



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)

CORRECTION ANNOUNCEMENT FOR THE RESPONSE TO SIAS'S QUERIES

The Board of Directors of China International Holdings Limited (the "**Company**"), along with its subsidiaries (the "**Group**"), refers to the Company's 2024 Annual Report ("**FY2024 AR**") released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 4 April 2025, and the announcement reply to SIAS's queries on 25 April 2025 (the "**25 April 2025 Announcement**"). The Company wishes to issue a correction announcement for the typographical errors in the 25 April 2025 Announcement.

SIAS Query 1

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>

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

Company's Response

(i) and (ii)

The sole customer for the water treatment service is 天津市滨海新区水务局 (the “**Water Bureau**”), a local government agency in Tianjin.

It is common, as part of standard government procurement practices, for the local government agency to appoint an independent third party to review and audit the costs recorded in the books of the service provider, in this case, the Group. Currently, the agency is in the process of completing a set of management processes before it can approve payments to be made to the service providers. The primary objective is to finalize and formalize the pricing. Using the audited cost numbers, the Water Bureau is then expected to pay the Group the audited costs incurred for providing the services, along with a markup margin on those costs.

During the COVID-19 pandemic, there was a halt to all procurement activities of the Water Bureau, which lasted for a period and only resumed much later.

While the Group was in discussions with the government authority on a formal service contract, we continued to provide water treatment services under the instructions of the local government. Despite the lack of a formal service contract, the Group has continued to receive interim payments from the Water Bureau from time to time. Though the interim payments were not sufficient to cover costs incurred to provide the service, the Group's priority has always been focused on getting the service contract executed as soon as possible, and at the same time fulfilling the terms of the service under the instructions of the local government.

In the early part of 2024, the Water Bureau formally appointed an independent auditor to undertake an audit on the treatment services provided by the Group. Early this year, the water Bureau has forwarded a draft service contract document to the Group, which marks a step closer to the signing of a formal service contract. The Group is not the only service provider in the area who faces such an issue, there are other major providers who are in the same predicament.

(iii) Management has assessed and believes that the provision of public services business carried under the local government requirements of the Tianjin City has limited credit risk despite the current extended settlement durations for revenue collection. The management considers that the loss allowance on contract assets mainly reflects the time value of money and have determined the loss allowance rate by referencing to the base interest rate of 4.3% for 1 to 5 years loan issued by The People's Bank of China in 22 August 2022, this is higher than today's interest rates. The management views that the current provisions are sufficient.

(iv) Recovery of the contract assets has always been a major agenda item in all meetings of the Board since 2020. The Board, especially the independent directors, have constantly reminded management to do all that it can to resolve this problem, including for example, instructing management to lodge regular reminders to the Water Bureau on the need to address the issue of payment. The independent directors have also proposed to the General Manager to work closely with other service providers who face a similar situation to jointly engage the relevant government agencies in Tianjin New District for a prompt resolution.

SIAS Query 2

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?

Company's Response

(i) As announced on 4 April 2023, the Independent Directors of the Company have appointed RSM Corporate Advisory Pte Ltd (**RSM**) as the Independent Reviewer to carry out an independent review of the disposal of 50% interest in KYWJ.

(ii) The Independent Reviewer submitted a preliminary draft report to the Company's Audit and Risk Committee (**ARC**) and SGX-RegCo on 23 December 2023. The draft report was updated after some clarifications on 11 January 2024 and 15 October 2024. More recently, the Company has provided additional information in response to the further queries raised by RSM and SGX-RegCo. From our understanding all necessary field work has already been completed with only the final report still pending release. The Company expects that the final report will be issued by RSM before the end of this year. The Company has supplied all necessary documents and information in response to several rounds of queries raised by the independent Reviewer over the past 15 months. The management has held at least five rounds of teleconference and face-to-face meetings with the RSM review team, some of which sessions were attended by independent directors. There have been some delays due to administrative reasons.

(iii) The independent directors, led by the Chairman of the ARC had worked with SGX-RegCo on preparing the terms of reference and scope of work for the Review as well as selecting the firm, RSM. During the period when RSM was working on this assignment, the independent directors assisted in coordinating the submission of information as well as meetings between RSM and the management.

SIAS Query 3

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?

Company's Response

(i) For FY2024, the scope of the internal audit comprised a review of the general control environment; procurement, payable and payments; sustainability reporting process and follow-up of prior year findings.

In the current year, five low-risk findings were identified in procurement, accounts payable and payments, and one medium-risk and one low-risk findings were identified in the sustainability reporting process. The internal auditor identified the sole medium-risk issue as the need to improve the accuracy of the sustainability report data. There are some discrepancies between the data disclosed in the FY2023 Sustainability Report (**SR**) and the Company's original records. The Company has noted these corrections in the FY2024 SR, which will be released on or before 30 April 2025.

(ii) Based on the internal auditor's recommendations, the ARC has reminded the management to implement the recommended actions in accordance with the implementation timelines outlined in the Internal Audit (IA) Report. The management will provide updates to the ARC on the status of these follow up actions at subsequent meetings.

(iii) The Board is aware that the property development business of the Group has experienced difficulties which led to the current problems mentioned in the auditor's report. As the Group has already exited property development, the Group and the Board's focus will now be on the water treatment and distribution business.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Executive Chairman
28 April 2025