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Suoxinda Holdings Limited

索信达控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3680)

INSIDE INFORMATION KEY FINDINGS OF INTERNAL CONTROL REVIEW

This announcement is made by Suoxinda Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) 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) (the “**SFO**”).

Reference is made to the announcements of the Company dated 30 March 2021, 31 March 2021, 1 April 2021, 15 April 2021, 26 May 2021, 28 June 2021, 30 June 2021, 31 August 2021, 9 September 2021, 30 September 2021 and 11 October 2021 in relation to, among others, (i) the delay in publication of the 2020 Annual Results and the 2021 Interim Results; (ii) the suspension of trading in shares of the Company (the “**Shares**”) with effect from 9:00 a.m. on 1 April 2021; (iii) the initial resumption guidance issued by the Stock Exchange; (iv) the change of auditor of the Company; (v) the quarterly updates on the resumption progress, business operations and financial position of the Company; (vi) the key findings of the Investigation; and (vii) the additional resumption guidance (the “**Additional Resumption Guidance**”) issued by the Stock Exchange (collectively, the “**Prior Announcements**”). Capitalised terms used herein shall have the same meanings as defined in the Prior Announcements unless otherwise stated herein.

THE INTERNAL CONTROL REVIEW

As disclosed in the announcement of the Company dated 11 October 2021, the Stock Exchange has set the Additional Resumption Guidance requiring the Company to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules.

As disclosed in the 2020 Annual Report published by the Company on 20 September 2021, the Company engaged GRC Chamber Limited (“**GRC**”) as its internal control consultant to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group (the “**Internal Control Review**”). The Internal Control Review covers the Group’s internal control systems at entity level and process level for the period from 1 January 2020 to 30 September 2021. The purpose of the Internal Control Review is to assess the adequacy and effectiveness of the Group’s overall internal control system in accordance with the principles set out by an international internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”), namely the 2013 COSO model, identify internal control weaknesses, including those internal control related issues identified in the Investigation, and make recommendations to the Group for rectification. An Internal Control Review report was issued by GRC on 27 October 2021 (the “**Internal Control Review Report**”).

KEY FINDINGS OF THE INTERNAL CONTROL REVIEW

GRC identified four key internal control weaknesses and ten general internal control weaknesses or improvement recommendations in the Internal Control Review Report. The key internal control weaknesses refer to the internal control measures which were not in place or were ineffective under the original internal control system of the Group, but if implemented or enhanced, should have, individually or collectively, prevented or detected transactions like the Transaction and related risks in a timely and efficient manner, and managed relevant impacts to a reasonable level. As at the date of this announcement, the Company has already taken rectification measures to address the key internal control weaknesses.

The key internal control weaknesses identified, the corresponding recommendations for rectification and the Company's response and remediation status are summarized as follows:

No.	Key internal control weaknesses	Rectification recommendations	Company's response and remediation status
1	<p>The Company has established and adopted certain corporate governance policies with respect to the compliance of Chapters 13, 14 and 14A of the Listing Rules. In practice, the transactions or matters stipulated in Chapters 13, 14 and 14A of the Listing Rules usually were discussed and approved by the Board. However, there is no detailed approval measure to govern transactions which the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5%. This lead to these matters and transactions being approved by individual directors but not the Board, such as selection of service providers, fix of contract prices, execution of contracts and large amount of prepayment.</p>	<p>The Company shall consider quantitative and qualitative parameters to refine and specify the authorities of the Board and the management, where applicable.</p>	<p>Remediated.</p> <p>The Board has established and adopted the policy on matters reserved to the Board in September 2021, pursuant to which certain important and strategic matters and transactions are governed by using quantitative and qualitative methods and are subject to due diligence and collective approval of the Board. The revised measures set out the thresholds and requirements for matters involving company strategy, capital structure, budget/ investment and financing, director and senior management appointments, and professional advisers appointments.</p> <p>For example, matters reserved for board approval includes but not limited to (i) investment with an amount exceeding HK\$10 million or applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) reaching 3% or more, whichever is lower; (ii) provision of financial assistance or guarantee (regardless of the amount involved); and (iii) engagement and discharge of professional advisers (regardless of the fee amount) such as corporate finance advisers, assets management advisers, auditors, financial advisers and legal advisers.</p> <p>The related policy has been circulated among Directors and management and within the Group.</p> <p>The Board of Directors will regularly review and refine the list of matters reserved for the Board in order to meet the Company's growth and management requirements so as to continuously enhance its corporate governance.</p>

No.	Key internal control weaknesses	Rectification recommendations	Company's response and remediation status
2	The Company only provided quarterly updates, including quarterly financial information and management accounts, to the Board. The frequency and the contents of the updates could be enhanced to a level to enable the Directors to obtain more comprehensive and up-to-date key information of the Group.	The Company should establish a more regular and more comprehensive reporting mechanism for the management to provide regular updates to the Board in respect of the key financial information, business operation and regulatory compliance of the Group.	<p data-bbox="1038 225 1150 251">Remediated.</p> <p data-bbox="1038 293 1423 1293">Since August 2021, the Company has revised and implemented the policy on monthly updates, pursuant to which the management shall provide monthly updates to the Board in respect of the financial information, business operation and regulatory compliance of the Group, which include monthly management accounts, budget variance, cashflow analysis and a checklist for important matters. When designing the checklist for important matters, the management made reference to the key requirements and principles stipulated in Chapters 13, 14 and 14A of the Listing Rules and Part XIVA of the SFO and provided more detailed requirements for each class of reporting matters, including: (i) convening of board meetings, board committee meetings and shareholders meeting; (ii) matters relating to the Shares, such as pledge of Shares by a controlling shareholder to provide guarantee for the Company; (iii) financial matters; (iv) matters relating to business, management and regulatory compliance; and (v) other important matters or risks reminder or other information that may constitute inside information.</p> <p data-bbox="1038 1336 1423 1604">The monthly updates are mainly prepared by the finance department, capital operation department and securities department of the Company. The Directors shall be responsible for, both individually and collectively, reviewing the information provided by the management and making inquiries where appropriate.</p>

No.	Key internal control weaknesses	Rectification recommendations	Company's response and remediation status
3	<p>The Company has established and adopted procurement policies, including the procurement management policy and supplier management policy, pursuant to which the management are required to implement the relevant policies in an orderly manner and fill in the relevant forms as stipulated in the policies. These procurement policies and procedures are generally embedded and reflected in the Group's office automation system. However, the Group failed to clearly specify whether these policies apply to all transactions, particularly those transactions that are non-principal business in nature, such as those occurred at the Company level, including transactions relating to corporate finance, legal advisory and account/audit related transactions (which normally occurred in Hong Kong). Also, the current procurement management policy and supplier management policy did not prescribe any monitoring system for the services procured/delivered, as a result, the Company may not be able to identify issues arising from the delivery of the services.</p>	<p>The Company should revise and refine its procurement management policy and supplier management policy, further specify the regulations regarding the acceptance and verification procedures for goods and services provided/delivered by the suppliers and these policies should cover all the matters and transactions of the Group.</p>	<p>Remediated.</p> <p>Since September 2021, the Company has refined its policies regulating the procurement management and suppliers management, which enhanced the due diligence of the suppliers (including enterprise incorporation information, company introduction, enforcement news searches, criteria and procedure of the supplier selection and product receipt note and service delivery confirmation forms for goods and service deliverables). Such policies cover all matters and transactions of the Group, including transactions in Hong Kong, transactions that are non-principal business in nature and services provided by professional service providers.</p> <p>The revised policies have been circulated among Directors and management and within the Group, and fully implemented since September 2021.</p>

No.	Key internal control weaknesses	Rectification recommendations	Company's response and remediation status
4	The internal audit function of the Group has been undertaken by certain management personnel. The internal audit plan could be enhanced and the internal audit function shall be segregated from the management function to improve independence.	The Company should segregate management function and internal audit function, appoint an experienced management member with high level of independence to lead and supervise the internal audit department of the Company. The Board should instruct the internal audit department to conduct reviews on the internal control more frequently and report to the Board the results of the review independently.	<p>Remediated.</p> <p>Since September 2021, the Company has appointed an experienced, independent and professionally qualified (a member of Chinese Institute of Certified Public Accountants) management member with commensurate management authority as the head of the internal audit department of the Company and has revised and implemented the policies on internal audit to enhance the authority and responsibilities of internal audit functions, including on-going internal audit works and quarterly report to the Board.</p> <p>The Company has started recruitment procedures for internal audit staff and confirmed its plan to engage external internal control advisers for the purpose of enhancing the resources and capacity of its internal audit department, and provision of sufficient governance and compliance trainings to the management of the Company.</p>

The Board has also assessed the risks of other general internal control weaknesses and improvement recommendations suggested by GRC and the management of the Company has also implemented remediations or launched remediation plans, which commensurate with their respective risk levels.

The Board has also instructed the internal audit department head to monitor the ongoing operating effectiveness of all existing and newly implemented key internal control measures and to report regularly to the Board of the overall status of corporate governance, risk management and internal control system of the Group.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

Having considered the Internal Control Review Report and the remediated actions taken by the Group, in particular GRC has performed testing on the enhanced internal control processes and is of the view that the above key internal control weaknesses have been remediated and the related risks have been managed to a reasonable level. The Audit Committee and the Board are of the view that the remedial and improvement measures implemented by the Company are adequate and sufficient to address the key findings of the Internal Control Review Report and the internal control concerns related to the Transaction.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021. Trading in the Shares will remain suspended until the Company fulfills the Resumption Guidance to the satisfaction of the Stock Exchange.

The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest resumption progress and other update and development of the Company as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By Order of the Board
Suoxinda Holdings Limited
Song Hongtao
Chairman of the Board

Hong Kong, 28 October 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Song Hongtao, Mr. Wu Fu-Shea, Mr. Wu Xiaohua, Mr. Lam Chun Hung Stanley and Ms. Wang Jing; and three independent non-executive Directors, namely Mr. Tu Xinchun, Ms. Zhang Yahan and Prof. Qiao Zhonghua.