



# 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)

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## ADDITIONAL INFORMATION TO THE FULL YEAR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”), refers to the Company’s full year results released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 February 2025. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 13 March 2025:

### SGX Query 1

We refer to the Company's financial statements for the year ended 31 December 2024. With regards to the litigation by Mr. Zhang Zhaowang against Yichang Zeyou Real Estate Development Co. LTD ("Zeyou") which resulted in the provision for litigation amounting to RMB 59.5m and loss from Hubei Huike International Exhibition Service Co., Ltd ("Huike") amounting to RMB 194m:

- a. Please disclose the specific reason(s) for the Court’s declaration that Zeyou’s board resolution and the set of documents supporting the FY2022 dividends was in violation of tax regulations which resulted in the payment of the FY2022 dividend to the Company being invalid.
- b. Please clarify why and how Mr. Zhang Zhaowang initiated the lawsuit against Zeyou in his capacity as supervisor. Who was the legal representative and CFO of Zeyou at the relevant time and what actions did they take to ensure that the FY2022 dividends were properly declared and the transfer of the assets were valid?
- c. Please clarify if Beijing Hongkunweiye Property Development Co. Ltd ("Hongkun") was paid its share of dividends distribution by Zeyou and in what form.

### Company’s Response

- a. The Court set out certain considerations in its Judgement. Please refer to the declaration in the Civil Judgment of Yichang Intermediate People's Court of Hubei Province ((2024) E 05 Min Zhong No. 914 (湖北省宜昌市中级人民法院民事判决书((2024)鄂 05 民终 914 号) relevant excerpts of which are summarised below.

The key issue of contention was whether the board resolution made by the Group's former associate, Yichang Xinshougang Real Estate Development Co. LTD ("XSG"), now known as Yichang Zeyou, on September 1, 2022, was valid.

The Court's analysis referred to Article 166 of the Company Law which stipulates that when distributing after-tax profits of the fiscal year, a company shall allocate 10% of its profits to the company's statutory reserve fund. The allocation to the statutory reserve fund may be waived if the cumulative amount of the statutory reserve fund exceeds 50% of the company's registered capital. Where the company's statutory reserve fund is insufficient to cover the company's losses of previous years, the company shall use its current year's profits to cover those losses before allocating to the statutory reserve fund in accordance with the preceding provisions. This provision requires the company to fulfil tax obligations, offset losses, and fully allocate statutory reserves before profit distribution. In this case, XSG distributed profits to shareholders before fulfilling tax obligations, offsetting losses, or fully allocating statutory reserves, thereby violating legal requirements and harming creditor interests. As the company's debts remained unpaid, the board resolution should be deemed invalid.

The Judgement added that although XSG had based its dividend distribution resolution on the 2021 audit report, the actual timing of tax liabilities for the Guobin No.1 project did not align with the tax authority's collection notice. The tax authority had already determined that the Guobin No.1 project met the conditions for tax clearance and had issued a Land Appreciation Tax Clearance Notice in February 2022, indicating that most of the land appreciation tax liabilities arose before February 2022. However, XSG apparently disregarded this obligation, and was effectively in a tax default status when making the board resolution. A summary of the relevant Judgement (original Chinese version) is attached in the Appendix.

b. We understand that the Plaintiff (Mr. Zhang Zhaowang) was appointed as the Supervisor of Yichang Zeyou (formerly known as XSG) by Hongkun on 16 January 2023. The Plaintiff commenced the legal action against Yichang Zeyou in his capacity as Supervisor of Yichang Zeyou on his own accord, alleging that Yichang Zeyou had made a significant distribution to the shareholders after a notice of outstanding tax clearance was issued on 26 October 2022 (Notice of Land Value-added Tax Calculation and Auditing on Property Development, file no. YIYISHUITONG 2022-10001 房地产开发项目土地增值税清算审核通知, 编号宜夷税通 2022-10001 号) from the Yichang Yiling Tax Bureau to the Yichang Zeyou ("26 October Notice").

The Plaintiff further alleged that the distribution by Yichang Zeyou after receiving the 26 October Notice constituted a significant distribution which was in violation of the said regulation, resulting in Yichang Zeyou's inability to maintain sufficient funds to pay the taxes under the 26 October Notice. The Plaintiff had requested the Court to declare the shareholders' resolution of Yichang Zeyou passed on 1 September 2022 ("1 September Resolutions") to approve such dividend payment as invalid. (For reference, the 1 September Resolutions authorized dividend payments amounting to RMB 119.08 million to KYWJ).

At the time of making and implementing the 1 September Resolutions, neither the management of Hongkun (which had then exercised full management control over KYWJ,

the parent company of XSG) nor the board of KYWJ (on which the Group has one representative) was aware that XSG had received a tax notice from the tax bureau.

The Company is not aware of the identity of Yichang Zeyou's legal representative. Based on publicly available records, the Plaintiff is the sole supervisor of Yichang Zeyou and Mr Xiang Jianjun is the sole director of Yichang Zeyou.

c. Beijing Hongkunweiye Property Development Co. Ltd ("Hongkun") was similarly not paid its share of dividends distribution by Yichang Zeyou.

### **SGX Query 2**

We refer to the statement of financial position. The Group recorded "Other current assets" as at 31 December 2024 of RMB 18.1m (2023: RMB 19.0m). Please clarify what this balance comprises of and explain why there was a cash outflow recorded in the working capital changes section of the cash flow statement pertaining to "Other current assets" of RMB 13.5m despite the year-on-year balance remaining constant.

### **Company's Response**

Other current assets, comprised costs incurred to fulfil contracts related to the construction of water pipeline specifically the direct cost incurred for uncompleted contracts as of 31 December 2024. These costs are recognised if they meet the following criteria (a) the costs directly relate to a contract or to an anticipated contract which the Group can specifically identify; (b) the costs are expected to generate or enhance resources that will be used in satisfying performance obligations in the future; and (c) the costs are expected to be recoverable. Costs that do not meet these criteria will be recorded as an expense.

An updated condensed interim consolidated statement of cash flows is now attached in the table below:

Updated condensed interim consolidated statement of cash flows:

	The Group	
	12 months ended	
	Not 31.12.2024	31.12.2023
e	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(107,520)	(82,977)
Adjustments for:		
- Amortisation of intangible assets	368	389
- Depreciation of property, plant and equipment	30,962	33,961
- Amortisation of deferred income	(815)	(815)
- Gain on disposal of property, plant and equipment	(4)	(1,118)
- Interest and other finance expenses	3,940	4,589
- Expenses of share option and share award plan	188	274
- Interest income	(183)	(270)
- Fair value loss on investment properties	10,260	13,701
- Share of net loss of joint venture accounted for using the equity method	96,357	556
- Provision for liabilities on legal case	-	59,500
- Impairment losses on contract assets	7,562	8,665
- loss allowance on other receivables -Joint venture	1,427	-
- Loss on derecognition of investment properties - net	2,712	-
- Unrealised currency translation loss / (gain)	36	(54)
	45,290	36,401
Change in working capital:		
- Inventories	259	491
- Other current assets	801	(175)
- Trade and other receivables	(28,592)	(36,914)
- Trade and other payables	(7,386)	7,358
Cash provided by operations	10,372	7,161
Income tax paid	(7,381)	(3,339)
Net cash provided by operating activities	2,991	3,822
Cash flows from investing activities		
Interest received	183	270
Purchases of intangible assets	-	-
Advances to a joint venture	-	(1,127)
Purchases of property, plant and equipment	(4,830)	(3,587)
Purchase of investment properties	(863)	(661)
Proceeds from disposal of property, plant and	3	-

equipment

Net cash used in investing activities	<u>(5,507)</u>	<u>(5,105)</u>
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	The Group	
	12 months ended	
	31.12.202	31.12.2023
Note	4	
	RMB'000	RMB'000
Cash flows from financing activities		
Interest and other finance expenses	(2,044)	(3,469)
Payments to a non-controlling shareholder	-	(8,291)
Proceeds from borrowings		
- non-related parties	27,808	18,401
Repayments of borrowings		
- non-related parties	(3,568)	(45,998)
Decrease / (increase) in restricted cash	12	(12)
Dividend payment - cash	-	(1,900)
Share awards vested - cash	(14)	(37)
Net cash provided by / (used in) financing activities	<u>22,194</u>	<u>(41,306)</u>
Net increase / (decrease) in cash and cash equivalents	19,678	(42,589)
Cash and cash equivalents		
Beginning of financial year	20,789	63,372
Effects of currency translation on cash and cash equivalents	(37)	6
End of financial year	<u>40,430</u>	<u>20,789</u>

### **SGX Query 3**

We refer to the statement of financial position. The Group's "Investment properties" balance as at 31 December 2024 of RMB 54.5m (2023: RMB 103.7m) was significantly lower than the comparative period. As disclosed in Note 12 to the financial statements, it was mainly due to a de-recognition of investment properties of RMB 47.1m and a fair value loss of RMB 10.3m.

a. Please reconcile the de-recognition amount of RMB 47.1m with the reduction in the "Provision" account of RMB 48.5m in Note 16 to the financial statements.

b. Please provide a breakdown of the Group's remaining "Investment properties" balance of RMB 54.5m. To clarify whether this amount comprise of any other asset that pertains to the transferred properties that are the subject of the litigation by Mr. Zhang Zhaowang.

c. Please clarify which investment properties the fair value loss of RMB 10.3 million is attributable to.

### **Company's Response**

a. The Group's Investment properties in Yichang which were recognized and recorded as such before 2024 comprised two groups of properties. The first group comprised 7 units which were agreed to be transferred to the Group as dividend payment. It is in respect of the Provision amount. The other group comprised 6 store properties and 305 parking lots which were unrelated to the dividend.

Details are in the following table:

	<b>The Group</b>		
	7 Units	6 stores and parking lots	Total
	RMB'000	RMB'000	RMB'000
Beginning of financial year 2024	36,640	10,490	47,130
Reversal of added value tax assets	4,082	-	4,082
	40,722	10,490	51,212
Gain/ (loss) on derecognition of investment properties - net	7,778	(10,490)	(2,712)
	48,500	-	48,500
Decrease of Provision	(48,500)	-	(48,500)
Balance	-	-	-

b and c. A breakdown of the Group's remaining "Investment properties" and fair value loss is as below:

	<b>The value of Investment properties</b>			
	31.12.2024	31.12.2024	31.12.2024	31.12.2024
	4			24
	Located in Beijing	Located at Yixian Hebei	Located in Tianjin	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of financial year	32,610	24,000	-	56,610
Additions during the financial year	-	1,137	9,584	10,721
Added value tax recognised as current assets	-	(2,528)	-	(2,528)
Fair value loss recognised in	(2,050)	(4,219)	(3,991)	(10,260)

profit or loss

End of financial year

30,560	18,390	5,593	54,543
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The transferred properties located in Yichang are not part of the Group's investment properties as at 31 December 2024.

#### **SGX Query 4**

We refer to the statement of cash flows. The Group recorded cash inflows of RMB 27.3m due to changes in working capital for "Trade and other receivables". This is inconsistent with the year-on-year increase of RMB 13.2m in "Trade and other receivables" as at 31 Dec 2024 to RMB 253.8m (2023: RMB 240.6m). Please reconcile the cash inflow of RMB 27.3 million with the increase in "Trade and other receivables" of RMB 13.2m.

#### **Company's Response**

Please refer the updated condensed interim consolidated statement of cash flows in Query 2.

#### **SGX Query 5**

We refer to the statement of cash flows. The Group recorded cash outflows of RMB 45.9m due to changes in working capital for "Trade and other payables". This is inconsistent with the year-on-year movement of the "Trade and other payables" balance as at 31 Dec 2024 of RMB 144.7m (2023: RMB 144.8m) which remained consistent from comparative periods. Please reconcile and explain the cash outflow of RMB 45.9m despite "Trade and other payables" remaining consistent.

#### **Company's Response**

Please refer the updated condensed interim consolidated statement of cash flows the responds in Query 2 and Query 6.

#### **SGX Query 6**

We refer to the statement of cash flows. The Group recorded property, plant and equipment purchases of RMB 5.6m. This is inconsistent with the disclosure in Note 11 to the financial statements where it stated that the Group only acquired assets amounting to RMB 0.28m in FY2024. Please reconcile the difference and disclose details of the property, plant and equipment purchased.

#### **Company's Response**

The majority of payments made in 2024 for property, plant and equipment purchases represent settlements of previously recorded payables related to property, plant and

equipment. These payables were recognized before 2024, when the suppliers or contractors had completed their works, but the actual payments were made only in 2024.

The RMB 0.28 million disclosed in Note 11 reflects new asset acquisitions recognized in FY2024.

### **SGX Query 7**

We refer to the Group's litigation announcement on 26 February 2025 pertaining to the registration of a property ownership transfer between Yichang Zeyou to Zhongjia Xinye (a subsidiary of the Company) on 9 January 2023. Please clarify the potential impact to the financial statements and disclose the basis that the Plaintiffs have provided to the court in order to void the transfer. Please also clarify whether it is related in any way to the earlier litigation by Mr Zhang Zhaowang.

### **Company's Response**

As this unit is one of the 7 units that were transferred to the Group as part of the dividend distribution, and was derecognized in the FY2024 financial statements, the Group expects the litigation to have only a minor financial impact on the FY2025 financial statements.

This litigation is related to the earlier litigation initiated by Mr Zhang Zhaowang.

In summary, the plaintiffs, namely Hunan Jing'an Engineering Co., Ltd Hubei Branch and Hubei Guangfeng Baoyuan Construction Engineering Co., Ltd., seek to invalidate the transfer of property ownership on the following grounds:

- 1) The plaintiffs submitted to the Court two Civil Mediation Agreements issued by the Yichang Yiling District Court to Yichang Zeyou and the plaintiffs on 14 May 2024 and 5 September 2024, and which had stipulated that Yichang Zeyou was obligated to pay its outstanding debts to the plaintiffs.
- 2) The plaintiffs argued that the property transfer was based on Yichang Zeyou's 2022 shareholder dividend resolution, which had since been declared invalid by the Courts, and consequently the property transfer lacked legal basis and should be revoked.
- 3) The plaintiffs contend that the transfer was conducted in a way that prejudiced the interests of Yichang Zeyou's creditors in Yichang, citing Article 535 of the Civil Code as their legal foundation. This article states: "Where a debtor's failure to exercise its claims or ancillary rights related to such claims affects the realization of the creditor's due claims, the creditor may petition the court to exercise subrogation rights in its own name against the debtor's counterparty."

The plaintiffs argued that Yichang Zeyou had neglected to fulfill its obligations, thereby justifying their claim to subrogation rights.



### **SGX Query 8**

It was disclosed in paragraph 4 of Note 17 that “The Group learnt that certain properties had been sold through court-sponsored auctions without the Group's permission. These properties were derecognised from investment properties as at 31 December 2024.” To disclose the reason for the court-sponsored auctions and to provide details of the debt and to whom and by whom was the money owed, when the court action commenced and when the disposals were completed. To disclose the details, size and location of these properties and their respective values.

### **Company's Response**

These properties were part of the settlement of amount due from KYWJ Group in FY2022 which covered 6 store properties and 305 parking lots, with a total fair value of approximately RMB10,490,000. (Yichang Zeyou was part of KYWJ Group of companies which the Group had disposed in FY2022.) The Group had obtained possession of these properties through a contractual agreement (“Agreement”) with KYWJ. These properties were recorded in the books of the Group's wholly-owned subsidiary, ZhongjiaXinye (“Zhongjia”). Zhongjia is located in Yichang Hubei and was in the process of arranging the transfer of legal titles for these investment properties (other than the one unit referred to in Query 7).

After the final Court's declaration as mentioned in Query 1 was issued, Yichang Zeyou was unable to fulfill its obligations under the Agreement. The Group had learned, from property market sources, that some of these properties had been disposed of through court-sponsored auctions to pay for Yichang Zeyou's outstanding debts. The Group is unable to obtain any further details. As disclosed in Query 3a, the Group has derecognised all the related properties.

BY ORDER OF THE BOARD  
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang  
Executive Chairman  
18 March 2025

## Appendix:

Summary of Civil Judgment of Yichang Intermediate People's Court of Hubei Province ((2024) E 05 Min Zhong No. 914 (湖北省宜昌市中级人民法院民事判决书((2024)鄂 05 民终 914 号))

Dated 12 June 2024

### For Question 1 (a):

“本案争议焦点系新首钢公司于 2022 年 9 月 1 日作出的董事会决议是否无效。本院评析如下:

《公司法》第一百六十六条规定:“公司分配当年税后利润时,应当提取利润的百分之十列入公司法定公积金。公司法定公积金累计额为公司注册资本的百分之五十以上的,可以不再提取。公司的法定公积金不足以弥补以前年度亏损的,在依照前款规定提取法定公积金之前,应当先用当年利润弥补亏损。”从该条的规定可以看出,公司在完税、弥补亏损、提取法定公积金后,才能分配利润。本案中,新首钢公司在没有完税、弥补亏损及足额提取法定公积金的情况下就给股东分配利润,违反了法律规定,客观上也损害了公司债权人的利益,新首钢公司的债务至今没有偿还,其作出的决议应属无效。”

“具体表现如下:新首钢公司虽是依据 2021 年度的审计报告作出的分红决议,但国宾一号最终欠缴的税款产生的时间并不能完全等同于税务机关发出补缴通知时间,税务机关早在 2022 年 2 月就认为国宾一号项目符合清算的条件并发出了《土地增值税清算通知书》,也即国宾一号项目的土地增值税产生时间的绝大部分应是在 2022 年 2 月之前,但新首钢公司未予理睬,不能完成纳税申报的原因应归咎于新首钢公司自身。因此,新首钢公司在董事会决议作出之时客观上处于欠税状态,属新首钢公司因自身原因产生的不利后果,其抗辩理由不具有合理性,本院不予支持。”