

CHINA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Bermuda with limited liability)
(Bermuda Company Registration No. 23356)

TIGHTENING OF INTERNAL CONTROLS IN RELATION TO SHARE BUYBACKS

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of China International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refer to:
- (a) the series of announcements released by the Company on 1 December 2018 in relation to various share buy backs (the “**Share Buybacks**”) performed by the Company during the period commencing from 21 December 2017 and ending on 16 October 2018 (the “**Relevant Period**”); and
 - (b) the announcement made by the Company on 1 January 2019 in relation to the sale of treasury shares held by the Company as a result of the Share Buybacks.
- 1.2 The Board wishes to announce that, regrettably, there was a lapse in internal controls in conducting these Share Buybacks, which led to the Company inadvertently breaching the rules of the listing manual of the SGX-ST (the “**Listing Rules**”). The Board has since conducted a review of its internal control policies and wishes to disclose the rectification measures that it has implemented, and/or intends to implement, in order to ensure that similar breaches in relation to such share buy backs will not occur again.

2. BREACH OF LISTING RULES

- 2.1 On 29 November 2018, the Board received an email from the Singapore Exchange Trading Securities Trading Limited (“**SGX**”) informing the Board that the Company had conducted the Share Buybacks during the Relevant Period by way of market acquisitions that have not been reported or conducted in accordance with Part XIII of Chapter 8 of the Listing Manual, including conducting share buybacks at prices exceeding 105% of the average closing market price approved by shareholders, and requested that the Board and Audit Committee immediately investigate into the matter.
- 2.2 Upon further investigations, the Board discovered that Mr. Zhu Jun, the Executive Director of the Company, had instructed the Company’s broker, UOB Kay Hian (HK), to purchase the Company’s shares on various occasions during the Relevant Period. The Board, save for Mr. Zhu Jun, only became aware of the Share Buybacks when they received the email from SGX. As these Share Buybacks were not reported earlier, the Board took steps to rectify the situation and engaged its professional advisers to investigate the matter. Further, the Company immediately announced the previously undisclosed Share Buybacks on 1 December 2018.
- 2.3 The investigations revealed that, in conducting the above Share Buybacks, Mr. Zhu Jun had inadvertently caused the Company to be in breach of the Listing Rules during the Relevant Period, as:
- (a) the Company had purchased its own shares at prices exceeding 105% of the average closing market prices;
 - (b) the Company had failed to notify SGX of the Share Buybacks by 9.00 am on the market day following the day that the Company purchased its own shares; and
 - (c) the Company had failed to disclose and account for the Share Buybacks in the Company’s previous quarterly financial results announcements.

- 2.4 This was an honest mistake by Mr. Zhu Jun as he was under a genuine, but mistaken, belief that it was not necessary to inform the Company and the Listing Rules did not apply as only a total of 3,600 shares, representing only 0.0051% of the total issued share capital of the Company, were bought back by the Company during the Relevant Period.

3. RECTIFICATION MEASURES

- 3.1 Considering the above breaches, the Company acknowledges that there has been a lapse in internal controls in relation to share buybacks, and there is a need to improve its internal control policies in relation to share buybacks. In this regard, following advice from its professional advisors, the Company has adopted an updated Policy and Guideline for Dealing in Securities and an additional Operational Manual on Regulatory Compliance (the “**Operation Manual**”) setting out the regulations and required procedures relating to share buybacks, which were prepared by its legal advisors and internal control auditors respectively. *Inter alia*, it is now stipulated under the Operational Manual that the Company shall complete a prescribed checklist and obtain the prior approval of the Audit Committee or the Board before conducting any share buybacks. Further, as part of its knowledge refreshment process, the Company shall send one of its directors to attend a refresher course in relation to the Listing Rules every three years, starting with Mr Zhu Jun who will be attending the upcoming Listed Entity Director Programme (Mandarin) to be conducted by the Singapore Institute of Directors shortly.
- 3.2 The Company has since released replacement announcements on 28 February 2019 on SGXNET in relation to the financial results for 4QFY17, 1QFY18, 2QFY18 and 3QFY18 to correct the information contained therein relating to the Share Buybacks.
- 3.3 Given the insignificant number of shares and amounts involved, the Board confirms that there is no material impact on the earnings per share and the net tangible asset per share. There was no prejudice or risk of prejudice to any investors or to shareholders. The Board further confirms that they are of the view that, following the implementation of the above measures, the procedures and internal controls in place for future share buybacks will be effective and adequate for the Company to comply with the Listing Rules and any other applicable laws and regulations.

BY ORDER OF THE BOARD

Zhang Rongxiang
Managing Director
06 March 2019