



China International Holdings Limited

中 翔 國 際 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Bermuda Company Registration No. 23356)

RESPONSE TO SGX QUERIES ON THE ANNUAL REPORT FOR YEAR ENDED 31 DECEMBER 2021

The Board of Directors of China International Holdings Limited (the “Company”), and together with its subsidiaries (the “Group”), refers to the Company’s FY2021 Annual Report ended 31 December 2021 released to Singapore Exchange Securities Trading Limited (“SGX-ST”) on 8 April 2022 (the “Annual Report”), in response to several queries raised by SGX-ST on 20 April 2022. The Company would like to provide the following information in reply to the queries raised by SGX-ST.

SGX Query 1

We refer to your annual report for the financial year ended 31 December 2021. We note that Mr Shan Chang has been a director of the Company for an aggregate period of more than 9 years, and his continued appointment as an independent director has not been sought and approved via a two-tier vote. Accordingly, in accordance with Listing Rule 210(5)(d)(iii), he cannot be considered an independent director of the Company from 1 January 2022 onwards. Kindly make the necessary announcement with information set out under Appendix 7.4.1 of his new designation as a non-independent director if the Company wishes to retain him as a director of the Company;

Company’s Response

The Company will make a separate announcement that Mr Shan Chang will be considered as a non-independent director pursuant to Rule 210(5)(d)(iii) and will seek shareholders’ approval via two-tier voting at the next Annual General Meeting in 2023.

SGX Query 2

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

a) As per query 1 above, Mr Shan Chang, the Chairman of the Board, is not an independent director. Accordingly, the Company is not in compliance with Provision 2.2 of the Code which requires independent directors to make up the majority of the Board where the Chairman is not independent. The Company had not provided any explanations in your annual report as to how the composition of the Company’s Board complies with the requirements under Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have, inter alia, an appropriate level of independence to enable it to make decisions in the best interest of the Company.

b) We note that the Company had not complied with Provision 8.1 of the Code and did not disclose the specific remuneration of each individual director and CEO, as well as the top 5 KMP (who are not directors or the CEO) in bands no wider than \$250,000 and the aggregate remuneration paid to these KMP. There were also no explanations provided in your annual report as to how its disclosure is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response

Following the reply to question 1 above, for FY2021, the Board has five Directors, comprising two (2) Executive Directors and three (3) Non-Executive Directors. Two of the Directors are independent. All the Directors have no relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company. There are adequate safeguards and checks in place to ensure that the decision making process by the Board is independent.

Although the Independent Directors are not in majority, the Board has always discussed important issues robustly and has been able to reach a consensus on the issues without having to rely on any majority voting to decide nor having an individual or small group of individuals dominate the Board's decision-making process.

The Nominating Committee, together with the Board, will continue to review the size and composition of the Board, 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.

b) The remuneration policies, level and mix remuneration, procedure of setting remuneration and the relationships between remuneration, performance and value creation for Executive Directors are disclosed on Page 21 under Provision 7.

The Company has disclosed in the FY2021 Annual Report that the remuneration of Executive Directors comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance for the preceding financial year. The Company has also disclosed the names, amounts and breakdown of remuneration of each individual director in bands no wider than S\$250,000.

In view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration received by each Executive Director of the Company, but in the bands of S\$250,000 as disclosed in the Annual Report.

Accordingly, the Company is of the view that there is sufficient transparency in its practices which are consistent with the intent of Principle 8 of the Code, as well as appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company pursuant to Principle 7 of the Code.

SGX Query 3

We note that the Company has confirmed that they have met the requirements for Listing Rules 712 and 716. However, Listing Rule 716 refers only to Singapore-incorporated subsidiaries and significant associated companies. We note that the Company has multiple foreign subsidiaries and associate companies which is audited by multiple different auditors. Please provide the audit committee and board's confirmation on the suitability of each of the auditors of each significant foreign-incorporated subsidiary and associated company under Listing Rule 715(2). Please substantiate the audit committee's confirmation with specific information on each auditors' track record, resource adequacy, as well as any other information required under Listing Rule 712, and whether they are members of IFIAR and whether they have audited public companies listed in their own jurisdiction of operation.

Company's Response

The local statutory auditors were appointed to meet respective local statutory requirements where applicable. The audit procedures for the Group were designed per the requirements of ISA 600 Special Consideration - Audit of Group Financial Statements (including the work of component auditors) - and were performed by Shanghai Nexia TS Certified Public Accountants - 上海尼夏腾欣会计师事务所 ("Shanghai Nexia") for group consolidation purposes. Shanghai Nexia is part of Nexia International. The Board, as well as the Audit and Risk Committees, are of the view that Shanghai Nexia is a suitable audit firm taking into consideration Shanghai Nexia is a member of Nexia International (the same as the Group's Auditors - Nexia TS Public Accounting Corporation) and its profile, size, experience and past track record. Moreover, the work performed by Shanghai Nexia was reviewed and cleared by our Group's Auditors, Nexia TS Public Accounting Corporation, as part of their audit of the Group.

SGX Query 4

We note that the Company's whistle-blowing policy does not address the requirements under Listing Rule 1207(18B)(b) on how the Company ensures the identity of the whistle-blower is kept confidential. Please disclose accordingly.

Company's Response

Under the Company's whistle-blowing policy, the confidentiality of the whistleblower's identity, the nature of the report, and the suspected person's identity is to be strictly maintained by all parties investigating such complaints, unless:

(i) the CEO, or the Chairperson of the Audit Committee and/or the Lead Director and/or the Chairperson of the Board, or such other entity actually handling the investigation, is of the opinion that the identity of the whistleblower is material to the conduct of any investigation; or

(ii) it is required by law, by the order or directive of a court of law or other regulatory authority that the identity of the whistleblower to be revealed.

SGX Query 5

We note that the Company has outsourced its IA function to Crowe Horwath. However, the AC has not commented on whether and how the IA function is independent, effective and adequately resourced as required under Listing Rule 1207(10C). Please provide the AC's comments accordingly.

Company's Response

As disclosed in Page 26 of the Annual Report, the Company has outsourced its IA function to Crowe Horwath.

The internal auditors have full and unfettered access to all the Company's documents, records, properties and personnel including access to the AC. The AC is satisfied that the internal audit function of the Group is independent, effective and the internal auditors are adequately qualified and resourced, and has the appropriate standing in the Company to discharge its duties effectively. The AC reviews, at least annually, the adequacy and effectiveness of the internal audit function.

By Order Of The Board
China International Holdings Limited

Shan Chang
Chairman
23 April 2022