handling the requirements for compliance of the Listing Rules and ensuring that the Board, management and responsible employees of the Company fully understand the contents and relevant requirements of the internal control mechanism and procedures;
- (c) provide professional training to the Responsible Personnel for understanding the relevant requirements, including the percentage ratios used to classify a transaction as a connected transaction and notifiable transaction under the Listing Rules;
- (d) strictly enforce the requirements to prepare the risk assessment report under the “Internal Control Manual - Risk Management Measures”, make relevant disclosure for notifiable transactions under Chapter 14 of the Listing Rules and the relevant transactions shall only be entered into after the risk assessment report is approved by the Board; and

- (e) formulate clear thresholds for reporting potential transactions requiring disclosure under the Listing Rules, so as to ensure that transactions exceeding certain amount and meeting relevant nature will be submitted to the senior management of the Company for consideration, evaluation and approval without omission.

2. Training for the Board, company secretary and senior management to be strengthened

Findings:

The Company has failed to provide sufficient training to the Board, its senior management and employees on compliance with the Listing Rules and notifiable transactions under Chapter 14 of the Listing Rules. Also, the Company has yet to provide training for newly appointed Directors to ensure that they are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company has also failed to maintain complete training records in compliance with Appendix 14 of the Listing Rules.

Recommendation:

The management of the Company is recommended to:–

- (a) provide relevant training required under the Listing Rules for newly appointed Directors and provide regular training to all Directors to ensure that they are aware of the relevant changes and latest developments of the laws and regulations, so that they can make timely and informed decisions about the Company; and
- (b) provide sufficient and regular training for members of the Board, its personnel responsible for financial reporting function and company secretary to ensure that the Company can conduct its business in compliance with the relevant provisions of the Listing Rules and keep the relevant materials and records of training.

3. Failing to establish internal control policies and procedures relating to disclosure of information (such as inside information)

Findings:

The Company has failed to establish internal control policies and procedures relating to disclosure of information and clearly delineate the information disclosure principles and scope, responsible entities, information disclosure procedures and information disclosure inspection and evaluation at the listed company level to standardize the requirements for disclosure of information and management for employees.

The Company has yet to establish internal control policies and procedures for disclosure of inside information. In the absence of such written internal control policies and procedures, the employees of the Company lack clear guidelines on disclosure of inside information which results in a risk of non-compliance with the relevant laws and regulations.

Recommendation:

The management of the Company is recommended to establish internal control policies and procedures for disclosure of inside information in accordance with the requirements of the Securities and Futures Commission in order to effectively and systematically manage and ensure timely disclosure of inside information required under the applicable laws. The Company shall also provide regular training for its senior management and employees who may have access to relevant inside information of the Company and require them to sign a declaration in order to ensure that they fully understand and will be able to comply with the internal control policies and procedures relating to inside information.

4. Systematic risk assessment and internal control reporting mechanism to be improved

Findings:

Daily risk assessment and internal control reporting mechanism

The Company has established the “Internal Control Manual - Risk Management Measures” (內部控制手冊—風險管理辦法) specifying the responsibilities of the Board and each department in risk management and the risk management execution procedures. However, the relevant department heads of the Group have not regularly reported the risk status to the Board orally or in writing, prepared the risk assessment report for potential notifiable transactions under Chapter 14 of the Listing Rules for the Board’s consideration in accordance with such manual nor maintained the relevant minutes book. The Group also lacked regular weekly or monthly meeting arrangements to fully understand and regulate the business status of the Group, the risk factors they face, non-routine or material transactions and the control and businesses of its subsidiaries. The Company also failed to prepare or keep minutes of certain management meetings and have them signed and confirmed by the attending parties.

Risk management of potential transactions and investment projects

The Company has established the “Internal Control Manual - Investment and M&A Business Management System” (內部控制手冊—投資併購業務管理制度) standardizing the systems and procedures for evaluating and approving potential investment projects. However, the systems and procedures for evaluating and approving potential investment projects, including the Two Disposals as mentioned in the Statement, have not been completely followed. Currently, the three executive Directors will have a general discussion about the feasibility of the potential investment projects and after having obtained preliminary consensus amongst them that the project is feasible, the project will be submitted to the Board for approval. In addition, certain

potential investment projects have not been formally submitted to the chief financial officer, company secretary or legal adviser of the Company for professional advice or approval to ensure that relevant regulations and requirements for disclosure have been complied with. Also, the relevant policy documents of the Company have not been updated to cope with the needs of actual business development, nor have they been reviewed annually. The relevant policies have also not been fully circulated and announced within the Group nor have it been signed by the relevant subsidiaries and their management as confirmation of knowledge and implementation of the relevant policies.

Monitoring of price volatility of the shares of other listed companies held by the Company and transactions approval and control by the management

Further, the Company is holding certain shares of other listed companies through a securities company in Hong Kong. However, it was noted that the relevant reporting mechanism and method, time frequency and definition of price volatility have not been clearly reflected in the written procedures or policies of the Company and no written records were prepared for reporting the relevant matters to the Board and the management of the Company for discussion. There is also absence of written procedures or policies regulating the control and approval of transactions involving the trading of shares of other listed companies held by the Company.

Approval and control of collateral loan businesses and monitoring of collaterals held from loan businesses by the management

Triple Glory Holdings Limited (“**Triple Glory**”), a subsidiary of the Company, has established the “Pre-loan Review Formulation and Process” (貸前審查制定及流程). However, Triple Glory has not consistently performed size tests with the sign-off of the Director and the chief financial officer of the Company as review trails for all its loan businesses in order to fully monitor the transaction nature, amount and other factors that may trigger the announcement requirement under Chapter 14 of the Listing Rules. The Company has also yet to establish relevant written policies or procedures for the management and reporting of collaterals, including but not limited to the reporting mechanism and method for regular assessment of collaterals status, for monitoring the loan businesses of its subsidiaries.

Monitoring of investment properties and regional development projects by the management

It was noted that the relevant reporting mechanism, method and frequency for management and reporting of the investment properties and regional development projects held by the Company have not been clearly reflected in the written procedures or policies of the Company and no written records were prepared for reporting the relevant matters to the Board and the management of the Company for discussion.

Recommendation:

The management of the Company is recommended to:–

- (a) strictly adhere to “Internal Control Manual - Risk Management Measures” to manage systematic risk assessment, submit a written risk status report to the Board and make relevant disclosure for notifiable transactions under Chapter 14 of the Listing Rules and establish written policies or procedures regulating regular meetings for communication of risk management;
- (b) strictly adhere to “Internal Control Manual - Investment and M&A Business Management System” to carry out evaluation and approval of potential investment projects, establish an investment decision committee responsible for direct participation of the Company’s investment, disposal projects, acquisition of high-value fixed asset, lease disposal, etc. and establish standardized systems and procedures for evaluating and approving potential transactions and investment projects;
- (c) seek professional advice and other assistance from the chief financial officer, company secretary or legal advisor of the Company for potential investment projects of the Company to ensure that the relevant regulations and requirements for disclosure are complied with;
- (d) regularly update “Internal Control Manual - Management System for Investment and M&A Business” to cope with the needs of actual business development;
- (e) fully circulate and announce the internal policies by e-mail, etc. within the Group and obtain the signatures of the relevant subsidiaries and their management as confirmation of knowledge and implementation of the relevant policies to ensure that the policies are implemented consistently within the Group;
- (f) conduct risk assessment and prepare relevant reports according to the established systems and procedures no less than annually and submit them to the management and the audit committee of the Company for discussion and approval;
- (g) establish a risk monitoring and reporting system for holding the shares of other listed companies by the Company to ensure that every completed share transactions, relevant price volatility and change in securities positions can be identified and reported to the Board and the investment committee (if applicable) in a timely manner;
- (h) establish written procedures and policies regulating the control and approval of the transactions involving the trading of shares of other listed companies held by the Company, establish an investment committee (if applicable) responsible for approving and

regularly monitoring the trading of the shares of listed companies held by the Company and setting a limit of trading amount which if exceeded would require the written approval of the investment committee or the Board;

- (i) advise Triple Glory to perform size tests for its loan businesses in the approval stage in strict compliance with the “Pre-loan Review System and Process” and such size tests shall be signed and reviewed by the chief financial officer of the Company and the Director and to establish a risk monitoring and reporting system for collaterals held by it from its loan businesses to ensure that the changes in the value of relevant collaterals can be identified and reported to the Board in a timely manner; and
- (j) establish written policies and procedures for the management and reporting of investment properties and regional development projects held by the Company.

5. Mechanism for maintenance of organizational structure to be improved

Findings:

The Company has not established “Company Organizational Structure Management System” (公司組織機構管理制度) specifying the procedures for managing organizational structure reporting, as well as the requirements for regular review and adjustment of organizational structure settings.

Recommendation:

The management of the Company is recommended to establish a clear organizational structure management system according to its business conditions, clarify the procedures for managing organizational structure reporting and update the organizational structure chart in a timely manner. Relevant systems and procedures should be determined and approved by the senior management of the Company. Effective communication channels should also be provided to ensure that relevant personnel and subsidiaries of the Company are aware of the relevant systems and procedures.

6. Financial team’s familiarity with financial reporting standards in Hong Kong to be strengthened

Findings:

The Company’s financial staff, except the finance manager, mainly held work experience in conducting accounting works under the financial reporting standards in China. Among the management team of the Company, only its company secretary and financial manager possess qualifications as a certified public accountant in Hong Kong and experience in assisting with compliance of the Listing Rules. Although the finance manager of the Company may provide its finance team with guidance on accounting treatment and reporting under the financial reporting

standards in Hong Kong and the Listing Rules in their day-to-day works, having considered the increasing compliance work under the financial reporting standards in Hong Kong and the Listing Rules in the future, it may be necessary to provide the Company's staff in China with further training.

Recommendation:

The management of the Company is recommended to engage a professional institution to provide its existing financial and accounting staff with training relating to the Listing Rules (in particular, notifiable transactions under Chapter 14), Hong Kong accounting standards and financial management, so as to strengthen the professional knowledge of the existing financial team of the Company.

7. Absence of a complete mechanism for compliance with Chapter 14 of the Listing Rules

Findings:

As disclosed above, the Company has failed to prepare a risk assessment report for the Board's approval in accordance with the "Internal Control Manual - Risk Management Measures". The Company has also failed to formulate clear thresholds in respect of transaction amount and nature for reporting potential transactions requiring disclosure under the Listing Rules. Although the Company has established the "Internal Control Manual - Notifiable Transactions and Connected Transactions", it does not contain relevant regulations and guidelines on how to analyze, identify the transaction types, record and approve the relevant transactions in a timely manner so as to minimize the risk of non-compliances.

Recommendation:

The management of the Company is recommended to provide professional training to its responsible personnel for understanding the relevant requirements, including the criteria used to determine whether a transaction shall be classified as a connected transaction or notifiable transaction and the percentage ratios used to determine the transaction types. The Company shall also strictly enforce the requirements to make relevant disclosure and prepare the risk assessment report under the "Internal Control Manual - Risk Management Measures" and relevant transactions shall only be entered into after the risk assessment report is approved by the Board. Clear thresholds shall also be formulated for reporting potential transactions requiring disclosure under the Listing Rules, so as to ensure that transactions exceeding certain amount and meeting the relevant nature will be submitted to the senior management for consideration, evaluation and approval without omission.

8. Absence of systems and procedures for external communication

Findings:

The Company has not established a system and procedures for external communication, including but not limited to a mechanism for complying with the announcement requirement under the Listing Rules, handling and monitoring price-sensitive and confidential information and monitoring information leakage, etc.

Recommendation:

The Company is recommended to establish systems and procedures for external communication which shall be confirmed and approved by the senior management. The senior management shall also ensure that all relevant personnel are informed of the relevant systems and procedures through effective communication channels.

9. Authorization and ultra vires management system to be established and improved

Findings:

The Company has not fully established authorization management systems for approving various operational and financial management matters such as funds, procurement, capital expenditures, sales and marketing, leasing and service expenses, investment in research and development, changes in wages and salaries, and bonuses, etc. The Company has also yet to establish internal supervision and management systems and procedures for the regulation of intervention and override by senior management and the ultra vires of junior personnel and has failed to strengthen its internal rights restraint mechanism.

Recommendation:

The management of the Company is recommended to establish the “Company Management Approval Authority Regulations” (公司管理審批權限規定) and the “Approval Authority Matrix” (審批權限表) to sort out and clearly define the approval authority for all aspects of the Company’s operations. Further, the Company shall establish an authorization management mechanism, which should clearly stipulate the principles, forms, and scope of authorization, as well as the procedures for signing, approval and management of authorization letters. The Company shall also establish an internal supervision and management system and procedures relating to the intervention by senior management and the ultra vires of junior personnel. The relevant systems and procedures should be confirmed and approved by the senior management of the Company. The Company shall also ensure that all relevant personnel are informed of the relevant systems and procedures.

10. The control of material and non-routine transactions needs to be strengthened

Findings:

The Company has established the “Internal Management Rules and Regulations” (內部管理規章制度). However, the relevant contract approval provisions in the “Contract Management System” (合同管理制度) are incomplete and such system has not been updated and reviewed since 1 January 2016. The current thresholds in respect of transaction amount and nature stipulated in the relevant system may be unable to keep abreast with the current operation development and business conditions of the Group. In addition, the material and non-routine transactions currently are not required for evaluation and approval by the finance department of the Company and more than one Director, and thus it is difficult to ensure that all material or non-routine transactions are identified and reported to Group’s management in a timely manner.

Recommendation:

The management of the Company is recommended to improve and regularly review the “Internal Management Rules and Regulations” to ensure that the thresholds (transaction amount and nature) in respect of material and non-routine transactions are in line with the Group’s current business development and financial conditions to ensure that all relevant material and non-routine transactions are approved and considered by the Group’s management. Further, the material and non-routine transactions should also be evaluated and approved by the financial function of the Company and more than one Director. The Company shall also strictly follow the “Internal Management Rules and Regulations” to approve and manage all material and non-routine transactions. The Company shall also ensure that all relevant personnel are informed of the relevant systems and procedures.

11. Management reporting, analysis, review arrangements and internal communication processes to be strengthened

Findings:

The Group lacked regular weekly or monthly meeting arrangements to adequately communicate the Company’s business status, future development plans, non-routine or material transactions and the control and businesses of its subsidiaries. Further, there is absence of regular submission of formal reports to the senior management of the Company to ensure that they regularly obtain the latest information of the Company’s business performance and future development.

Recommendation:

The management of the Company is recommended to establish an “Internal Communication Policy” (內部溝通政策) to clearly regulate regular weekly or monthly meeting arrangements to fully communicate the Company’s business status, future development plans and non-routine or material transactions and standardize the arrangement for submitting formal reports to the senior

management of the Company to ensure that they regularly obtain the latest information on the Company's business and future development. Minutes of all relevant meetings should be kept and signed by the relevant personnel.

12. The appointment procedures for directors and senior management to be strengthened

Findings:

The Company has failed to keep the record or proof regarding the backgrounds and competence of the members of the Board and senior management of the Company when they were first appointed.

Recommendation:

The management of the Company is recommended to conduct the necessary background and competence review of all potential candidates when making appointments of a member of the Board member or its senior management and keep all relevant record of proof. Board members and senior management shall also confirm their terms of reference when they accept their respective appointments.

13. The management procedures for policies related to the Listing Rules and the Securities and Futures Ordinance to be strengthened

Findings:

The Company has not established a system to standardize the procedures for drafting, approving, circulating and confirming an internal policy and to ensure that policy document is fully circulated within the Group. The Group's policy documents relating to the Listing Rules and the Securities and Futures Ordinance have also not been formally confirmed in writing. The Company has also failed to establish an internal control team for continuously monitoring its compliance with the Listing Rules and conducting quarterly checks.

Recommendation:

The management of the Company is recommended to establish written policy, system and procedures to standardize the procedures for drafting, approving, circulating and confirming an internal policy. Further, the Group's policy documents shall be confirmed in writing by the responsible person at the subsidiary level, so as to confirm that such policy documents have been accepted and consistently implemented by its subsidiaries.

14. Internal control and corporate governance policies to be strengthened

Findings:

The Group has not established an internal audit function. At present, the Group has engaged an external audit service provider to review its risk management and internal control annually. However, such review does not cover an internal control review on the Group's compliance with Chapter 14 and Chapter 14A of the Listing Rules. The Group has also yet to appoint a financial advisor to assist in reviewing, handling and providing advice on the Group's future transactions so as to ensure compliance with the Listing Rules and appoint a legal advisor to provide relevant training to the Directors and its financial staff in accordance with an internal control review report issued by the Group's external audit service provider.

Further, the Company has not specified in its relevant corporate governance policy that it shall provide the Directors and its management with sufficient resources to perform their roles and responsibilities, as such they could seek advice from external professional parties such as financial advisors and legal advisors when necessary.

Recommendation:

The management of the Company is recommended to establish an internal control review team for continuously monitoring its compliance with the Listing Rules and conducting quarterly checks. Further, the Group shall engage an external review service provider to conduct regular reviews on its compliance with the Listing Rules and implement the recommendations in the internal control review report issued by the Group's external review service provider in a timely manner to ensure that the Group is in compliance with the relevant disclosure requirements under the Listing Rules. The Company shall also specify in its relevant corporate governance policy that it shall provide its Directors and management with sufficient resources to perform their roles and responsibilities.

15. Internal procedures for handling notifiable transactions and other potential transactions to be strengthened

Findings:

The Company has not engaged a financial advisor to provide advice on certain notifiable transactions of the Company and the relevant ancillary documents. There is also absence of meeting minutes and resolutions approving the relevant transactions.

Recommendation:

The management of the Company is recommended to engage a financial advisor to provide professional advice on potential notifiable transactions and other potential transactions of the Group and keep proper record of the relevant ancillary documents such as size tests and announcement checklists to ensure that the relevant disclosure requirements are fully considered and complied with. The Company shall also prepare and keep meeting minutes and resolutions approving the relevant transactions.

RESPONSE OF THE BOARD

After considering the findings and recommendations in the Report of the Internal Control Adviser, the Board agrees with all the recommendations and the Company will implement the same accordingly to improve the Company's internal controls and to ensure compliance with Chapter 14 of the Listing Rules.

The Company will furnish the Listing Division with the Internal Control Adviser's written report on the Company's full implementation of the recommendations within a period of two months from 30 June 2022.

By Order of the Board
China Properties Investment Holdings Limited
Han Wei
Chairman

Hong Kong, 14 July 2022

As at the date of this announcement, the executive Directors are Mr. Han Wei, Mr. Au Tat On and Mr. Wang Linbo and the independent non-executive Directors are Mr. Tang Yiu Kay, Ms. Cao Jie Min and Mr. Liang Kuo Chieh.

* *For identification purpose only*