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Issuer: China International Holdings Limited

Stock code: BEH

Meeting details:

Date: 23 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Water supply services: Can management provide a holistic overview of the group's core operations in water supply services to help shareholders better understand the group?** This should cover the group's pipeline, gray water and wastewater treatment services in China.
- (ii) **AGM: Would the board/management give a presentation of the overview of the group's operations to shareholders at the AGM to be held on 23 April 2021?**
- (iii) **Investment in KYWJ Group (Yichang):** The KYWJ Group generated more than RMB1 billion in revenue in FY2020 despite the pandemic. KYWJ carries out real estate development in Yichang City, Hubei Province, PRC. As at 31 December 2020, KYWJ proceeded to develop the "new" Phase 3-2, the "new" Phase 3-3 and service apartments. The 50% associate contributed RMB 40 million in profit. **What is the level of influence, oversight and control over the KYWJ Group?** The group has outstanding amounts due from KYWJ Group amounting to RMB72.2 million. **What were the efforts by management to collect the outstanding amount of RMB72.2 million to de-risk the group?**
- (iv) **LiuHe County YuKun Mining Co. Ltd. ("柳河县钰坤矿业有限公司):** As shown in Note 17(ii) (pages 96 to 98), the company's investment into LiuHe amounting to RMB44 million and RMB10 million due from LiuHe have been fully impaired. **What is the current situation on the ground? What were the activities, if any, at the mining site?** In addition, the summarised statement of financial position of LiuHe (as an associate of the company) is shown on pages 97 and 98. The balance sheet items are identical in FY2019 and in FY2020. For instance, cash and cash equivalents have remained at exactly RMB482,000 in FY2019 and FY2020. **Can the audit committee (AC) confirm that the summarised statement of financial position of LiuHe has been updated and gives a true and fair view of LiuHe? What is the level of involvement by the AC in the preparation of the financial statement?**

Q2. For the financial year ended 31 December 2020, the group recognised RMB30 million in (non-current) other receivables. This relates to the group's deposit with Baoding Zhongshang Real Estate Development Limited ("Baoding") in a proposed joint investment opportunity which subsequently did not materialise.

As disclosed in Note 21 (page 110 – Trade and other receivable), the group and Baoding entered into an agreement with the latter to "return" the deposit in kind by transferring development properties valued at approximately RMB30 million to the Group. Under the agreement, the group reserves the rights to collect the full outstanding sum of RMB30 million in cash before the development properties are completed. As such, the group had reclassified the RMB30 million from current to non-current in the statement of financial position.

The group also wrote off RMB4.1 million due from a non-related party relating to the Men Tou Gou project.

- (i) **As this is not an isolated event, would the board/independent directors be reviewing the group's approval process, approval limits and internal controls to further safeguard shareholders' interests?**
- (ii) **Did the board approve the group's dealings with Baoding?**
- (iii) **What was the level of due diligence carried out prior to the transfer of RMB30 million to Baoding? How was Baoding identified as a potential joint venture partner?**
- (iv) **Has the group assessed when it can expect to recover the said amount?**
- (v) **Did the group consider taking legal actions to safeguard shareholders' interest? Did the joint venture agreement allow for the group to impose penalties on the late refund of its monies?**
- (vi) **Has the board ensured that there is proper accountability within the group?**

Q3. Principle 2 of the Code of Corporate Governance 2018 requires the board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company. In addition, Provision 2.2 provides that **independent directors** [emphasis added] make up a majority of the board where the chairman is not independent.

On page 13, the company has stated the following:

During FY2020, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors. As the Chairman is not an Independent Director, the NC also reviewed the composition of Independent Directors on the Board and was satisfied that the **Non-Executive Directors** made up to at least half of the Board [emphasis added].

The nominating committee (NC) comprises three directors, namely Mr Chee Teck Kwong Patrick (chairman), Mr Teo Woon Keng John and Mr Shan Chang.

- (i) **Can the NC, especially the NC chairman, help shareholders understand if the company has complied with Provision 2.2 of the CG Code 2018 which requires independent directors to make up a majority of the board when the chairman is not independent?**
- (ii) **Can the board, especially NC members with legal/corporate governance expertise, help shareholders understand the company's statement that Non-Executive Directors made up at least half of the board [emphasis added]?**
- (iii) **Is the board, especially the independent directors, familiar with the 2018 Code of Corporate Governance, the Companies Act and the rules and regulations applicable to a public listed company in Singapore?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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