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资源控股
RESOURCES HOLDINGS

Peking University Resources (Holdings) Company Limited
北大资源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00618)

KEY FINDINGS OF THE INDEPENDENT INTERNAL CONTROL REVIEW

This announcement is made by Peking University Resources (Holdings) Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

References are made to (i) the announcement of the Company dated 26 April 2021 in relation to the suspension of trading in the Shares; (ii) the announcement of the Company dated 10 December 2021 regarding the suspected Misappropriation and Misconduct; (iii) the announcements of the Company dated 28 July 2021 and 21 January 2022 in relation to the Resumption Guidance received from the Stock Exchange; and (iv) the announcement of the Company dated 29 April 2022 in relation to the quarterly update on the suspension of trading in the Shares (together the “**Announcements**”). Unless otherwise stated, capitalized terms used in this announcement shall bear the same meanings as those defined in the Announcements.

BACKGROUND

As mentioned in the announcement of the Company dated 21 January 2022, the Stock Exchange sets out the additional Resumption Guidance for the Company to, among other things, conduct an independent internal control review (the “**Internal Control Review**”) and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules (the “**IC Resumption Condition**”).

The Board engaged BizGear Corporate Consulting Limited as the Internal Control Consultant to carry out the Internal Control Review. The Company has been working closely with the Internal Control Consultant to fulfil the IC Resumption Condition. The Company received an internal control review report from the Internal Control Consultant (the “**IC Review Report**”). The purpose of this announcement is to provide a summary of the key findings, recommendations made by the Internal Control Consultant and the remedial actions taken by the Group.

OBJECTIVES, SCOPE AND METHODOLOGY OF THE INTERNAL CONTROL REVIEW

The key objectives of the Internal Control Review are (i) to assess the adequacy and effectiveness of the Group's overall internal control system in accordance with the principles set out in the international internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"); (ii) to identify internal control weaknesses, especially those internal control issues relating to the Misappropriation and Misconduct; and (iii) to make recommendations to the Group for rectification of any internal control weaknesses and to enhance its internal control system.

The scope of the Internal Control Review

The scope of the Internal Control Review conducted by the Internal Control Consultant includes but not limited to the followings:

- implementation and monitoring of governance policies;
- governance structure at listed company level and subsidiary level, including the review of the qualifications and experiences of the directors and senior management;
- internal control system in relation to continuing obligation of the listed company under the Listing Rules;
- internal control system in relation to notifiable transactions and connected transactions under the Listing Rules;
- internal control system in relation to corporate governance code under the Listing Rules;
- internal control system in relation to disclosure of inside information under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
- implementation and monitoring of accounting, operational and/or compliance policies;
- effectiveness of anti-fraud policies;
- effectiveness of whistle-blowing policies; and
- effectiveness of monitoring function, namely the internal audit function.

Furthermore, the Internal Control Review conducted by the Internal Control Consultant covers, among others, the following subject matters:

- internal control environment at listed company level;
- financial reporting and disclosure;
- sales and revenue management;
- procurement and payment management;
- inventory management;
- fixed asset management;
- human resources and compensation management;
- treasury management;
- information technology general control; and
- intellectual property management.

The scope of the Internal Control Review is in accordance with the internationally recognized framework COSO and covers the material components of the Group's internal control system at both entity-level and process-level. In particular, the Internal Control Consultant will assist the Group in identifying the key internal control weaknesses under the existing internal control system of the Group that have failed to prevent or detect the Misappropriation and the Misconduct, and will provide recommendations to the Group on measures to enhance its internal control system in this regard. In this connection, the Directors are of the view that the engagement scope of the Internal Control Review is sufficient.

The coverage of the Internal Control Review includes the Company and the subsidiaries of the Company which have active business operations, principally in the Mainland China.

The length of the review and testing period

The Internal Control Review and testing period consisted of two phases as below:

- the preliminary assessment phase, which aimed to review the internal control system over the in-scope processes of the Group (“**Phase 1**”).
- the follow-up review, which aimed to assist the management in assessing whether the remedial actions to the internal control issues identified in Phase 1 were implemented as planned and a follow-up review to walkthrough and test the Office Automation (“**OA**”) system to verify whether the Company has implemented the policies and procedures set out in the new internal control manual (“**Phase 2**”).

The Phase 1 review and testing was conducted from 3 January 2022 to 25 March 2022. Based on the Phase 1 review and testing, the Internal Control Consultant has identified certain weaknesses and deficiencies under the existing internal control system of the Group, and has recommended remedial actions in this regard. A progress report of the Phase 1 review was issued by the Internal Control Consultant to the Company on 31 March 2022.

The Company has responded with remedial action plans with respect to the weaknesses and deficiencies in the internal control system of the Group identified by the Internal Control Consultant. The Company has established a new internal control manual with respect to financial, operational, and corporate governance aspects, and established the OA system, which is an office communication and approval model based on automation technologies with established procedures for internal control purpose. In March 2022, the Board approved the implementation of the new internal control manual and the OA system.

Following the implementation of the remedial action plans, the Phase 2 review and testing was commenced on 25 April 2022 and completed on 20 May 2022. Thereafter, the Internal Control Consultant issued the IC Review Report to the Company.

View of the Audit Committee on the scope of the Internal Control Review

The Audit Committee has reviewed and considered the scope of the Internal Control Review and is of the view that such scope is appropriate and adequate after taking into accounts the following:

- the scope of the Internal Control Review is in accordance with the internationally recognized framework COSO and covers all material components of the Group’s internal control system;
- the scope of the Internal Control Review covers critical internal control processes/ cycles which may be relevant to the Misappropriation and Misconduct, including control systems regarding the overall corporate governance, financial reporting and disclosure, procurement and payment management, cash and treasury management as well as compliance with the Listing Rules;

- the Internal Control Consultant helps to identify the key internal control weaknesses under the original internal control system of the Group that have failed to prevent or detect the Misappropriation and the Misconduct, and will provide recommendations or enhanced internal control measures in this regard;
- the scope of the Internal Control Review covers the Company and 14 subsidiaries of the Company which have active business operations in the Group, the entities not included are either investment holding companies or have ceased business operation; and
- as advised by the Internal Control Consultant, the methodology and procedures adopted by the Internal Control Consultant in conducting the Internal Control Review, including the size of sample, are commonly adopted in the industry and in accordance with professional standards.

SUMMARY OF THE MAJOR FINDINGS OF THE INTERNAL CONTROL REVIEW

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
<p>1. Members of the senior management had acquiesced to certain Directors’ circumventing the related party transaction provisions of the Listing Rules and conducting dealings with respect to current accounts of the related parties.</p> <p>Risk level – High</p>	<p>Recommendations:</p> <p>All employees must comply with the requirements of the Company’s code of ethics and the “Corporate Governance Code” (the “CG Code”), and failure to comply with these codes should be subject to disciplinary actions, including dismissal.</p> <p>When signing new employment contracts and renewing employment contracts, the Human Resources Department should issue the code of ethics and the CG Code and requires the employees to confirm their understanding and compliance with the codes.</p> <p>The Company’s response and remedial actions:</p> <ol style="list-style-type: none"> 1. The Company has adopted the recommendation and has revised and duly formulated a comprehensive set of written codes, policies and procedures, including the “Code of Conduct for Employees”, “Conflict of Interest Policy”, “Regulations on the Management of Rewards and Punishments for Employees” and “Anti-Fraud Policy” to provide integrity and ethics guidance for the employees. 2. The Company has conducted trainings for the employees on these codes, policies and procedures and they have signed the “Employee Codes, Rules and Regulations Reading and Receipt Form” confirming that they are aware of and willing to comply with the relevant rules and regulations. 	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
	<p>3. When signing an employment contract with an employee, the Company explains and issues the “Basic Code of Ethics Guidelines”, as well as explains the importance of annual continuous training, and requires the employee to sign an acknowledgement together with the employment contract for record.</p> <p>4. The Company has adopted the “Conflict of Interest Declaration Form”, the Directors and senior management have signed the form declaring their conflicts of interest (if any), which were approved and reviewed by the Audit Committee and the Directors and senior management have confirmed their knowledge of the “Conflict of Interest Policy”.</p>	
<p>2. Deficiencies in the internal control procedures for the supervision and management of connected transactions and lack of clear internal control policy and procedure to supervise and manage connected transactions.</p> <p>Risk level – High</p>	<p>Recommendations:</p> <p>The Company should establish procedures to identify connected transactions, including but not limited to:</p> <p>1. The provisions of the policies, management systems and operating procedures of connected transactions must be accurate, clear, complete and reliable.</p> <p>2. Distribute the “Group Structure Chart” to employees.</p> <p>3. Before the commencement of each transaction, the “Connected Transaction Declaration Form” and the “Declaration of Interests Form” should be completed and submitted to the chairman of the Board for approval.</p> <p>4. The approved list of connected persons should be updated and distributed regularly to the Board and relevant departments of the Group. The circulation records should be signed.</p>	Completed

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<p>5. The connected transaction management policies should set out the situations that are exempted from the connected transaction requirements under the Listing Rules for guidance.</p> <p>6. Improve the approval process for connected transactions and the current accounts cross-checking procedures with related companies.</p> <p>The Company's response and remedial actions:</p> <p>1. The Company has revised its "Connected Transaction Management Procedures" based on the above recommendations.</p> <p>2. The Company has formulated the policy and procedures for identifying, reviewing, disclosing, approving and monitoring transactions based on the requirements of the Listing Rules. The Company has established the "Responsibilities under the Listing Rules (including connected transactions, notifiable transactions, material information disclosure, etc.)", which defines various information to be disclosed and the disclosure procedures.</p> <p>3. All Directors and substantial Shareholders are required to sign a "Connected Persons Declaration Form" to report their respective connected persons and subsequent changes to the Board in a timely manner. The list of connected persons is maintained, reviewed and circulated to relevant departments.</p>	

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<p>4. Before the commencement of each connected transaction, the responsible staff for the transaction must complete and submit the "Connected Transaction Declaration Form" and the "Declaration of Interests Form", together with sufficient evidence for the necessity and reasonableness of the connected transaction, to the chairman of the Board for approval.</p> <p>5. All connected transactions are recorded in the "Register of Connected Transactions" maintained by the Finance Department and such register is circulated regularly among the Board and managers of relevant departments, and the circulation records are signed.</p> <p>6. Regular trainings on the policies, management systems and operating procedures of connected transactions, are arranged for all employees and training records are maintained.</p> <p>7. The company secretary of the Company is responsible for ensuring that the Company fulfills its responsibilities under the Listing Rules. After consultation with the legal advisers or other professional parties (if necessary), the company secretary shall decide whether the connected transaction is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules and shall notify the Board, arrange Board meeting and Shareholders meeting accordingly.</p> <p>8. Monthly cross-checking of current accounts with the related parties are performed. The Finance Department shall prepare current account statement with related parties based on the "Register of Connected Transactions" and account ledgers, which will submit to the chairman of the Board for approval and then issue to the related parties for confirmation. If any discrepancy is identified, follow-up actions shall be conducted immediately.</p>	

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>3. Lack of unified corporate governance policies to provide appropriate guidance for the Group in the application and implementation of corporate governance principles.</p> <p>Risk level – Medium</p>	<p>Recommendations:</p> <p>In accordance with the CG Code and the Listing Rules, the corporate governance policies should be uniformly formulated and adopted.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendation and revised the corporate governance (internal control environment) management system and formulated a comprehensive set of written policies and procedures on corporate governance and operational processes, which have been approved by the Board and implemented by the Company, including the following areas:</p> <ol style="list-style-type: none"> 1. Rules for the management of important meetings. 2. Organizational powers and responsibilities manual. 3. Rules of procedure for the meetings of the Board. 4. Basic rules of organizational structure, powers and responsibilities, including structure and responsibilities of the Board, nomination committee, remuneration committee and audit committee. 	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>4. The provisions of the articles of association of the subsidiaries regarding the provisions of external guarantees, loans or borrowings to others are too brief which may prejudice the interests of the Group.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The provisions of the articles of association of the subsidiaries of the Company should be revised such that the provision of guarantee by any member company of the Group to third parties shall be approved by the board or the shareholders at a general meeting of such member company in accordance with the provisions of its articles of association and shall not exceed the prescribed limit. If any member company of the Group provides guarantee for the shareholders or its controllers, the matter should be approved by its disinterested shareholders.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendation and formulated the management system and procedures to regulate guarantees, loans or borrowings provided by the Group to third parties.</p> <p>In addition to the above, the Company has established the OA system, that all matters are approved based on the established process and all approval processes and documents are retained in the OA system, reviewed and backed up on a regular basis. The OA system is transparent, strengthening the leadership and supervision in the organization, enabling the timely and effective grasp of the work progress and situation of each unit, department and individual, such that it could effectively prevent the management from overstepping and conspiring.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<p>The Company has revised and duly prepared the “Corporate Fund Loan and Endorsement Guarantee Handling Standards”, and revised the “Management System and Operating Procedures of Fund Loan to Third Parties”, including the regulations regarding the borrower identity, reason, necessity and limit, approval, handling and review procedures for loans to third parties, loan term and interest calculation method, follow-up control measures for loan amount, overdue claims handling procedures, announcement and reporting procedures, control procedures and penalties.</p> <p>The company secretary is responsible for ensuring the transaction complies with the requirements of the Listing Rules. The Company's Finance Department is responsible for the registration of guarantee matters.</p>	

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
<p>5. Failure to provide the policies, systems and procedures for investment management of the Group, including feasibility analysis and preparation of plan approval and approval procedures, etc.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The Company should revise the “Investment Management System and Procedures” to improve the mechanism for evaluating, approving, executing and following up on investments or projects, including conducting feasibility analysis, and approval procedures.</p> <p>The Company’s response and remedial actions:</p> <p>The Company has adopted the recommendation and formulated the “Internal Control Manual – Investment Management System and Procedures” standardizing the management of investment process, which includes:</p> <ol style="list-style-type: none"> 1. The Group’s investment principles, purpose and scope. 2. The responsibilities of Investment Management Department, investment project implementation team, company secretary and the Board. 3. Investment management system and process, including project analysis, evaluation, approval, execution and subsequent follow-up and review. 4. Compliance with Listing Rules. <p>The company secretary is responsible for the compliance with the requirements of the Stock Exchange.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>6. The same person serving as a director or senior management of multiple subsidiaries at the same time created the risk of management's overstepping.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>Reasonable and appropriate measures should be taken to avoid the same person serving as a director or senior management of multiple subsidiaries at the same time and avoid conflicts of interest.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendation. As mentioned in key finding no. 4 above, the Company has established an OA system that can effectively prevent the management from overstepping and conspiring.</p> <p>The Company has revised the "Organizational Powers and Responsibilities Manual" which contains the job description for all positions, reporting superiors, and responsibilities and qualifications of different positions. In the manual, the decision-making authority of each management level in functional departments and various departments is clearly divided and the decision-making process is managed by the OA system, which regulates the potential risks caused by overlapping employees.</p> <p>The manual will be revised in a timely manner according to the Group's strategy, organizational structure, and adjustments to business processes.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>7. Incomplete terms of employment contracts, which did not contain compensation arrangement for dismissal or removal of Directors for misconduct.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The employment contracts signed by the Company with the Directors and senior management must protect the interests of the Company. Compensation payable to executive Directors and senior management for loss of office or termination of office or appointment must be fair and reasonable.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendation and revised the employment contracts stipulating compensation in the event of loss of position or termination. The specific details vary according to each Director and the entry position of employee, including payment in lieu of notice, notice period, etc.</p> <p>The Human Resources Department is responsible for the management of human resources affairs and related matters, and supervises and guides the management of human resources affairs of the member companies of the Group.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>8. The risk assessment and risk management mechanism of the Group was not up-to-date and not timely revised, and the internal control function was under revision and not completed.</p> <p>Risk Level – High</p>	<p>Recommendations:</p> <p>A comprehensive risk assessment and internal control system including financial, operational and compliance aspects should be developed and its effectiveness should be reviewed regularly, and procedures to identify, assess and manage significant risks should be developed.</p> <p>The Company's response and remedial actions:</p> <p>The Company had adopted the recommendation, and revised and updated the management system and process of risk management and internal control, including risk control management rules and financial risk management rules.</p> <p>A risk management policy has been established to effectively identify, prevent and control risks through systematic and institutionalized management methods to maintain normal operations and achieve sustainable operations. This policy sets out the risk management process, comprising four stages: risk identification, risk measurement, risk response measures, and risk monitoring, which will assist the Group to carry out risk management. This process involves the use of a risk management system, explaining the classification of risks, the assessment methods of risk levels, the response plan and the supervision of risk management.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<p>The Board is the highest decision-making unit for risk management, approves risk management policies and structures, and supervises the effective operation of risk management mechanisms. The Audit Committee is responsible for supervising and ensuring that the implementation of risk management is in compliance with the policies of the Group, and reporting the overall risk management implementation to the Board. The Audit Committee is assisted by the risk management team.</p> <p>The Internal Audit Department draws up annual internal audit plan based on the risk management policy and risk assessment results, executes various system audit operations according to the plan, assists the Board in supervising and controlling the potential risks of implementation decisions, and ensures that all operational risks are effectively managed and controlled, and make suggestions for improvement in a timely manner.</p> <p>Risk management education training or briefing sessions are held regularly to promote the Company's risk management policies, procedures and requirements to enhance risk management awareness and implementation.</p>	

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>9. The Audit Committee's oversight was not up to standard.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The Audit Committee should be provided with sufficient resources to discharge its responsibilities. The Audit Committee should ensure that appropriate arrangements are in place for the Company to conduct timely, fair and independent investigations and take appropriate action in relation to possible improprieties regarding financial reporting, internal control or other matters.</p> <p>Trainings should be provided to enhance the skills and knowledge of the members of the Audit Committee.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendations and appointed appropriate persons as members of the Audit Committee, all of whom are independent non-executive Directors. The Audit Committee has three members, and at least one of whom has appropriate professional qualifications as required by the Listing Rules.</p> <p>The Board has adopted the terms of reference of the Audit Committee, which clearly defines its authority and responsibilities, and regular trainings are provided to enhance the skills of the members.</p> <p>In order to facilitate the work of the Audit Committee, and to independently evaluate and monitor the efficiency and effectiveness of the Group's operations and the reliability and compliance of financial reports, the Company has formulated an audit and supervision system and established an Internal Audit Department to lead and supervise the internal audit work of the Group, clarify the internal audit function, and implement the instructions of the Audit Committee.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
<p>10. The anti-fraud system and procedures failed to effectively prevent fraud, there was no regular publicity and relevant training for employees, and there was no independent monitoring department responsible for establishing follow-up or independent investigation procedures on fraud or serious ethical violations. Failure to encourage employees, managers and Directors to report suspicious or illegal behaviour to the Board or Audit Committee.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The Company should establish an effective and sound anti-fraud system and procedures to resolve complaints, fraud, violation of internal control measures, improper ethics behaviours and conflicts of interest. Fraud risk management mainly includes fraud prevention, identification and correction.</p> <p>Policies and systems that promote and support anti-corruption laws and regulations and a whistle-blowing policy should be developed. The Board should appoint the Audit Committee to handle confidential and anonymous reports by employees. The policy should enable employees, officers, Directors, and Shareholders, to report the above-mentioned issues in a confidential manner and avoid discrimination, retaliation or harassment, or otherwise.</p> <p>The Company’s response and remedial actions:</p> <p>The Group has strengthened fraud risk management in the following aspects:</p> <ol style="list-style-type: none"> 1. The reporting mechanism has been established that there is a direct communication channel between employees and the Board or Audit Committee, so that employees can directly report to the Board or Audit Committee if fraudulent behaviour is discovered; 2. Any suspected fraudulent behaviour will be checked and dealt with in strict accordance with the Group’s policies. The internal control system and procedures have been reviewed accordingly and necessary revisions have been made. <p>The Company has completed the revision of “Anti-Fraud Policy” with clear definition of fraud so that employees can identify relevant behaviours, and the handling and remedial measures for fraud are described in the policy.</p> <p>The Board has authorized the Internal Audit Department to be the department in charge of the Group’s whistle-blowing affairs, responsible for the daily management of the Group’s whistle-blowing affairs and reports to the Audit Committee.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>11. The Group did not formulate its corporate strategy and long-term business model.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The Group's corporate strategy and long-term business model should be described in the Group's "Internal Control Manual" and "Group Policies and Procedures". In addition, Directors should include in a separate statement the discussion and analysis of the Group's performance in the annual report, explaining the Company's long-term business model foundations and strategies to generate or preserve value, and to achieve the Company's objectives. The Board should formulate the corporate strategy and long-term business model and hold regular meetings to review the corporate strategy and long-term business model.</p> <p>The Company's response and remedial actions:</p> <p>The Company has revised the "Rules of procedure for the meetings of the Board" in which the authorities of the Board include "Examining and approving the Company's business plan and investment plan". This authority provides that the Board will analyze and discuss corporate performance at least once a year, and formulate development plans for the near-term (such as the next year) and long-term (such as the next three to five years). The content of the meeting should include:</p> <ol style="list-style-type: none"> 1. Analysis of past performance 2. Estimations of future performance 3. Analysis of macroeconomics 4. Combining various factors, formulation of the Company's development plan and strategies 5. Conducting review each year to make adjustments to development plans and strategies <p>The Board has formulated the Company's strategy and long-term business model, and relevant board meeting minutes have been retained for annual review and plans for the coming year.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
<p>12. Lack of monthly reporting system, and no monthly assessment report has been prepared and distributed to the Directors on the Group’s overall monthly performance, operations and target adjustment. The absence of such policy may lead to the risk of breaching the CG Code.</p> <p>Risk Level – High</p>	<p>Recommendations:</p> <p>Management should provide monthly updates to the Board containing a fair and understandable assessment of the Group’s performance, financial position and prospects. The Directors should make a detailed and complete assessment and adjustment of the goals on a monthly basis on the performance and operation of the Group as a whole so that the Directors can meet their responsibilities under the Listing Rules.</p> <p>The Company’s response and remedial actions:</p> <p>The management of each subsidiary submits reports to its board of directors on monthly performance, operations and target adjustment proposals (debriefing reports), including but not limited to monthly management and budget financial statements, operating conditions, asset safety, litigation and contingent debts. After reviewing and approving the monthly performance report, the board of directors of each subsidiary submits the reports to the Board. The Board reviews the assessment report on the overall monthly performance, the operation and target adjustment of the Group and distributes such report to the Directors.</p> <p>The Company prepares annual business plan and budget for the next year at the end of October every year, which was then divided into monthly and quarterly plans. After the approval of the Board, the “Annual Business Target Responsibility Letter” is signed by each subsidiary company. Thereafter, on the basis of the annual business plan, the quarterly business plan is prepared and evaluated on a rolling basis every quarter.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company’s response and remedial actions	Status
<p>13. Failure to provide regular training records of external and internal trainings.</p> <p>Risk Level – Low</p>	<p>Recommendations:</p> <p>Relevant trainings must be arranged for all newly appointed Directors and senior management personnel as soon as possible to ensure that the Company can meet the requirements of various regulatory authorities.</p> <p>The Administrative Department should keep detailed records of each training, in order to comply with the requirements of the CG Code.</p> <p>The company secretary should regularly review the training arrangements to enhance the effectiveness of internal governance.</p> <p>The Company’s response and remedial actions:</p> <p>The Company has formulated “Internal Control Manual – Training Management System”. The company secretary coordinates with the Administration Department, Human Resources Department and relevant departments to determine the training objectives, and organizes the attendance lists of internal and external trainings and keeps the training materials, such as management personnel training files, training attendance records, training evaluation certificates, etc. for records. To ensure that the Company can meet the requirements of various regulatory authorities, relevant trainings will be arranged for Directors and senior management personnel in a timely manner.</p> <p>The Human Resources Department and the Administrative Department make detailed records for each training and keep the records of the attendees and their evaluations and other relevant information, in order to comply with the requirements of CG Code.</p> <p>The company secretary regularly reviews the training arrangements to enhance the effectiveness of internal governance.</p>	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>14. Insufficiency in the management of information and approval process of the Group.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>Although the use of internet communication tools makes information exchange and communication between departments faster and more efficient, it weakened the leadership and supervision in the organization, failed to grasp the work progress, processing and approval status of each subsidiary, department and individual in a timely and effective manner, and failed to discover and solve problems in a timely manner. It also failed to keep a clear audit trail.</p> <p>The Company should:</p> <ul style="list-style-type: none"> • Use intelligent management to provide support for the Company's information management, process management, communication management, official document management, personnel management, and administrative management. • Optimize the existing management organization structure, adjust the management system, increase the collaborative office ability on the basis of improving efficiency, strengthen the consistency of decision-making, and achieve the purpose of improving decision-making efficiency and leadership supervision. 	Completed

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<p>The Company's response and remedial actions:</p> <p>The Company has established the OA system, which utilizes modern technologies and combines information, process, communication, official documents, personnel, administration and other aspects via intelligent management. This intelligent management system improves the efficiency of the Group in the following areas:</p> <ol style="list-style-type: none"> 1. Improve enterprise information management 2. Paperless office reduces business operating costs 3. Strengthen task arrangement and clarify responsibilities 4. Eliminate information silos 5. Escape the constraints of time and space 6. Strengthen internal resource management and control <p>The benefits of the OA system include optimizing the existing management organization structure, adjusting the management system, increasing the collaborative office ability, strengthening the consistency of decision-making, improving the decision-making efficiency and leadership supervision.</p>	

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
<p>15. Inadequacies of the Group's Internal Control Manual and it had not been implemented fully within the Group. As such, each subsidiary had its own operation policies and procedures. These policies and procedures were not written into the Company's policies and procedures (Internal Control Manual) for formal guidance.</p> <p>Risk Level – Medium</p>	<p>Recommendations:</p> <p>The Group's policies and procedures (Internal Control Manual) serve as guidelines for the Group's operations. The Internal Control Manual should be compiled as a guideline for the Group to supervise and manage its subsidiaries to ensure that policies and procedures for these operational matters are consistent and effective across the Group.</p> <p>The Company's response and remedial actions:</p> <p>The Company has adopted the recommendation.</p> <p>In respect of each of the operational areas, the Company has revised the Internal Control Manual, which includes policies and procedures of operational matters, for consistent and effective operations across the Group. The Internal Control Manual has been approved by the Board and circulated to the subsidiaries for implementation. Trainings have been organized for employees to understand the standardized process and procedures, and they are required to sign a confirmation letter acknowledging the relevant policies.</p> <p>The operational areas include:</p> <ul style="list-style-type: none"> • Sales, accounts receivable and collections – covering credit policy, recognition of revenue, issuance of invoices, monitoring of receivables and ageing analysis, and collection of arrears, etc. • Procurement, accounts payable and payments – covering procurement application, approval and implementation, payment and accounts payable reconciliation and ageing analysis, etc. 	<p>Completed</p>

Key findings	Recommendations of the Internal Control Consultant and the Company's response and remedial actions	Status
	<ul style="list-style-type: none"> • Inventory management – covering receipt of goods and quality inspection, warehouse management, inventory count and valuation, impairment analysis, etc. • Human resources and compensation – confidentiality requirements, complaint handling, personal data and privacy policy, etc. • Fixed assets – covering fixed asset register and identification, and purchase requisition, etc. • Cash and treasury management – covering cash flow management, bank financing management, loans to Directors and employees, etc. • Financial reporting and disclosure – covering budgeting and variance analysis, accounting system and user management, regular financial reporting and contract management, and related party identification and transaction management, etc. • Tax – covering invoice management and tax declaration, VAT claim, corporation tax return tax provision and payments, etc. • Information technology (IT) systems – covering IT security and control, user and change management, disaster recovery, business continuity and contingency planning, etc. • Insurance – covering risk assessment, insurance purchase, policy update and claim procedures, etc. • Licensing and compliance – covering license and permit application and renewal, and license and permit information management, etc. • Intellectual property (IP) management – covering identification, application, record keeping and copyright compliance, etc. 	

OVERALL RESPONSE OF THE BOARD AND AUDIT COMMITTEE

The Board (including the Audit Committee) has reviewed the IC Review Report and considers that (i) the Internal Control Review has adequately assessed the effectiveness of the internal controls of the Group and ascertained certain internal control deficiencies; (ii) the identified internal control deficiencies have been remediated; and (iii) the remedial actions and improvement measures implemented by the Group are adequate and sufficient to address the identified internal control deficiencies, including those relevant to the Misappropriation and the Misconduct.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 26 April 2021 and will remain suspended until further notice.

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

By order of the Board
Peking University Resources (Holdings) Company Limited
Wong Kai Ho
Chairman

Hong Kong, 5 July 2022

As at the date of this announcement, the executive Directors are Mr. Wong Kai Ho (Chairman), Mr. Wang Guiwu, Mr. Zheng Fu Shuang and Mr. Huang Zhuguang; and the independent non-executive Directors are Mr. Chu Kin Wang, Peleus, Mr. Chin Chi Ho, Stanley, Mr. Chung Wai Man, Mr. Hua Yichun and Mr. Wang Bingzhong.