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Issuer: China International Holdings Limited

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Meeting details:

Date: 28 Apr 2025

Time: 10.00 a.m.

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

Q1. As at 31 December 2024, (gross) contract assets increased to RMB227.0 million, largely due to slow collections from government entities in Tianjin for wastewater treatment services rendered by a group subsidiary. This continues a multi-year trend of rising contract assets and increasing allowances for expected credit losses:

- FY2019 – RMB38.8 million
- FY2020 – RMB94.2 million
- FY2021 – RMB141.0 million
- FY2022 – RMB179.7 million (allowance of RMB17.9 million)
- FY2023 – RMB205.4 million (allowance of RMB26.5 million)
- FY2024 – RMB227.0 million (allowance of RMB34.1 million)

Despite efforts to strengthen collection processes, the contract asset balance has increased significantly, while credit loss allowances have also crept up.

- (i) **Can management provide a detailed update on the actions taken to recover these long-outstanding receivables?**
- (ii) **What specific challenges have the debtors faced in meeting their payment obligations? What legal or contractual rights does the group have to enforce collection, and has management considered judicial recourse to protect its balance sheet?**
- (iii) **How does management determine the loss allowance rate? Given the increasing and ageing balance of contract assets, are the current provisions sufficient? Is it logical or appropriate to apply a linear 5% increase in the loss allowance rate for each year the amount remains outstanding?**

	Contract assets RMB'000	Loss allowance	
		Rate %	Amount RMB'000
Group			
2024			
Less than 182 days	13,817	0	–
Between 183 days to 548 days	24,192	5	1,210
Between 549 days to 924 days	37,540	10	3,754
Between 915 days to 1280 days	60,328	15	9,049
Between 1,281 days to 1,645 days	53,783	20	10,757
Over 1,646 days	37,307	25	9,326
	<u>226,967</u>		<u>34,096</u>

(Source: company annual report)

- (iv) **What guidance has the board, especially the independent directors, given to management to help to resolve this issue?**

Q2. On 4 April 2023, the company appointed RSM Corporate Advisory Pte. Ltd. as an independent reviewer to examine matters relating to the disposal of its 50% interest in Beijing Kaiyuan Wanjia Management Consulting Co., Ltd. (“KYWJ”).

- (i) What is the status of the independent review, and when is the final report expected to be issued?**
- (ii) What support, documents, and access has management provided to the independent reviewer during the course of the review? Have there been any delays or challenges encountered?**
- (iii) What has been the role of the independent directors in overseeing this process? Specifically, how have they ensured that the reviewer has been granted full access and cooperation in carrying out its mandate?**

Q3. The company's independent external auditor has issued a disclaimer of opinion on the FY2024 financial statements, citing the pending outcome of the independent review relating to the disposal of its 50% stake in KYWJ.

Separately, as part of their annual internal audit process, the internal auditors—Crowe Horwath First Trust Risk Advisory Pte Ltd—have completed their review and submitted their report to the audit and risk committee (ARC). Apart from certain matters noted, they did not identify any significant deficiencies or instances of non-compliance in the group's internal controls.

- (i) **What was the scope of the internal audit and what were the specific key findings and recommendations made by the internal auditors?**
- (ii) **How is the ARC tracking remediation efforts on internal audit issues flagged as requiring attention? Are deadlines, accountability frameworks, and independent follow-up validations in place to ensure implementation?**

It is also noted that the group has had its bank account frozen; commenced legal proceedings against KYWJ and is involved in other litigations. Over the past two years, the group has reported accumulated losses exceeding RMB(182) million, while total borrowings have increased to RMB104.8 million as at 31 December 2024, including RMB33.9 million in current liabilities. Cash and cash equivalents stood at RMB40.43 million.

- (iii) **In light of the auditor's disclaimer of opinion, ongoing legal proceedings, and liquidity pressure, on what basis did the board assess that the group's internal controls and risk management systems are adequate and effective? What concrete steps is the board taking to restore investor confidence and relaunch the group onto a path of sustainable, profitable growth?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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