



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: China International Holdings Limited

Security: China International Holdings Limited

Meeting details:

Date: 26 April 2019

Time: 9.30 a.m.

Venue: Queen Room Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632

Company Description

China International Holdings Limited is an investment holding company. The Company operates through three segments: Water supply services, which includes construction of water pipeline and supply of gray water; Land development, which includes provision of engineering and land leveling service for preliminary land development projects, and Property development, which includes development and sale of properties. Its other segment includes investment segment, which identifies new investment opportunities locally and oversea that focuses on revenue streams and returns on investments. Its subsidiaries include Hebei Bridges Investments Limited and Tianjin Bridges Investments Limited, which are investment holding companies; China Infrastructure Management (Hong Kong) Limited, which is engaged in the provision of management services, and CCI Andi Bridges Co., Ltd, which is engaged in toll bridge operations and management.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BEH)

1. As noted in the chairman's statement, the group's focus since FY2015 has been (a) the water treatment and supply business and (b) the property development segment.

While the group has been executing fairly well in the water treatment and supply business, the group sold the Tianjin Jixian Project in FY2016 and transferred the management of the Yichang Project to Hongkun Group after selling a 5% interest in the project.

- (i) Tianjin Water project:** With the commencement of the construction of the Xinhe Water Recycling Plant, management expects construction to be completed in the second half of 2019. **What is the capacity of the new recycling plant and what is the total investment? Can management explain the business model, including how the tariffs are determined and who the customer is? Does management have the experience in designing, building and operating a water recycling plant?**

- (ii) Yichang:** **What is the sale progress of the new Phase 3? In FY2017 and FY2018, the KYWJ group achieved more than RMB233 million in revenue. Please help shareholders understand the scale of the "new" Phase 3 development, the development timeline and the milestones achieved/to be achieved.**

Following the completion of disposal of KYWJ Group on 1 June 2017, the group deconsolidated KYWJ Group as it assessed that it no longer had control over these subsidiaries and classified KYWJ Group as associated companies of the group. **Can management clarify the level of oversight and influence on KYWJ as it still holds a 50% interest?**

2. Guideline 2.2 of the 2012 Code of Corporate Governance (2012 CG Code) recommends that independent directors to make up at least half of the Board where the chairman is not an independent director. As Mr Shan Chang is the non-executive non-independent chairman, under Guideline 2.2 of the 2012 CG Code, independent directors should make up at least half of the board.

Currently, out of from the six member board, only two directors are independent.

The board has stated that it is aware of Guideline 2.2 and will review the need for the appointment of an additional independent director as part of its continuous assessment of corporate governance best practices.

- (i) Would the board, especially the nominating committee, help shareholders understand what is holding the board back from complying with Guideline 2.2?**

The company further added that all of the directors were involved in debating matters tabled during board meetings, regardless whether they were independent or not.

- (ii) How does the board ascertain if all directors were debating based on merits and facts and not due to interests?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Mr Chee Teck Kwong Patrick was first appointed on 16 June 2008 and has served on the board for more than 9 years.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) While the nominating committee has said that it will “identifying potential candidates”, it has not stated how. How does the nominating committee identify potential candidates, especially independent directors?**
- (iii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iv) Other than the appointment of Mr Teo Woon Keng John in 2015, what are the company’s other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time? Doing so would help the company comply with Guideline 2.2 of the 2012 CG Code as well.**

3. On 6 March 2019, the company announced that there was a lapse in internal controls in conducting share buybacks by the company, thus breaching the rules of the listing manual of the SGX-ST.

From 21 December 2017 to 16 October 2018, the company had conducted share buybacks 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.

The breaches by the company were:

- purchasing its own shares at prices exceeding 105% of the average closing market prices;
- failing 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
- failing to disclose and account for the Share Buybacks in the company’s previous quarterly financial results announcements.

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.

- (i) Can the board, especially the independent directors, help shareholders understand the extent of their oversight and involvement of the company, its key subsidiaries and key management? What is the scope and frequency of communications with the key executives?**
- (ii) Given that the lapse has carried on for more than a year, did the board consider it prudent to carry out a review to investigate if there are other areas where the company's compliance to the Listing Rules (and Companies Act) may have inadvertently fallen short?**
- (iii) What were the deliberations that the board had with regard to the quarterly financial results announcements? How robust and how thorough was the discussion?**

The board has also as stated that, 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) shortly.

Details of the company's directors are shown in the table below:

Director	Date of first appointment
Mr Shan Chang	7 Nov 1998
Mr Zhang Rong Xiang	15 Jan 1999
Mr Zhu Jun	25 Jun 2003
Mr Chee Teck Kwong Patrick	16 Jun 2008
Mr Shen Xia	17 May 2010
Mr Teo Woon Keng John	3 June 2015

(Source: Company annual report)

- (iv) Can the company help shareholders understand the training the directors have received since their first appointment to the board?**
- (v) Does the company think it would be prudent to consider sending all the directors to attend the refresher course in the near term?** There has been a breach of Listing Rules and possibly a breach of the Companies Act as well.

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=China%20International%20Holdings%20Ltd&cid=6361,4301>

The company's response could be found here: -----