

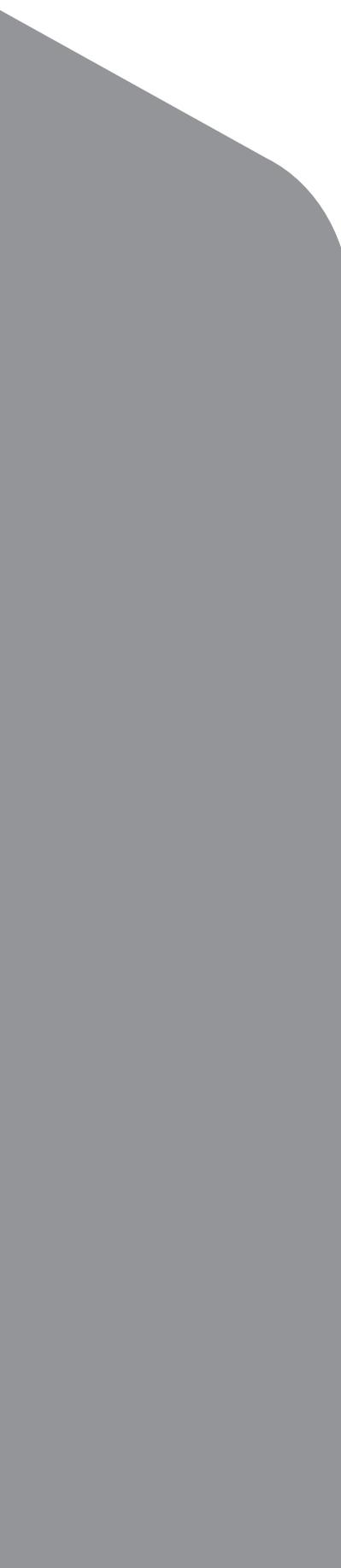


中翔國際集團有限公司
China International Holdings Limited

Annual Report 2020

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OUR BUSINESS

WATER SUPPLY SERVICES

LAND AND REAL ESTATE
PROPERTY DEVELOPMENT

CHAIRMAN'S STATEMENT

"I am happy to report that the Group recorded a net profit of RMB65.9 million in FY2020 compared to RMB25.9 million in FY2019. Going forward, the Group will be focusing on developing the water treatment business in China and on cash generation from current projects."

Shan Chang
Non-Executive Chairman

Dear Shareholders,

During the uncertain year of 2020, the Group continues to focus on its strategy of building the core businesses of water treatment and supply and property development.

REVIEW OF 2020

In FY2020, Group revenue increased by 150% to RMB158.2 million from RMB63.1 million in FY2019. This increase came mainly from both higher revenue on construction of water pipeline as well as newly recognized revenue from wastewater treatment services provided by the Xinhe project (新河污水处理及再生项目).

In FY2020, cost of sales and services provided increased by 140% to RMB85.6 million accounted for mainly by the increase of cost on wastewater treatment by the Xinhe project.

The Group recorded a higher gross profit of RMB72.6 million in FY2020, an increase of 164% compared to RMB27.5 million last year.

Other income was lower at RMB3.3 million, representing a decrease of RMB32.3 million from RMB35.6 million in FY2019. This is mainly because net income from temporary wastewater treatment which had been recorded as other income in FY2019 are now treated as part of waste water treatment services carried out in the normal course of business.

I am happy to report that the Group recorded a net profit of RMB65.9 million in FY2020 compared to RMB25.9 million in FY2019. The Board has proposed a full-year dividend of 3 Singapore cents per ordinary share for the financial year ended 31 December 2020. The proposal is subject to the approval by shareholders at the Group's Annual General Meeting on 23 April 2021.

At the end of 2020, our cash and cash equivalents were lower at RMB127.6 million compared to RMB167.9 million in the previous financial year end. In FY2021, we will focus on generating cashflow from water treatment services and property development project.

CHAIRMAN'S STATEMENT

Tianjin Lingang Water Co. Ltd, a subsidiary of the Group, has commenced an expansion project to re-pressurize water from the Group's pipeline network for supply to local users in the service area. Total capital cost of the expansion project is estimated at about RMB70 million. This will be financed from internal shareholders funds and bank financing. The expansion project is expected to be completed by the end of 2021 or in early 2022, and will lead to increased water sales to the service areas.

Going forward, the Group will be focusing on developing the water treatment business in China and on cash generation from current projects.

UPDATE ON GOLD MINING & OIL EXPLORATION PROJECTS

The Group holds a 20.1% interest in Liuhe County Yukun Mining Co Ltd ("Liuhe"), a gold exploration and mining company in the Jilin Province, China. We have made full impairment in relation to the Liuhe project in Q4 FY2015, and up till now, the Group has not found an opportunity to dispose of our share of ownership in this investment.

The Group holds an effective stake of 34.54% in an oil exploration company licensed to explore and drill oil & gas fields at early stages in Papua New Guinea through an investment vehicle known as Future Trillion Holdings Limited and its subsidiary ("Future Trillion Group"). The Group has made full impairment for the related investment in this project in Q4 FY2015. The exploration license expired in 2020. Since then the Group has supported the local partners to submit an application for a new exploration license covering roughly the same area previously explored by the Future Trillion Group. The Group will also consider bringing in new partners in this project when there is an opportunity after the new license is secured.

LOOKING AHEAD

The Group's water pipeline construction business in Tianjin is very dependent on the local economic environment and the general state of property

development. The property development project in Yichang City, Hubei Province requires undertaking construction and related business activities. At this point in time, the COVID-19 situation remains very fluid and continues to impact the movement of people, goods and services throughout China. It had also temporary led to disruptions to labour supply to many businesses and also the local governments' ability to promptly process payments for the Group's services. The Group is not able at this point to reasonably ascertain the full extent of the impact of COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. Management will make prompt disclosure when it becomes aware of any material or significant information concerning its operations.

SUSTAINABILITY STATEMENT

To comply with SGX-ST Listing Rule 711A, the Group will issue the FY2020 Sustainability Report on or before 30 May 2021 and will continue to issue Sustainability Reports on an annual basis.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude to all our shareholders, management, customers, business partners and our employees for your unyielding faith, support and contributions to the Group during these very challenging times. We look forward to your continued support as we strive to enhance the Group's financial performance. I would also like to thank my fellow Directors for their invaluable contributions.

Though the economic outlook remains uncertain, we will stay focused and positive, as we continue to create greater value for our shareholders in time to come.

BOARD OF DIRECTORS

SHAN CHANG *Non-Executive Chairman*

Mr Shan is one of the founders and the Chairman of the Company. Mr Shan has over 20 years of experience in the construction industry in the PRC and Hong Kong and more than 20 years business and financial management experience in listed companies. Mr Shan is the Chairman of CIGIS (China) Ltd. Mr Shan holds an Executive Master of Business Administration degree from the Tsinghua University, a Master of Science degree in Engineering from the China Academy of Railway Science and a Bachelor of Science degree in Engineering from the Tong Ji University. Age 61.

Present Directorships

Listed companies:

China International Holdings Limited

Others (Non-listed companies):

CIGIS China Limited
CIHL (Tianjin) Haihe Development Limited
Beijing Zhongyuandatong Real Estate
Development Company

Past Directorships in listed companies held over the preceding 5 years

Nil

Other principal commitments:

Nil

ZHANG RONG XIANG *Managing Director*

Mr Zhang is one of the founders of the Company. Mr Zhang was re-appointed as Managing Director of the Company on 27 April 2018. Mr Zhang has more than 20 years of experience in construction, civil engineering and seismic studies in the PRC and Hong Kong, including over 15 years with the Comprehensive Institute of Site Investigation and Surveying, Ministry of Construction of the PRC.

Mr Zhang holds an Executive Master of Business Administration degree from the Peking University, a Master of Science degree in Engineering from the China Academy of Building Research and a Bachelor of Engineering degree from the Hefei University of Technology. Mr Zhang is a member of the Council of the Architectural Society of China, a Registered Engineer for Construction Supervision and Registered Civil Engineer (Geot.) in the PRC. Age 59.

Present Directorships

Listed companies:

China International Holdings Limited

Others (Non-listed companies):

Beijing Jinlongshidai Investment Limited
Jing Wealth Investment Enterprise Limited
Tianjin City Ningqu Industry Development Limited
Tianjin Zhongchengjianfa Development Limited
CIHL (Tianjin) Haihe Development Limited
Beijing Century Aodu Kaiyuan Technology Co., Ltd

Past Directorships in listed companies held over the preceding 5 years

Nil

Other principal commitments:

Nil

BOARD OF DIRECTORS

TEO WOON KENG JOHN *Independent Director*

Mr John Teo was appointed Independent Director on 27 April 2018. He has over 25 years of professional and management experience and has held senior management positions, such as Managing Director, Finance, Temasek Holdings (Pte) Ltd, chief financial officer, National University Hospital and audit manager, Price Waterhouse Singapore.

He served on the Board of the Energy Market Authority, Singapore from April 2008 to March 2014 and was Chairman of the Audit Committee from April 2010. He served as a member of the Auditing & Assurance Standards Committee of the Institute of Singapore Chartered Accountants from 2008 to 2016 and the Investment Advisory Committee of People's Association, Singapore from 2005 to 2017.

Mr Teo is a Member of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and a MBA from University of Wales. He is currently Executive Director of Asia Pacific Lottery Association Ltd and a Director of the

Ang Mo Kio Thye Hua Kwan Hospital Ltd. He is a Licensed Solemnizer in Singapore and sits on the management committees of several local community organisations. Age 63.

Present Directorships

Listed companies:

China International Holdings Limited

Others (Non-listed companies):

Asia Pacific Lottery Association Ltd
Ang Mo Kio Thye Hua Kwan Hospital Ltd
ISCA Cares Limited

Past Directorships in listed companies held over the preceding 5 years

Nil

Other principal commitments:

Executive Director, Asia Pacific Lottery Association Ltd

ZHU JUN *Executive Director*

Mr Zhu joined the Company in April 2003 and was re-appointed as Executive Director of the Company on 26 April 2019. Mr Zhu is responsible for the business development and financial matter of the Group. Prior to joining the Company, Mr Zhu worked in banking, financial and capital market sector for more than 15 years as a senior executive. He served as Assistant Director of SINOLINK Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange, for at least 6 years. Mr Zhu holds a Master and a Bachelor degree in Economics from the Peking University. Age 56.

Present Directorships

Listed companies:

China International Holdings Limited

Others (Non-listed companies):

Superfaith International Finance Limited
China Goldlink Capital Ltd
City Energy Holdings Limited
Goldlink Asset Management (Asia) Limited
Goldlink Capital Group Limited
Goldlink Capital (HK) Limited
Pacific Grow Holdings Ltd
United Energy Group Limited

Past Directorships in listed companies held over the preceding 5 years

Nil

Other principal commitments:

Nil

BOARD OF DIRECTORS

CHEE TECK KWONG PATRICK *Independent Director*

Mr. Chee Teck Kwong Patrick, PBM, holds a Bachelor of Law (Hons) Degree from the University of Singapore. He is an Advocate and Solicitor of the Supreme Court of Singapore and a Solicitor of the senior courts of England and Wales. He has been in private legal practice since 1980. He is now a Senior Legal Consultant with Withers KhattarWong LLP, an international law firm. His areas of practice are corporate and commercial matters, banking and finance, cross-border joint ventures and investments, mergers and acquisitions, and listing of companies. He has also advised on property law and has handled several landmark development projects in Singapore, Indonesia, Malaysia and China. He also conducts civil litigation and arbitration proceedings. He had initiated and was instrumental to the setting up of a full licensed KhattarWong's law practice in Vietnam.

Mr. Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators, and Singapore Institute of Directors. He had served several years in the sub-committee of National Crime Prevention Council, Singapore, and worked with National Productivity Board, Singapore in developing and seeing the successful launch of some well-known franchises in Singapore in the early 1990s.

From 2002 to 2013, Mr. Chee was the Organising Chairman of the "National Street Soccer League – Lee Hsien Loong Challenge Trophy".

He also sits on the Board of other public listed companies, i.e., MeGroup Ltd and One Apex Limited.

He is also Honorary Legal Advisor to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

Mr. Chee is the recipient of the National Day Awards 2003 – "The Public Service Medal (Pingat Bakti Masyarakat)" from the President of Republic of Singapore. Age 67.

Present Directorships

Listed companies:

China International Holdings Limited
MeGroup Limited
One Apex Limited

Others (Non-listed companies):

Nil

Past Directorships in listed companies held over the preceding 5 years

Ramba Energy Limited
(now known as ENECO Energy Limited)
CSC Holdings Limited
Tat Seng Packaging Group Ltd
Hanwell Holdings Limited
Hengxin Technology Ltd
Hai Leck Holdings Limited

Other principal commitments:

Nil

SHEN XIA *Executive Director and Chief Financial Officer*

Mr Shen joined the Company in May 2010 and was appointed as Chief Financial Officer on 15 August 2014. Mr Shen is responsible for corporate finance and natural resources business operations of the Group. Prior to joining the Company, Mr Shen had more than 20 years of experience in investment banking focusing on natural resources sector. Mr Shen holds a Master degree from University of Oxford in England and a Bachelor degree from Zhejiang University in Hangzhou, China. Age 57.

Present Directorships

Listed companies:

China International Holdings Limited

Others (Non-listed companies):

Nil

Past Directorships in listed companies held over the preceding 5 years

Nil

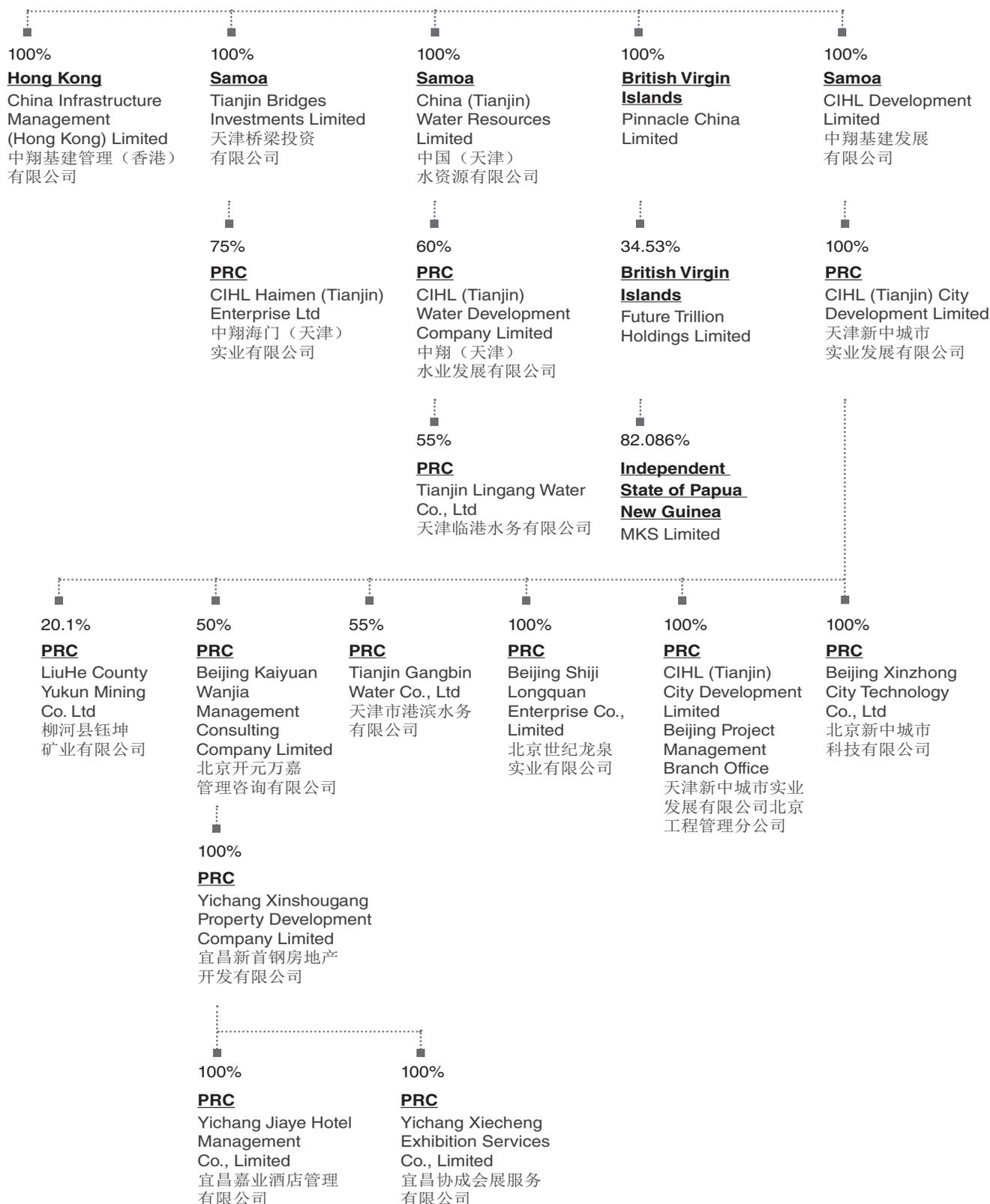
Other principal commitments:

Nil

CORPORATE STRUCTURE

China International Holdings Limited

中翔國際集團有限公司

Bermuda

CORPORATE INFORMATION

DIRECTORS

Mr Shan Chang,
Non-Executive Chairman

Mr Zhang Rong Xiang,
Managing Director

Mr Zhu Jun,
Executive Director

Mr Shen Xia,
Executive Director and Chief Financial Officer

Mr Chee Teck Kwong Patrick,
Independent Director

Mr Teo Woon Keng John,
Independent Director

COMPANY SECRETARY

Mr Lee Wei Hsiung

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
80 Robinson Road #25-00
Singapore 068898
Director-in-charge: Low See Lien
(since financial year ended 31 December 2017)

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317-319 Des Voeux Road Central,
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Beijing, PRC 100081

WEBSITE

www.CIHGRP.net

SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda
Telephone: 1 441 295 5950
Fax: 1 441 292 4720

PRINCIPAL BANKERS

China Bohai Bank
HSBC Hong Kong

CORPORATE GOVERNANCE REPORT

The Board of Directors of China International Holdings Limited (“Company” or “Group”) is committed to maintain a high standard of corporate governance. The Board and Management had taken steps to align its corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2018 (the “Code”). Unless otherwise stated, the Group has generally adhered to the principle and guidelines as set out in the Code during the financial year ended 31 December 2020 (“FY2020”).

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board is primarily responsible for directing the affairs of the Company in order to achieve the goals set for the Group. The responsibility includes setting the strategic direction and long term goals, internal controls and risk management, corporate governance and financial performance of the Group.

The Board works closely with Management ensuring that their duties and responsibilities stipulated under the Companies Act and applicable rules and regulations are complied with and their obligations towards shareholders and other stakeholders are met. The Board will hold management accountable for performance.

The Board has adopted a policy where the Directors who are interested in any matter being considered, recuse themselves from discussion and decision-making involving the issue of conflict.

With assistance of the Company Secretaries, the Board and the Management are continually apprised of their compliance obligations and responsibilities arising from regulatory requirements and changes in the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company also has in place a budget for the Directors’ training programmes on an annual basis and the Directors are encouraged to participate in industry conferences, seminars, courses or training programmes in connection with their duties and responsibilities as the Directors of the Board and Board Committees, in order to keep abreast of the latest rules, regulations and accounting standards in Singapore.

The Directors have been keeping themselves abreast with the latest rules, regulations and accounting standards applicable to the Group during the course of their principal commitments, in addition to the regular digest provided by the Company Secretaries and independent auditors.

It is noted that there is no new director appointed to the Board of the Company in FY2020.

Please also refer to Guideline 4.5.

The Board comprises the following members:

Mr Shan Chang	Non-Executive Chairman
Mr Zhang Rong Xiang	Managing Director
Mr Zhu Jun	Executive Director
Mr Shen Xia	Executive Director
Mr Chee Teck Kwong Patrick	Independent Director
Mr Teo Woon Keng John	Independent Director

CORPORATE GOVERNANCE REPORT

The matters specifically reserved for the Board's decision include but are not limited to:

- (1) Approving the Group's goals, strategies and objectives;
- (2) Monitoring the performance of Management;
- (3) Overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management systems, financial reporting and compliance of the Group;
- (4) Approving the appointment of Directors of the Company and Key Management Personnel of the Group;
- (5) Approving the announcement of unaudited half yearly financial results, unaudited full year financial results and audited financial statements;
- (6) Endorsing remuneration framework and key human resource matters of the Group;
- (7) Convening of general meetings;
- (8) Approving annual budgets, major funding proposals, major acquisition and major disposal of investments according to the Listing Manual of the SGX-ST; and
- (9) Assuming responsibility for corporate governance and compliance with the Companies Act, Chapter 50 and the rules and regulations applicable to a public listed company.

To facilitate effective management, certain functions have been delegated to various Board Committees i.e., Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"), each of which has its own clear written terms of reference ("TOR"). The TORs are reviewed on a regular basis to ensure their continued relevance with the Code.

The Management together with the Board Committees support the Board in discharging its duties and responsibilities. The roles and powers of the Board Committees are set out separately in this Statement.

The Board meets at least quarterly and more frequently as and when required, to review and evaluate the Group's operations and performance and to address key policy matters of the Group, where necessary.

The Constitution of the Company allows Board and Board Committees meetings to be conducted by way of teleconferencing to facilitate Board participation.

In the absence of Board and Board Committees meetings, the Board and the Board Committees discuss, deliberate and approve the matters specially reserved to them by way of resolutions in writing in accordance with the Company's Constitution and Board Committees' term of references where applicable.

On 9 January 2020, SGX RegCo had announced the changes to the regulatory regime. Quarterly reporting requirements only apply for companies associated with higher risks. The Company no longer requires to do quarterly reporting under the new regulatory regime. However, the Board agreed to continue to meet on a quarterly basis.

CORPORATE GOVERNANCE REPORT

The number of Board and Board Committee meetings held during FY2020 and the attendance of each Director, where relevant, are set out as follows:

	Board Meetings	AC Meetings	NC Meetings	RC Meetings	RMC Meetings
Number of Meetings	4	4	1	1	2
Mr Shan Chang	4	4	1	1	2
Mr Zhang Rong Xiang	4	–	–	–	2
Mr Zhu Jun	4	–	–	–	–
Mr Shen Xia	4	–	–	–	2
Mr Chee Teck Kwong Patrick	4	4	1	1	–
Mr Teo Woon Keng John	4	4	1	1	–

Directors with multiple board representation are to disclose such board representations and ensure that sufficient time and attention are given to the affairs of the Company.

Board papers for Board and Board Committee meetings are supplied to the Directors prior to meetings in order for the Directors to be adequately prepared for meetings, including all relevant documents, materials, background or explanatory information relating to matters to be brought before the Board and Board Committees.

The Board, the Board Committees and the Directors have separate and independent access to Management, the Company Secretary and external advisors (where necessary) at the Company's expense and are entitled to request from Management such information or clarification as required.

Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice.

The Company Secretary, or, when unavailable, an authorised designate, attends all Board and Board Committees meetings and is responsible for ensuring that Board procedures are followed and the minutes of all Board and Board Committees meetings are recorded and circulated to the Board and Board Committees.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has 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.

The criterion for independence is based on the definition set out in the Code and Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 210(5)(d) of the Listing Manual of the SGX-ST. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

CORPORATE GOVERNANCE REPORT

The NC conducted its annual review of the Directors' independence according to the Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST. In its deliberation as to the independence of a Director, the NC takes into consideration whether a Director has any business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement in the best interest of the Company. The Independent Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

For FY2020, the Independent Directors have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 210(5)(d) of the Listing Manual of the SGX-ST.

The Independent Directors did not own shares of the Company and were not in foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

As at the date of this report, Mr Chee Teck Kwong Patrick has served on the Board beyond nine (9) years since the date of his first appointment. The NC takes the view that a director's independence cannot be determined solely and arbitrarily on the basis on the length of time. A director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management in the best interest of the Group as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent directors. However, the Board and NC will exercise due and careful review, taking into consideration other factors, in assessing the independence of a director. These factors include, inter alia, whether the directors have any interest, business, relationship and/ or any other material contractual relationships with the Group which could reasonably be perceived to compromise their independence and interfere with the exercise of their independent business judgment with a view to the best interest of the Group.

Guideline 2.4 of the Code of Corporate Governance 2012 continues to apply prior to Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST which comes into effect on January 1, 2022. After due and careful rigorous review, the Board is of the view that Mr Chee Teck Kwong Patrick continues to remain independent in his exercise of judgment and objectivity in Board matters.

With effect from January 1, 2022, a director will not be independent if he has served for an aggregate of more than 9 years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

The Board has recommended that the approval of the shareholders be sought through a Two-Tier Voting process at the forthcoming AGM for the continuation of office of Mr Chee Teck Kwong Patrick, who has served as Independent Non-Executive Director of the Company for an aggregate term of more than nine years, as Independent Non-Executive Director of the Company.

CORPORATE GOVERNANCE REPORT

The Board has determined that Mr Chee Teck Kwong Patrick continues to remain objective and independent-minded in Board deliberations. His vast experience enables him to provide the Board and the various Board Committees on which he serves, with pertinent experience and competence to facilitate sound decision-making and that his length of service does not in any way interfere with his exercise of independent judgment nor hinder his ability to act in the best interest of the Company.

For FY2020, the Board has six Directors, comprising three (3) 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 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.

Name of Directors	Role Undertaken	Board Committee Membership
Mr Shan Chang	Non-Executive Chairman	AC NC RC
Mr Zhang Rong Xiang	Managing Director	RMC
Mr Zhu Jun	Executive Director	RMC
Mr Shen Xia	Executive Director	RMC
Mr Chee Teck Kwong Patrick	Non-Executive Independent Director	AC NC RC
Mr Teo Woon Keng John	Non-Executive Independent Director	AC NC RC

Members of the Board have experience in accounting or finance, business management, legal or corporate governance, relevant industrial knowledge, strategic planning and customer-based experience or knowledge. Their profiles are set out on pages 5 to 6 of the Annual Report.

The size and composition of the Board are reviewed annually by the NC, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors.

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.

For FY2020, Non-Executive Directors represented half of the Board members and contributed to the Board process by monitoring and reviewing management's performance against the established goals and objects. The Non-Executive Directors meet without the presence of Management, where necessary. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions constructively, the Non-Executive Directors will bring independent and objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Company does not have any alternate directors.

CORPORATE GOVERNANCE REPORT

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and its Board Committees have a wide range of core competencies, experiences, skills and knowledge in, but not limited to, the fields of business development, business management, industry knowledge, financial, legal and accounting.

The Board has taken the following steps to maintain or enhance its balance and diversity:

- (1) by assessing the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- (2) evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.

The NC will consider the results of the above steps in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

The Board, with the concurrence of the NC, had reviewed and considered the size and mix of the Board and the Board Committees annually and is of the view that the current Board composition provides an appropriate balance and diversity of relevant gender, skills, experience and expertise required for effective management of the Group. Based on the foregoing, whilst the Company does not have an articulated diversity policy, it is evident that the Board is diverse in terms of skills, knowledge, experience and expertise required for effective management of the Group. The NC will continue to assess on an annual basis the diversity of the Board and to ensure that the diversity would be relevant to the business of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of the Non-Executive Chairman and Managing Director are separate, with a clear division of responsibilities between the two.

The Non-Executive Chairman, Mr Shan Chang, plays a pivotal role in steering the strategic direction and growth of the Company due to his considerable business experience. The role of the Non-Executive Chairman includes:

- (1) leading the Board to ensure its effectiveness in all aspects of its role;
- (2) setting the agenda and ensuring that adequate time is available for the discussion of all agenda items, in particular, strategic issues;
- (3) promoting a culture of openness and debate at the Board;
- (4) ensuring that the Directors receive complete, adequate and timely information;
- (5) ensuring effective communication between Management and the Board;
- (6) ensuring effective communication with the shareholders of the Company;
- (7) encouraging constructive relations within the Board and between the Board and Management;
- (8) facilitating the effective contribution of non-executive directors in particular;
- (9) promoting high standards of corporate governance.

CORPORATE GOVERNANCE REPORT

The Managing Director, Mr Zhang Rong Xiang, assumes full executive responsibilities over the business directions and operational decisions of the Group in accordance with the Group's pre-determined goals, strategies and objectives.

To enable independent decision making of the Board and to ensure that there is an appropriate balance of power and authority on the Board, the Independent Directors are responsible for providing a nonexecutive perspective to the activities of the Group and contributing a balanced viewpoint to all Board deliberations.

Where the Chairman is not an independent director, Guideline 2.2 of the Code advocates that independent Directors should make up majority of the Board. Although the Company has one-third of the Board, comprising two independent directors out of six directors, is independent, all of the Directors were involved in debating matters tabled during Board meetings, regardless whether they were independent or not. The Board is aware of Guideline 2.2 and will review the need for the appointment of an additional independent director as part of its continuous assessment of corporate governance best practices.

For FY2020, the Company did not appoint a lead independent Director. As recommended by Guideline 3.3 of the Code, every company should appoint an independent director to be the lead independent director where the chairman is not an independent director. The NC has discussed and noted that the Non-Executive Chairman has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. He has and will be able to effectively discharge his duties as the chairman of the Board. The Board has concurred with the NC's recommendation. Notwithstanding, the two independent Directors do meet periodically (albeit on an informal basis) to discuss about the Group's affairs without the presence of the other Directors or Management. Any issues, concerns and/or suggestions arising from their discussions will be directly raised to the Non-Executive Chairman.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC is responsible for reviewing the composition and effectiveness of the Board and determining whether the Directors possess the requisite qualifications and expertise and whether the independence of the Directors is compromised pursuant to the guidelines set out in the Code.

The key duties of the NC includes but not limited to the following:

- (1) To review annually the independent of each Director with reference to the guideline set out in the Code;
- (2) To review all nominations for new appointments and re-election of Directors, put forth their recommendations for approval by the Board and ensure the new directors are aware of their duties and obligation;
- (3) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, when a Director has multiple Board representations;
- (4) To review Board succession plans, in particular, the Chairman and CEO;
- (5) To assess the effectiveness of the Board as a whole and NC; and
- (6) To review training and professional development programs for the Board.

CORPORATE GOVERNANCE REPORT

Each member of the NC is required to abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as a Director.

The NC comprises three Directors, the majority of whom, including the chairman, are independent. The NC members are:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Teo Woon Keng John
Mr Shan Chang

The NC has formalised a procedure for the selection, appointment and re-election of Directors. Letters of appointment will be issued to new Non-Executive and Independent Directors setting out their duties, obligations and terms of appointment as appropriate while a service agreement accompanied with supporting documents setting out duties, responsibilities and terms of appointment will be given to new Executive Director.

In the case of a new Director to be appointed, *inter alia*, an evaluation of a candidate's qualifications and experience with due consideration being given to ensure that the Board consists of members who as a whole will collectively possess the relevant core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge.

The search for new Directors, if any, will, if considered necessary, be made through executive search companies, contacts and/or recommendations. Shortlisted persons will be evaluated by the NC before being recommended to the Board for consideration.

In accordance with the Bye-Laws of the Company, one-third of Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at the annual general meeting of the Company, and a Director appointed during the year shall hold office until the next annual general meeting of the Company. The retiring Directors may offer themselves for re-election.

The NC has reviewed and recommended the nomination of Mr Teo Woon Keng John, Mr Zhang Rongxiang and Mr Chee Teck Kwong Patrick who will be retiring by rotation in accordance with Regulation 104 of the Bye-Laws of the Company, for re-election as Directors of the Company at the forthcoming Annual General Meeting of the Company.

The table below provides information pertaining to each Director's date of appointment and date of the last re-election:

Director	Date of first appointment	Date of last re-election
Mr Shan Chang	7 Nov 1998	29 June 2020
Mr Zhang Rong Xiang	15 Jan 1999	27 April 2018
Mr Zhu Jun	25 June 2003	26 April 2019
Mr Chee Teck Kwong Patrick	16 June 2008	29 June 2020
Mr Shen Xia	17 May 2010	26 April 2019
Mr Teo Woon Keng John	3 June 2015	27 April 2018

CORPORATE GOVERNANCE REPORT

The Board and the NC review on annual basis whether or not a Director is independent, taking into account the definition of independence under the Code, inter alia, one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The NC and the Board have formed a view that none of the Non-Executive and Independent Directors has any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The Board and the NC also reviewed each individual Director's judgement and conduct in carrying out his duties for FY2020. Together with the NC, the Board affirmed that Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John continue to be independent pursuant to the definition of Independence under the Code.

The Board and the NC have assessed the independence of each Director, including Directors whose tenure had exceeded nine years from the date of his first appointment. The independency has been subjected to a vigorous review by the NC.

In this regard, Mr Chee Teck Kwong Patrick has served beyond nine years from the date of his first appointment on 16 June 2008. In addition to the declarations of independence pursuant to the definition of "Independent Director" under the Code, Mr Chee Teck Kwong Patrick had submitted additional justifications and reasons for their independence to the NC. The NC had reviewed his independent thoroughly to determine whether he had continuously exercised independence judgement in the best interest of the Company and of the Group while discharging his duties and responsibilities as a Director of the Company despite his extended tenure in office.

Based on the Board's and the NC's observations during the tenure of office occupied by Mr Chee Teck Kwong Patrick for FY2020, Mr Chee distinctively demonstrated independent mindedness and conduct at Board and Board Committees meetings. Together with the NC, the Board, is of the firm view and opinion that Mr Chee continues to exercise independent judgement in the best interest of the Company in the discharge of his duties as Director, despite their extended tenure in office.

New Directors will undergo an orientation programme whereby they are briefed by the Company Secretary of their obligations as Directors, as well as the Group's corporate governance practices, and relevant statutory and regulatory compliance issues, as appropriate. They will also be briefed by Management on the Group's industry and business operations.

It is noted that there is no new director appointed to the Board of the Company in FY2020.

The NC has reviewed the multiple board representations of the Directors and whether competing time commitments were faced when the Directors serve on multiple boards, in addition to the principal commitments of Directors on annual basis.

The NC has received assurance from the Directors who are holding multiple board representations, in particular the Directors holding listed company board representations, that their time and effort in carrying out their duties as Directors of the Company will not be compromised. The NC has also considered the number of listed company board representations held by each Director. In FY2020, all Non-Executive and Independent Directors did not hold more than six (6) listed company board representations.

CORPORATE GOVERNANCE REPORT

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of some Directors of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committees meetings in FY2020, which are planned and scheduled in advance.

Please refer to Annual Report pages 5 to 6 for listed company directorships and principal commitments of each director.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC has in place a performance evaluation process where effectiveness of the Board as a whole is carried out as well as for the respective board committees, namely Audit Committee, Remuneration Committee and Nominating Committee, on an annual basis following the conclusion of each financial year.

The evaluation questionnaire focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information pertaining to the Company, the efficiency and effectiveness of Board processes and the standards of conduct of Directors. All Directors are required to complete the evaluation questionnaire. The findings of the evaluation questionnaire are collated and analysed, and thereafter present to the NC for discussion. The NC will then present the findings of the evaluation questionnaire and make its recommendation to the Board.

The evaluation questionnaire, which allows for comparison with industry peers, is approved by the Board and they address how the Board has enhanced long term shareholder value. The Board has not changed any of such performance criteria or questions during FY2020.

Informal evaluation of the performance of the Board is undertaken on a continuous basis by the NC with inputs from the Executive Directors and the Non-Executive Chairman. The latter will act on the results of the evaluation and where appropriate, in consultation with the NC, will propose the appointment of new Directors or seek the resignation of current Directors.

Although the Directors are not evaluated individually, the factors taken into considerations for the renomination of a Director include the Director's attendance at meetings held during the financial year and the contributions made by that Director at those meetings.

Recommendations to further enhance the effectiveness of the Board and Board Committees are implemented as and when appropriate, if any.

The performance evaluation of the Board as a whole as well as for the respective board committees, namely Audit Committee, Remuneration Committee and Nominating Committee, for FY2020 had been conducted. It was satisfied that all Directors individually and severally contributed effectively and demonstrated full commitment to their roles, accordingly, the performance of the Board for FY2020 was satisfactory.

The annual evaluation process is undertaken as an internal exercise and involves Board members completing a questionnaire covering areas relating to but not limiting to:

- (1) Board composition;
- (2) Information of the Board;
- (3) Board procedures;

CORPORATE GOVERNANCE REPORT

- (4) Board accountability;
- (5) Interactions with CEO & Management;
- (6) Standards of conduct by the Board.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The key responsibilities of the RC include but not limited to the following:

- (1) To recommend to the Board a framework of remuneration for Executive Directors and Key Management Personnel of the Group that is aligned with the interests of shareholders and ensure that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;
- (2) To review and recommend to the Board for their endorsement on the annual remuneration packages for Executive Directors, Key Management Personnel and employees related to Directors or controlling shareholders of the Group, if any, which include a performance-related variable bonus component.
- (3) To review and recommend to the Board the benefits under any long-term incentive schemes, if any, for Executive Directors and Key Management Personnel of the Group;
- (4) To review and recommend the remuneration package of employees related to Directors or controlling shareholder of the Group, if any; and
- (5) To review the contracts of service of the Executive Directors and Key Management Personnel of the Group.

Each member of the RC is required to abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the RC in respect of matters concerned him, if any.

The RC comprises the following Directors, the majority of whom, including the chairman, are independent.

The RC Members are:

Mr Chee Teck Kwong Patrick (Chairman)
 Mr Shan Chang
 Mr Teo Woon Keng John

The RC holds at least one meeting in each financial year.

The recommendations of the RC pertaining to the service contracts of Directors are submitted for endorsement by the Board before the execution of any such service contracts.

CORPORATE GOVERNANCE REPORT

In reviewing the remuneration packages for Executive Directors and Key Management Personnel of the Group, as well as employees related to the Directors and controlling shareholders of the Group, if any, the RC will consider their contributions as well as the financial performance and the commercial needs of the Group and ensure that they are adequately but not excessively remunerated by the Group.

Further, the RC will take into consideration remuneration packages and employment conditions within the industry and within similar organisation structure as well as the Group's relative performance and the performance of individual employee.

The RC ensures that the remuneration packages of employees relating to the Directors and controlling shareholders of the Group, if any, are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The RC aims to be fair and avoid rewarding poor performance during the course of RC's duties including in the event of termination, termination clauses should be fair and not overly generously in respect of contract services entered into with Executive Directors and Key Management Personnel of the Group.

The RC has access to expert advice from external remuneration consultation, where required. In FY2020, the Board has not engaged any professional advice on remuneration matters.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company adopts a remuneration policy for Executive Directors and Key Management Personnel of the Group that comprise 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.

Currently, the Company had adopted the CIHL Employee Share Option Scheme and CIHL Performance Share Plan on 29 June 2020.

Even though there are no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors or Key Management Personnel of the Group in exceptional circumstances of misstatement of financial results or of misconduct resulting financial loss to the Group, the Group will not hesitate to take legal actions against the personnel responsible in the event of such exceptional circumstances or misconduct resulting financial loss to the Group.

Directors' fees payable/paid to the Non-Executive and Independent Directors are set in accordance with a remuneration framework comprising a basic fee and increment fixed fee, taking into account of the level of responsibilities such as taking the roles of chairman and member of Board Committees.

The Board, after the recommendation of the RC, has recommended the aggregate Directors' fees of RMB1,300,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2021, to be paid quarterly in arrears, for shareholders' approval at the forthcoming Annual General Meeting of the Company scheduled for 23 April 2021.

CORPORATE GOVERNANCE REPORT

The Board is of the view that the current remuneration structure is appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration paid (other than share options and share awards granted) to each Director of the Company for FY2020 is disclosed in the respective bands as set out below.

Directors	Fee	Salary	Allowance	Bonus	Total
	%	%	%	%	%
Below S\$250,000					
Mr Shan Chang	100	–	–	–	100
Mr Teo Woon Keng John	100	–	–	–	100
Mr Zhang Rong Xiang	5	90	–	5	100
Mr Zhu Jun	6	64	24	6	100
Mr Chee Teck Kwong Patrick	100	–	–	–	100
Mr Shen Xia ⁽¹⁾	4	72	19	5	100

Note:

(1) Mr Shen Xia is also the CFO, a key executive of the Company.

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 exact remuneration received by each Executive Director of the Company, but in the bands of S\$250,000 disclosed above.

For FY2020, the Company did not have any key executive officers who are also not Directors or CEO. Hence, no further disclosure of remuneration is required under Guideline 8.1 of the Code. The CFO of the Company is Mr Shen Xia, who is also a Director of the Company.

There are no employees of the Group who are immediate family members of a Director or a substantial Shareholder and whose remuneration exceeds S\$100,000 during FY2020.

Accordingly, the Company is of the view that its practices 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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board recognises the importance of sound internal controls and risk management practices and acknowledges its responsibility for the systems of internal controls and risk management of the Group. In this regard, the role of the Board includes:

- (1) ensuring that Management maintains a sound system of risk management to safeguard shareholders' interests and the Group's assets;
- (2) determining the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;
- (3) determining the levels of risk tolerance and risk policies of the Company;
- (4) overseeing Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and
- (5) reviewing the adequacy and effectiveness of the risk management and internal control systems annually.

In 2020, the Management carried out an annual review of the Group's key risks and the effectiveness of the key internal controls of the Group.

The Board has received assurance from the CEO and CFO that, as at 31 December 2020, the Group's financial records have been properly maintained, and the financial statements give a true and fair view of Group's operations and finances.

The Board has also received assurance from the CEO and the key management personnel responsible for risk management and internal control systems that, as at 31 December 2020, the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by internal and independent auditors, reviews performed by management and various Board Committees as well as the said assurances received, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2020 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

The Board noted that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel of the Group, to enable them to discharge its functions properly.

The AC has full access to Management and full discretion to invite any Director and officer to attend AC meetings held from time to time.

The key responsibilities of the AC include but not limited to the following:

- (1) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and the announcements relating to the Group's financial performance;
- (2) To review the assurance from CEO and the CFO on the financial records and financial statements;
- (3) To review scope, audit plans and reports of the independent auditor and the internal auditor;
- (4) To review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology controls and risk management system;
- (5) To review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST;
- (6) To review and recommend to the Board of the release of the unaudited half-yearly financial results and unaudited full year financial results;
- (7) To review and recommend the re-appointment of the independent auditor, and approve the remuneration of the independent auditor;
- (8) To oversee co-ordination where more than one auditing firm or auditing corporation is involved in the Group's independent audit;
- (9) To review the independence of the independent auditor annually;
- (10) To review all non-audit services provided by the independent auditor to determine if the provision of such services will affect the independence of the independent auditor; and
- (11) To review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

Each member of the AC will abstain from voting on any resolution and making any recommendation or participating in any deliberations of the AC in respect of matters concerned him, if any.

For FY2020, there were no non-audit fees paid to the independent auditor, Nexia TS Public Accounting Corporation ("Nexia") and the AC is satisfied with the independence and objectivity of Nexia.

CORPORATE GOVERNANCE REPORT

The AC has also considered the performance of Nexia based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's and the Group's audit as well as the size and complexity of the Company and of the Group. Accordingly, the AC has recommended the re-appointment of Nexia as independent auditor of the Company for the ensuing year.

The aggregate amount of fees paid to independent auditor, as well as its fees is disclosed in page 75 of the Annual Report.

The AC, together with the independent auditors and the Management, considered and discussed the Key Audit Matters included in the auditors' report. The AC concurs with the basis included in the Key Audit Matters. For more information on the Key Audit Matters, please refer to pages 35 to 38 of the Annual Report.

The Company confirms that Rules 712 and 716 of the Listing Manual of SGX-ST have been complied with, specifically, the Board and the AC are satisfied that the appointment of different auditing firms for the Company and its subsidiaries or significant associate companies will not compromise the standard and effectiveness of the audit of the Company for FY2020.

The AC has adopted a whistle-blowing policy pursuant to which an appropriate channel has been established for the Group's employees to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters of the Group through emails.

The whistle-blowing policy was last reviewed by the AC in 2014 to ensure that the Group's whistle-blowing policy staying relevant and reaching out to the Group's employees in Singapore and overseas.

During FY2020, the key activities carried out by AC included but is not limited to:

- (1) Reviewed and recommended unaudited half-yearly financial results and unaudited full year financial results to the Board for approval;
- (2) Reviewed annual audit plans and reports presented by the internal auditor and independent auditor;
- (3) Received and discussed with the independent auditor on the changes of International Financial Reporting Standards that may have a direct impact on the Group's financial statements ahead of the effective dates;
- (4) Reviewed re-appointment of the independent auditor and determining its independence before making a recommendation for Board's approval;
- (5) Reviewed and reported to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;
- (6) Reviewed interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and
- (7) Reviewed the Group's audited financial statements with Management and independent auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2020 are fairly presented in conformity with relevant International Financial Reporting Standards in all material aspects.

CORPORATE GOVERNANCE REPORT

The AC comprises three Non-Executive Directors, the majority of whom, including the chairman, are independent. The AC members are:

Mr Teo Woon Keng John (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

Each of them has extensive knowledge and experience in the fields of corporate finance, law and business. The Board is of the view that the AC members are appropriately qualified in discharging their duties and responsibilities and are capable of exercising sound and independent judgement in view of their requisite expertise and experience.

None of the members of the AC is a partner or director of the Group's auditing firms or auditing corporations or was a former partner or former director of the Group's auditing firms or auditing corporations. None of them has any financial interest in the Group's auditing firms or auditing corporations.

The Company has outsourced its internal audit function to Crowe Horwath First Trust Risk Advisory Pte Ltd ("Crowe Horwath"). Crowe Horwath is a corporate member of the Institute of Internal Auditors Singapore, and is staffed with professionals with relevant qualifications and experience. The internal audit function primary line of reporting would be to the AC.

Crowe Horwath carries out their internal audit functions based on work plan agreed with the AC, where different aspects of internal control are reviewed for each year, and also take into consideration key risk facts identified. Crowe Horwath have submitted a report dated 5 February 2021 to the AC, reporting, inter alia, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company system of internal controls or measures, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems.

The Company cooperates fully with Crowe Horwath in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

In performing its functions, the AC reviews the overall scope of both internal audit and independent audit, and the assistance and resources given by Management to the internal auditor and the independent auditor.

The AC also meets with the internal auditor and the independent auditor annually after the conclusion of each financial year, without the presence of Management, to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDERS' RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them, to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The shareholders of the Company are entitled to receive notice of general meetings, annual report, offer information statement or circulars, whichever is applicable via mail. Such documents are also made available at SGXNET. To facilitate shareholders to exercise their ownership rights, the Board ensures adequate and material information concerning to the Group's business development in accordance with disclosure requirements of the Listing Manual of the SGX-ST are released to SGX-ST through SGXNET in a timely and fair manner.

All resolutions put forth at general meetings to be voted are by a poll and the results of each resolution is announced at general meetings and released subsequently to SGX-ST.

Resolutions on each distinct issue are tabled separately at general meetings. For resolutions tabled under special business, a descriptive explanation of the effects of a resolution will be disclosed in the notice of general meeting.

The Chairmen of the AC, NC and RC are available to address shareholders' questions at general meetings like Annual General Meetings and Extraordinary General Meetings. The Management will be present to facilitate in addressing shareholders' queries at general meetings. All the Directors were present at the last Annual General Meeting held on 29 June 2020.

The independent auditor of the Company will also be present at the Annual General Meeting of the Company to address any shareholders' queries that they may have on the audited consolidated financial statements of the Group.

Individual shareholders and corporate shareholders, who are unable to attend general meetings of the Company, are entitled to appoint not more than two proxies to vote on their behalf at the general meetings of the Company.

The proceedings of general meetings, including questions and answers exchanged among the Board, the Management and the shareholders, will be recorded in minutes and made available to the shareholders of the Company upon their request.

The Company currently does not have a fixed dividend policy. The dividend that the Directors of the Company may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors of the Company:

- (1) the level of the earnings of the Group;
- (2) the financial condition of the Group;
- (3) the projected levels of the Group's capital expenditure and other investment plans;
- (4) the restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and
- (5) other factors as the Directors of the Company may consider appropriate.

CORPORATE GOVERNANCE REPORT

It is noted that the Company had proposed to declare a final tax-exempt dividend of 3 Singapore cents per share for FY2020.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholder during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Board is committed to maintain a high standard of corporate governance by disclosing to its stakeholders, including its shareholders and investors, with adequate and material information concerning the Group's business development in accordance with disclosure requirements of the Listing Manual of the SGX-ST through SGXNET to SGX-ST in a timely and fair manner.

The Board is mindful of its obligation to provide adequate and timely disclosure of all material and price sensitive information to SGX-ST through SGXNET.

The announcements, including but not limiting to the Group's unaudited financial results for each of the first three quarters of its financial year, the Group's unaudited full year financial results, and the material updates of the Group's business development prepared in accordance with disclosure requirements of the Listing Manual of the SGX-ST are also released through SGXNET in a timely manner.

Following the amendments to Rule 705 of the Listing Manual which took effect as of 7 February 2020, the Company is no longer required to continue with quarterly reporting of the Company and the Group's unaudited financial statements, and instead, the Company will announce the unaudited financial statements of the Company and the Group on a half-yearly basis, as required under the revised Listing Manual.

The Board believes that announcement of financial statements on a half-yearly basis coupled with enhanced disclosure requirements is sufficient to keep Shareholders and potential investors updated on the Company's and the Group's state of affairs.

The Company does not practice selective disclosure as the relevant material and price-sensitive information are released to SGX-ST through SGXNET in a timely and fair manner.

The shareholders of the Company, including institutional investors and retail investors, are encouraged to attend general meetings, especially Annual General Meeting which serves as the primary channel to express their views and raise their questions regarding the Group's businesses and prospects.

In addition, the Management will address shareholders' questions and concerns in respect of the Group's businesses should they approach the Company through emails or calls.

The Annual General Meeting of the Company serves as the primary channel for the Management to solicit and collate the views of the shareholders of the Company, including institutional investors and retail investors.

While the Company does not have a dedicated investor relations team, the Company recognises the importance of regular, effective and timely communication with the shareholders.

The Group also maintains a website at <http://www.cihgrp.net/> where the public can access to information relating to the Company. The Company continuously reviews ways to enhance its corporate reporting process and the ease of access to information released.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company's engagement with its material stakeholders is set out in the Sustainability Report which was announced on 27 May 2020.

The Company's efforts on sustainability are focused on creating sustainable value for key stakeholders, which include environment, communities, customers, staff, regulators, and shareholders.

The Company maintains a corporate website at <http://www.cihgrp.net/> to communicate and engage stakeholders.

DEALINGS IN SECURITIES

The Group has adopted an internal policy that complies with and is consistent with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the securities of the Company.

The Group has procedures in place prohibiting the Company, its directors and officers from dealing in the Company's shares during the period commencing one month from the announcement of the Company's half year and full year results ("Prohibited Periods"), or if they are in possession of unpublished material price-sensitive information of the Group.

Directors, officers and employees of the Company are required to comply with and observe the laws on insider trading even if they trade in the Company's securities outside of the Prohibited Periods. They are discouraged from dealing in the Company's shares on short-term considerations and should be mindful of the law on insider trading.

The Company confirms that it has complied with Rule 1207(19) of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has established guidelines on interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual) and has set out procedures for the review and approval of any interested person transaction.

The AC reviews all material interested person transactions and keeps the Board informed of such transactions. Before making its recommendations to the Board for its approval, the AC ensures that such interested person transactions are carried out on normal commercial terms or entered into on an arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders. Measures are taken to ensure that the terms and conditions of interested person transactions are not more favourable than those granted to non-related persons under similar circumstances.

For FY2020, the Company did not enter into any interested person transaction and hence, no announcement is required under the rules of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Save for the service contracts between the Executive Directors and as disclosed elsewhere in the financial statements for FY2020, there were no material contracts (including loans) of the Group involving the interests of any Directors or controlling shareholders entered into during FY2020 that is required to be disclosed under Rule 1207(8) of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of China International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 41 to 127 are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Shan Chang
 Mr Zhang Rong Xiang
 Mr Zhu Jun
 Mr Chee Teck Kwong Patrick
 Mr Shen Xia
 Mr Teo Woon Keng John

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options and share performance plan" in this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2020	At 1.1.2020
Company (No. of ordinary shares of S\$0.05 (FY2019: S\$0.05) each)		
Mr Zhang Rong Xiang	210,550	210,550

DIRECTORS' STATEMENT

Directors' interests in shares or debentures (Cont'd)

The director's interests in the ordinary shares of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

Share options

(a) CIHL Share Option Scheme

The Group adopted CIHL Share Option Scheme (the "2010 Scheme") on 8 March 2010, which has expired on 9 March 2020. Subsequently, the Group has issued and adopted a new share option scheme (the "2020 Scheme") and was approved by shareholders at a Special General Meeting held on 29 June 2020. As at reporting date, the following share options have been granted by the Company to the directors pursuant to the 2020 Scheme:

Name of director	No. of unissued ordinary shares of the Company under option					
	Granted in financial year ended 31.12.2020	Aggregate granted since commencement of scheme to 31.12.2020	Lapsed in financial year ended 31.12.2020	Expired in financial year ended 31.12.2020	Aggregate exercised since commencement of scheme to 31.12.2020	Aggregate outstanding as at 31.12.2020
Mr Shan Chang	400,000	400,000	–	–	–	400,000
Mr Zhang Rong Xiang	500,000	500,000	–	–	–	500,000
Mr Zhu Jun	500,000	500,000	–	–	–	500,000
Mr Shen Xia	500,000	500,000	–	–	–	500,000
Mr Chee Teck Kwong Patrick	400,000	400,000	–	–	–	400,000
Mr Teo Woon Keng John	400,000	400,000	–	–	–	400,000
	2,700,000	2,700,000	–	–	–	2,700,000

There were 2,700,000 share options granted to the above directors of the Company on 3 July 2020 at the exercise price of S\$0.294. All share options granted shall be vested after the first anniversary of the grant. The expiry date of the share options is on 2 July 2025. Detail of the share option is disclosed in Note 26 to the financial statements. The fair value of share options granted during the financial year ended 31 December 2020 was estimated to be S\$694,000, equivalent to RMB3,514,000 using the Binomial Option Pricing Model.

Since the commencement of the 2020 Scheme to the end of the financial year ended 31 December 2020, save as disclosed above:

- (i) no employees of the Company or its subsidiaries have received 5% or more of the total number of share options available under the 2020 Scheme;
- (ii) no share options have been granted to controlling shareholders of the Company or their associates; and
- (iii) no share options have been granted at a discount of more than 20% to the prevailing market price of the shares.

DIRECTORS' STATEMENT

Share options (Cont'd)

(a) CIHL Share Option Scheme (Cont'd)

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

The 2020 Scheme is administered by the Remuneration Committee, members of which included Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

(b) CIHL Performance Share Plan (the "PSP")

The PSP previously approved at a Special General Meeting held on 8 March 2010 has expired on 9 March 2020. Subsequently, a new PSP (the "2020 PSP") was approved by the shareholders of the Company at a Special General Meeting held on 29 June 2020. The PSP shall complement the 2020 Scheme and serve as an additional and flexible incentive tool. As at the reporting date, the following PSP have been granted by the Company to the directors pursuant to the 2020 PSP:

Name of director	No. of unissued ordinary shares of the Company under PSP					
	Granted in financial year ended 31.12.2020	Aggregate granted since commencement of scheme to 31.12.2020	Lapsed in financial year ended 31.12.2020	Expired in financial year ended 31.12.2020	Aggregate released since commencement of scheme to 31.12.2020	Aggregate outstanding as at 31.12.2020
Mr Shan Chang	100,000	100,000	–	–	–	100,000
Mr Zhang Rong Xiang	100,000	100,000	–	–	–	100,000
Mr Zhu Jun	100,000	100,000	–	–	–	100,000
Mr Shen Xia	100,000	100,000	–	–	–	100,000
Mr Chee Teck Kwong Patrick	50,000	50,000	–	–	–	50,000
Mr Teo Woon Keng John	50,000	50,000	–	–	–	50,000
	500,000	500,000	–	–	–	500,000

Under the rules of the PSP, all directors and employees of the Group as well as the employees of associates are eligible to participate in the PSP at the absolute discretion of the Remuneration Committee.

The total number of shares over which shares to be issued under the PSP, together with the number of shares issued under the 2020 Scheme shall not exceed 15% of the issued ordinary share capital (excluding treasury shares) of the Company at any time.

The Remuneration Committee is charged with the administration of the PSP in accordance with the rules of the PSP. The Remuneration Committee administering the PSP comprises the directors, Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

None of the directors in the Remuneration Committee participated in any deliberation or decision in respect of shares granted to himself.

DIRECTORS' STATEMENT

Share options (Cont'd)

(b) CIHL Performance Share Plan (the "PSP") (Cont'd)

The number of shares to be offered to a participant shall be determined at the discretion of the Remuneration Committee provided that:

- (i) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates shall not exceed 25% of the 2020 Scheme; and
- (ii) the number of shares which may be offered to each participant who is a controlling shareholder or their associates shall not exceed 10% of the 2020 Scheme.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Mr Teo Woon Keng John (Chairman)
 Mr Shan Chang
 Mr Chee Teck Kwong Patrick

All members of the AC were non-executive directors.

The AC carried out its functions in accordance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual and the Code of Corporate Governance, including a review of the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 and the Independent Auditors' Report thereon. The AC has full access to management, has discretion to invite any director or executive officer to attend its meetings and is given the resources required for it to discharge its functions.

The AC has also reviewed the following:

- (1) Reviewed and recommended unaudited half-yearly financial results and unaudited full year financial results to the Board for approval;
- (2) Reviewed annual audit plans and reports presented by the internal auditor and independent auditor;
- (3) Received and discussed with the independent auditor on the changes of International Financial Reporting Standards that may have a direct impact on the Group's financial statements ahead of the effective dates;
- (4) Reviewed re-appointment of the independent auditor and determining its independence before making a recommendation for Board's approval;
- (5) Reviewed and reported to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;
- (6) Reviewed interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and

DIRECTORS' STATEMENT

Audit committee (Cont'd)

The AC has also reviewed the following: (Cont'd)

- (7) Reviewed the Group's audited financial statements with Management and independent auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2020 are fairly presented in conformity with relevant International Financial Reporting Standards in all material aspects.

No non-audit fees were paid to the independent auditors for financial year ended 31 December 2020. The AC is satisfied with the independence and objectivity of the independent auditor, Nexia TS Public Accounting Corporation ("Nexia"); and has recommended to the Board that Nexia be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Shan Chang
Director

Zhang Rong Xiang
Director

6 April 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of China International Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 127.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (“IFRSs”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants* (“IESBA Code”) and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Revenue recognition

(Refer to Notes 2.6, 4 and 5 to the financial statements)

For the financial year ended 31 December 2020, the Group recognised revenue of approximately RMB158.2 million generated from supply of gray water, construction of water pipeline and wastewater treatment services. Revenue generated from supply of grey water and construction of water pipeline is recognised at a point in time when the Group satisfied a performance obligation by transferring the control of the promised goods or services to the customers and has a present right to payment. Revenue generated from wastewater treatment services is recognised over time based on the volumes treated and are recognised when the services are rendered.

Revenue from supply of gray water and construction of water pipeline are measured at the transaction price agreed under contract whereas for the revenue from wastewater treatment services, it involved significant judgement and assumption as the consideration is variable. In estimating the revenue, the Group has considered the most likely amount of consideration which the Group expects to be entitled to, in exchange for transferring the promised services to the customer to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We identified revenue recognition as key audit matter as revenue is one of the key performance indicators of the Group and it could be inappropriately reported to achieve desired financial results. Furthermore, a significant degree of judgment and assumptions were involved in the estimated revenue arising from wastewater treatment services. Inappropriate judgments and/or estimates used could result in a material variance in the revenue recognised in profit or loss and the corresponding contract assets.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence, the following procedures were performed:

- Reviewed and evaluated the Group's revenue recognition policy is in accordance with IFRS 15 *Revenue from Contracts with Customers*;
- Understood and validated key controls over the revenue recognition cycles;
- Reviewed the terms and conditions of signed significant contracts;
- Understood and assessed the reasonableness of the estimated cost and additional cost accrued;
- Performed substantive analytical procedures to ascertain the accuracy and completeness of the sales transactions taking place before and after year-end;
- Performed test of details to assess the existence and validity of the sales transaction on a sampling basis; and
- Reviewed management's disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Investment in associate - Beijing Kaiyuanwanjia Management Consulting Limited and its subsidiaries (“KYWJ Group”)

(Refer to Notes 2.2, 4 and 17 to the financial statements)

The Group's 50% equity interest in Beijing Kaiyuanwanjia Management Consulting Limited and its subsidiaries (“KYWJ Group”) is accounted for under the equity method. The Group's share of profit after tax from KYWJ Group was RMB40.0million for the financial year ended 31 December 2020 and the carrying amount of investment in KYWJ Group was RMB138.3million as at 31 December 2020.

The Group's interests in associate is carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investment in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income, less impairment of investment (if any). The Group assessed at the end of each reporting period whether there is any indication that the carrying amounts of interests in associate may be impaired.

We identified investment in associate as key audit matter due to the significance to the Group and the judgement involved in the impairment assessment.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence, the following procedures were performed:

- Assessed the appropriateness of management's accounting for investment in associate;
- Performed substantive test to ascertain that revenue recognition, cost allocation and expenses had been accounted in accordance with the Group's accounting policies and IFRSs;
- Reviewed and evaluated management's impairment assessment of investment in associates is in accordance with IAS 36 *Impairment for Assets*; and
- Reviewed management's disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Recoverability of trade receivables, other receivables and contract assets

(Refer to Notes 2.15, 4 and 21 to the financial statements)

As at 31 December 2020, the Group had trade and other receivables amounting to RMB238.1million, net of expected credit losses ("ECL") allowance of RMB92.7million.

The Group determines ECL allowance for trade receivables and contract assets at an amount equal to the lifetime expected credit losses ("ECL") by assessing the probability of default which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors. Other receivables are generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

We identified recoverability of trade receivables, other receivables and contract assets as key audit matter due to the significant management's judgements and assumptions which were involved in determining the credit risk of these assets.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence, the following procedures were carried out:

- Reviewed the aging analysis of trade and other receivables;
- Reviewed and evaluated management's assessment on ECL of the Group's trade receivables, other receivables and contract assets are in accordance with IFRS 9 *Financial Instruments*;
- Assessed the reasonableness of the estimates and judgements used by management in providing the ECL.
- Discussed with management on the recoverability of the trade receivables, other receivables and contract assets, to historical patterns of receipts and verified to subsequent receipts or any other evidence;
- For other receivables, also considered management's assessment of any significant increase in credit risk since initial recognition; and
- Reviewed management's disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

To the Members of China International Holdings Limited
(Incorporated in Bermuda with Limited Liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Low See Lien.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
6 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	5	158,198	63,132
Cost of sales and services provided		(85,634)	(35,650)
Gross profit		72,564	27,482
Other income - net	6(a)	5,386	35,629
Other losses - net	6(b)	(2,046)	(71)
Expenses			
- Administrative		(11,777)	(9,855)
- Other operating		(18,312)	(24,441)
- Finance	7	(5,064)	(77)
Share of net profit/(loss) of associates accounted for using the equity method	17	40,018	(1,225)
Profit before income tax		80,769	27,442
Income tax expense	10	(14,918)	(1,517)
Total comprehensive income for the financial year		65,851	25,925
Total comprehensive income for the financial year attributable to:			
Equity holders of the Company		57,055	18,560
Non-controlling interests		8,796	7,365
		65,851	25,925
Earnings per share for profit attributable to the equity holders of the Company (RMB (Fen) per share)			
- Basic earnings per share	11	80.10	26.05
- Diluted earnings per share	11	79.71	26.05

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	246,761	278,029	–	–
Intangible assets	13	54	135	–	–
Investment properties	14	33,100	34,800	–	–
Goodwill arising on consolidation	15	20,303	20,303	–	–
Investments in subsidiaries	16	–	–	196,000	196,000
Investments in associates	17	138,262	98,244	–	–
Other receivables	21	30,000	–	–	–
Deferred income tax assets	18	6,389	3,893	–	–
		<u>474,869</u>	<u>435,404</u>	<u>196,000</u>	<u>196,000</u>
Current assets					
Inventories	19	1,944	2,246	–	–
Other current assets	20	10,176	7,949	–	–
Trade and other receivables	21	208,125	181,867	442,477	440,981
Cash and cash equivalents	22	127,555	167,891	1	1
		<u>347,800</u>	<u>359,953</u>	<u>442,478</u>	<u>440,982</u>
LIABILITIES					
Current liabilities					
Borrowings	23	40,500	33,000	–	–
Lease liabilities	12	429	590	–	–
Trade and other payables	24	172,675	201,047	139,959	134,920
Current income tax liabilities		7,906	22,747	–	–
		<u>221,510</u>	<u>257,384</u>	<u>139,959</u>	<u>134,920</u>
Net current assets		<u>126,290</u>	<u>102,569</u>	<u>302,519</u>	<u>306,062</u>
Total assets less current liabilities		<u>601,159</u>	<u>537,973</u>	<u>498,519</u>	<u>502,062</u>
Non-current liabilities					
Borrowings	23	59,500	72,000	–	–
Lease liabilities	12	–	398	–	–
Deferred income	25	15,485	16,300	–	–
Deferred income tax liabilities	18	10,141	7,979	–	–
		<u>85,126</u>	<u>96,677</u>	<u>–</u>	<u>–</u>
Net assets		<u>516,033</u>	<u>441,296</u>	<u>498,519</u>	<u>502,062</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	26(a)	17,779	17,779	17,779	17,779
Reserves	27	921,771	918,438	886,695	884,559
Accumulated losses		(549,262)	(605,120)	(405,955)	(400,276)
		<u>390,288</u>	<u>331,097</u>	<u>498,519</u>	<u>502,062</u>
Non-controlling interests	16	125,745	110,199	–	–
TOTAL EQUITY		<u>516,033</u>	<u>441,296</u>	<u>498,519</u>	<u>502,062</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before income tax		80,769	27,442
Adjustments for:			
- Amortisation of intangible assets	9	81	108
- Depreciation of property, plant and equipment	12	27,316	11,816
- Amortisation of deferred income	25	(815)	–
- Gain on disposal of property, plant and equipment	6(b)	(9)	(9)
- Loss on write off of property, plant and equipment		51	–
- Interest expenses	7	5,064	77
- Expenses of share option and share award plan	8	2,136	–
- Interest income	6(a)	(970)	(1,046)
- Fair value loss on investment properties	6(b)	1,700	–
- Share of net (profit)/loss of associates accounted for using the equity method	17	(40,018)	1,225
- Unrealised currency translation gain/(loss)		314	(107)
		75,619	39,506
Changes in working capital:			
- Inventories		302	(496)
- Other current assets		(2,226)	19,860
- Trade and other receivables		(56,213)	(32,470)
- Trade and other payables		(12,200)	57,406
Cash provided by operations activities		5,282	83,806
Income tax paid		(30,093)	(12,198)
Net cash (used in)/provided by operating activities		(24,811)	71,608
Cash flows from investing activities			
Decrease of restricted bank balances pledged		146	–
Interest received		924	780
Interest paid		–	(3,346)
Purchases of property, plant and equipment		(12,431)	(112,176)
Proceeds from disposal of property, plant and equipment		14	9
Repayment of loans and interest from associates		–	70,180
Net cash used in investing activities		(11,347)	(44,553)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Interest and other finance expenses		(5,064)	(77)
Principal payment of lease liabilities		(559)	(460)
Proceeds from borrowings			
- non-related parties		–	77,000
Repayments of borrowings			
- non-related parties		(5,000)	–
Capital received from a non-controlling shareholder		6,750	–
Net cash (used in)/provided by financing activities		<u>(3,873)</u>	<u>76,463</u>
Net (decrease)/increase in cash and cash equivalents		(40,031)	103,518
Cash and cash equivalents			
Beginning of financial year		167,745	64,120
Effects of currency translation on cash and cash equivalents		(159)	107
End of financial year	22	<u>127,555</u>	<u>167,745</u>

Reconciliation of liabilities arising from financing activities

	1 January 2020 RMB'000	Principal and interest payments RMB'000	Adoption of IFRS 16 RMB'000	Addition RMB'000	Non-cash movement- Interest expense RMB'000	31 December 2020 RMB'000
Borrowings	105,000	(5,000)	–	–	–	100,000
Accrued interest	1,163	(5,014)	–	–	5,014	1,163
Lease liabilities	988	(609)	–	–	50	429

	1 January 2019 RMB'000	Principal and interest payments RMB'000	Adoption of IFRS 16 RMB'000	Addition RMB'000	Non-cash movement- Interest expense RMB'000	31 December 2019 RMB'000
Borrowings	28,000	–	–	77,000	–	105,000
Accrued interest	1,231	(3,346)	–	–	3,278	1,163
Lease liabilities	–	(537)	1,448	–	77	988

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves* RMB'000	Capital redemption reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2020												
Beginning of financial year	17,779	65,712	810,044	7,764	28,741	8,324	(2,147)	—	(605,120)	331,097	110,199	441,296
Total comprehensive income for the financial year	—	—	—	—	—	—	—	—	57,055	57,055	8,796	65,851
Transfer	—	—	—	—	1,197	—	—	—	(1,197)	—	—	—
Capital injection	—	—	—	—	—	—	—	—	—	—	6,750	6,750
Share based payment	—	—	—	—	—	—	—	2,136	—	2,136	—	2,136
End of financial year	17,779	65,712	810,044	7,764	29,938	8,324	(2,147)	2,136	(549,262)	390,288	125,745	516,033
2019												
Beginning of financial year	17,779	65,712	810,044	7,764	25,555	8,324	(2,147)	7,114	(627,608)	312,537	102,834	415,371
Total comprehensive income for the financial year	—	—	—	—	—	—	—	—	18,560	18,560	7,365	25,925
Transfer	—	—	—	—	3,186	—	—	—	(3,186)	—	—	—
Share options lapsed	—	—	—	—	—	—	—	(7,114)	7,114	—	—	—
End of financial year	17,779	65,712	810,044	7,764	28,741	8,324	(2,147)	—	(605,120)	331,097	110,199	441,296

* As stipulated by the relevant laws and regulations for foreign investment enterprises in PRC, the PRC subsidiaries of the Group are required to provide for statutory surplus reserve fund and voluntary contribution of enterprise expansion fund. Appropriations to such reserve funds are made out of a total of 10.5% of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied to convert into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the statutory reserves under shareholders' funds.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

China International Holdings Limited (the “Company”) is listed on the main board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Company is an exempted company incorporated in Bermuda with limited liability under the Companies Act of Bermuda.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is in the People’s Republic of China (the “PRC”).

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries and associates are disclosed in Notes 16 and 17 to the financial statements respectively.

Coronavirus (COVID-19) Impact

On 30 January 2020, the World Health Organisation announced the COVID-19 outbreak as a global health emergency.

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by various governments. The Group’s significant operations are in People’s Republic of China and have been affected by the spread of COVID-19 in 2020.

Set out below is the impact of COVID-19 on the Group’s financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- An assessment was made that the going concern basis of preparation for this set of financial statements remains appropriate.
- The outbreak of COVID-19 has caused disruption in the labour supply to the Group’s businesses and this has prolonged the construction and development processes during the financial year.
- The Group has considered the market conditions (including the impact of COVID-19) as at the reporting date, in making estimates and judgements on the recoverability of assets as at 31 December 2020. The significant estimates and judgements applied on impairment of trade receivables, other receivables, and contract assets are disclosed in Note 21 to the financial statements.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management’s current expectations, the Group’s assets may be subject to further write downs in the subsequent financial periods.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies

These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial statements are for the group consisting of China International Holdings Limited and its subsidiaries (the “Group”).

2.1 Basis of preparation

(i) Compliance with International Financial Reporting Standards (“IFRS”)

The consolidated financial statements of the Group have been prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee (“IFRS IC”) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”).

The financial statements are presented in Renminbi (“RMB”) and all values in the tables are rounded to the nearest thousand (RMB’000) as indicated.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of Material* – amendments to IAS 1 and IAS 8
- *Definition of Business* – amendments to IFRS 3
- *Interest Rate Benchmark Reform* – amendments to IFRS 9, IAS 39 and IFRS 7
- *Revised Conceptual Framework for Financial Reporting*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of other standards and amendments listed above did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2(c) below), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting (Cont'd)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(e) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting (Cont'd)

(e) Related parties (Cont'd)

- (B) An entity is related to the Group (reporting entity) if any of the following conditions applies: (Cont'd)
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, including executive directors. The Board of Directors, including executive directors, are responsible for allocating resources and assessing performance and position of the operating segments, and makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.5 Foreign currency translation (Cont'd)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance expenses. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other losses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promise good or service to a customer, which is when the customer obtains control of the good and service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Water supply income

The Group supply grey water to the customers. Revenue is recognised at a point in time when control of the water has been transferred to the customers, being when the customer has full discretion over the usage of the water, and there is no unfulfilled obligation that could affect the customer's usage. Usage is measured by meters installed at the customer's locations.

The revenue is then measured at the transaction price per unit of usage that is agreed under contract. In most of the cases, payments are received in advance from customer, nevertheless, no element of financing is deemed present as the timing of the transfer of the water is at the discretion of the customer.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Construction of water pipeline

Revenue from construction of water pipeline is recognised at a point in time when the control has been transferred to the customer, being when the promised services have been handed over and acknowledged by the customers. The Group does not has an enforceable right to payment until the water pipeline has been handed over to the customers.

The revenue is measured at the transaction price agreed under contract. In most of the cases, payments are received in advance from customer, nevertheless, no element of financing is deemed present as such payment terms is an industry practice to protect the performing company from the customers' failure to adequately complete some or all of its obligations under the contract.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For costs incurred for uncompleted contract are disclosed as other current asset in Note 2.14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition (Cont'd)

(iii) Wastewater treatment services

Revenue from wastewater treatment services is recognised over time based on the volumes treated and are recognised when the services rendered, being when the Group has satisfied the performance obligations of the contract and has a present right to payment and the collection of the consideration is probable. The Group considered and estimated the most likely amount of consideration which the Group expects to be entitled to, in exchange for transferring the promised services to the customer. The consideration estimated is to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract asset is recognised based on the estimated consideration when the performance obligations are satisfied. The contract asset will then be transferred to trade receivables when the Group's right to consideration in exchange for the services rendered to the customer become unconditional.

(iv) Land development construction contracts

The Group performs construction and upgrade services to the land for the customer. Revenue is recognised when control over the agreed services has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the services over time or at a point in time. For these contracts, revenue are generally recognise over time by reference to the Group's progress towards completing the services. The measurement of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. The customer is invoiced when the milestone of the contract is reached. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

(v) Temporary water treatment services income

Temporary water treatment services income is recognised at a point in time when the Group satisfied the performance obligation of the contract; the Group has the present right to payment and the collection of the consideration is probable. The Group considered and estimated the most likely amount of consideration which the Group expects to be entitled to, in exchange for transferring the promised services to the customer. The consideration estimated is to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(vi) Interest income

Interest income is recognised using the effective interest method.

(vii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition (Cont'd)

(viii) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

2.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.8 Leases

(i) Where the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Reassessment is only required when the terms and conditions of the contract are changed.

(a) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented as “Property, plant and equipment” in the statements of financial position.

Right-of-use asset which meets the definition of an investment property is presented within “Investment properties” and accounted for in accordance with Note 2.18 to the financial statements.

(b) Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.8 Leases (Cont'd)

(i) Where the Group is the lessee (Cont'd)

(b) Lease liabilities (Cont'd)

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

(c) Short term and low value leases

Payments associated with short-term leases of offices and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) Where the Group is the lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Lease income from operating leases is recognised in statement of comprehensive income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.9 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and estimated net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.9 Development properties (Cont'd)

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.10 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, less cash subject to restriction. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer to Note 2.15 to the financial statements for the classification, recognition and measurement of financial asset and Note 21 to the financial statements for Group's impairment policies.

2.13 Inventories

Inventories comprise of raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.14 Other current assets

Other current assets, comprise costs incurred in fulfilling a contract with a customer, are recognised only if (a) these costs relate directly to a contract or to an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (c) the costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

The assets recognised are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of these other current assets exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

2.15 Financial assets

(a) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model from managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Subsequent measurement for debt instruments classified as amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.15 Financial assets (Cont'd)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets classified at amortised cost, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets classified at amortised cost, the Group applies general approach. Refer to Notes 3(b) and 21 to the financial statements respectively for further disclosure on the impairment policy.

2.16 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.17 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	<u>Useful lives</u>
Leasehold land and buildings	20 years
Water plant and its ancillary facilities	10 and 20 years
Plant and machinery	10 years
Office equipment	5 years
Renovation	3 years
Motor vehicles	5 years

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.17 Property, plant and equipment (Cont'd)

The assets useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction in progress represents water plant and its ancillary facilities, and is stated at cost less impairment losses. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and available for use. Depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

2.18 Investment properties

Investment properties, principally leasehold office buildings, are held for long-term rentals yields and/or for capital appreciation. They are carried at fair value. Changes in fair values are presented in statement of comprehensive income as part of "Other losses – net".

Investment properties are initially recognised at cost including all direct costs attributable to the property and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.19 Intangible assets

(a) Goodwill

The excess of the sum of the consideration transferred, amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in statement of comprehensive income as a gain from bargain purchase.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.19 Intangible assets (Cont'd)

(a) Goodwill (Cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Computer software

Intangible assets acquired separately are measured on initial recognition at cost. Costs associated with maintaining the computer software are expensed off when incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any. These costs are amortised to statement of comprehensive income using the straight-line method over their estimated useful lives of 3 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The amortisation period and amortization method of intangible assets, other than goodwill, are reviewed at least at each statement of financial position date. The effects of any revision are recognised in statement of comprehensive income when the changes arise.

2.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.21 Borrowings (Cont'd)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance expenses.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in statement of comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.23 Provisions

Provisions for warranty and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.24 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to Mandatory Provident Fund, a defined contribution retirement scheme, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in statement of comprehensive income as and when incurred.

The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as employee benefit expense in the period in which the related services are performed. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the CIHL Share Option Scheme (the "2020 Scheme").

The fair value of options granted under the 2020 Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (a) including any market performance conditions (eg the entity's share price);

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.24 Employee benefits (Cont'd)

- (iv) Share-based payments (Cont'd)
 - (b) excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
 - (c) including the impact of any non-vesting conditions (eg the requirement for employees to save).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

- (v) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of entity's share on grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2.25 Government grant

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants received are recognised as income over the periods necessary to match them with the related costs which they intended to compensate on a systematic basis. Government grants relating to expenses are shown separately as other income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

2. Summary of significant accounting policies (Cont'd)

2.26 Share capital and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes the detailed policies such as risk identification, measurement and exposure limits.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in PRC. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in the Hong Kong dollar (“HKD”), United States dollar (“USD”) and Singapore dollar (“SGD”). The Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will closely monitor its foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

At 31 December 2020, if the HKD had strengthened/weakened by 6% (2019: 2%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB269,000 (2019: RMB94,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and bank balances and accruals.

At 31 December 2020, if the SGD had strengthened/weakened by 5% (2019: 3%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB50,000 (2019: RMB32,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SGD-denominated cash and bank balances and accruals.

At 31 December 2020, if the USD had strengthened/weakened by 6% (2019: 1%) against the RMB with all other variables held constant, the foreign exchange gains/losses on translation of USD-denominated financial assets are not expected to have any significant impact to post-tax profit for the year.

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group’s exposure to interest rate risks arises primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risks (Cont'd)

The table below sets out the carrying amounts as at 31 December, by maturity or re-pricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
2020			
Financial assets			
<i>Fixed rate</i>			
Short term deposit	69,032	–	69,032
<i>Floating rate</i>			
Cash at bank	58,447	–	58,447
Financial liabilities			
<i>Fixed rate</i>			
Borrowings	28,000	3,228	31,228
<i>Floating rate</i>			
Borrowings	68,772	–	68,772
2019			
Financial assets			
<i>Fixed rate</i>			
Restricted bank balances	146	–	146
<i>Floating rate</i>			
Cash at bank	167,706	–	167,706
Financial liabilities			
<i>Fixed rate</i>			
Borrowings	28,000	3,228	31,228
<i>Floating rate</i>			
Borrowings	73,772	–	73,772

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risks (Cont'd)

The Group is not exposed to changes in interest rates for fixed rate financial assets and financial liabilities, and the impact of the exposure to interest rate risk from financial assets at variable rate is not significant.

If the RMB interest rates had been higher/lower by 0.1% (2019: 0.1%) with all other variables including tax rate being held constant, the post-tax profit would have been lower/higher by RMB3,215,000 (2019: RMB2,739,000) as a result of higher/lower interest expense on these borrowings.

The Company does not have exposure to interest rate risk as it does not hold variable financial assets and liabilities.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Refer to Note 21 to the financial statements for the details of Group's exposure to credit risk in relation to trade receivables, other receivables and contract assets. Cash and cash equivalent are subject to immaterial credit loss as bank deposits are placed with banks with high credit-rating.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient funds to enable the Group and the Company to meet contractual and financial obligations when due and the availability of funding through credit facilities. At the end of the reporting period, assets held by the Group and the Company for maintaining liquidity risk included cash and cash equivalents as disclosed in Note 22 to the financial statements.

To manage liquidity risk, the Group and the Company monitors its net operating cash flow and maintains a level of cash and cash equivalents, deemed adequate by management for working capital purposes so as to mitigate the effectiveness of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
Group			
2020			
Trade and other payables	80,775	–	80,775
Borrowings	40,500	66,611	107,111
Lease liabilities	429	–	429
	121,704	66,611	188,315
2019			
Trade and other payables	96,379	–	96,379
Borrowings	33,000	83,518	116,518
Lease liabilities	590	466	1,056
	129,969	83,984	213,953
Company			
2020			
Other payables	139,959	–	139,959
2019			
Other payables	134,920	–	134,920

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase shares, raise new debts, redeem existing debts or sell assets to reduce debts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

Management monitors capital based on the return on shareholders' fund. The return on shareholders' fund was 14.7% (2019: 5.61%) for the current financial year ended 31 December 2020. The return on shareholders' fund is calculated as net profit attributable to owners of the parent divided by shareholders' equity.

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above, the Group and the Company are not subject to any other externally imposed capital requirements.

(e) Fair value measurement

The fair value measurement hierarchy have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 14 to the financial statements for disclosure of the investment properties that are measured at fair value. The fair values of current financial assets and liabilities carried at amortised cost approximates their carrying amounts.

(f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

3. Financial risk management (Cont'd)

(f) Offsetting financial assets and financial liabilities (Cont'd)

The following table presents the recognised financial instruments that are offset in the Company's statement of financial position as at 31 December 2020 and 2019 respectively.

	Gross amounts of recognised financial assets/ (liabilities) RMB'000	Gross amounts of recognised financial liabilities/ (assets) set off in the statement of financial position RMB'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position RMB'000
Company			
As at 31 December 2020			
Due from subsidiaries	925,107	(480,961)	444,146
Due to subsidiaries	(616,395)	480,961	(135,434)
As at 31 December 2019			
Due from subsidiaries	902,130	(461,209)	440,921
Due to subsidiaries	(616,775)	461,209	(155,566)

(g) Financial instruments by category

The aggregate carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Trade and other receivables ⁽¹⁾	225,123	175,033	442,475	440,979
Cash and cash equivalents	127,555	167,891	1	1
Financial assets, at amortised cost	352,678	342,924	442,476	440,980
Financial liabilities				
Borrowings	100,000	105,000	–	–
Lease liabilities	429	988	–	–
Trade and other payables ⁽²⁾	78,580	96,379	139,959	134,920
Financial liabilities, at amortised cost	179,009	202,367	139,959	134,920

(1) Excluding prepayments and advances

(2) Excluding receipts in advance

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade receivables, other receivables and contract assets

As at 31 December 2020, the Group's trade receivables, contract assets and other receivables amounted to RMB26,092,000 (2019: RMB32,656,000), RMB94,154,000 (2019: RMB38,848,000) and RMB104,804,000 (RMB103,461,000) respectively.

The Group measured the loss allowance of trade receivables and contract assets at an amount equal to lifetime expected credit losses ("ECL") by assessing the probability of default that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment for the remaining group of debtors. A considerable amount of judgement is required in assessing the ECL which are determined by referencing to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. At every reporting date the historical observed default rates will be updated and changes in the forward looking estimates will be analysed.

The Group generally measured the loss allowance of other receivables at an amount equal to 12-month ECL by taking into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the receivables in estimating the probability of default. When the credit quality deteriorates and the resulting credit risk of other receivables increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

The loss allowance recognised for trade receivables and other receivables as at 31 December 2020 was Nil (2019: RMB2,142,000) and RMB92,740,000 (2019: RMB92,740,000) respectively. Details of the loss allowance on trade receivables and other receivables are disclosed in Note 21 to the financial statements.

(b) Investments in associates

Investments in associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Further disclosures are made in Note 17 to the financial statements.

(c) Revenue from wastewater treatment services

Revenue from wastewater treatment services involved significant judgements and assumptions as the consideration is variable. In estimating the revenue, the Group has considered the most likely amount of consideration which the Group expects to be entitled to, in exchange for transferring the promised services to the customer. The consideration estimated is to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refer to Note 5 to the financial statements for the revenue recognised in current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

5. Revenue

	Group	
	2020	2019
	RMB'000	RMB'000
Revenue from:		
- supply of gray water	39,786	43,992
- construction of water pipeline	53,388	21,790
- wastewater treatment services	64,859	–
- adjustment of revenue on land development construction contracts income ⁽¹⁾	165	(2,650)
	158,198	63,132

All streams of revenue are recognised at a point in time, except for revenue from wastewater treatment services are recognised over time.

(1) The consideration of a land development contract had been determined with the customer and estimated in prior financial year. Upon finalisation of the contact, the Group adjusted RMB165,000 (RMB 2,650,000) against the Group's revenue and contract asset (Note 21).

6. (a) Other income - net

	Group	
	2020	2019
	RMB'000	RMB'000
Interest income from:		
Financial assets measured at amortised cost		
- banks	856	424
- loans to non-related parties	68	576
- loans to associates	46	46
	970	1,046
Rental income from investment properties (Note 14)	1,551	1,346
Temporary water treatment services income	–	32,967
Guarantee income	2,745	–
Other	120	270
	5,386	35,629

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

6. (b) Other losses - net

	Group	
	2020	2019
	RMB'000	RMB'000
Currency translation losses, net	(355)	(80)
Fair value losses on investment properties	(1,700)	–
Gain on disposals of property, plant and equipment	9	9
	<u>(2,046)</u>	<u>(71)</u>

7. Finance expenses

	Group	
	2020	2019
	RMB'000	RMB'000
Interest expense on:		
- Bank borrowings	5,014	3,498
- Lease liabilities (Note 12(a)(ii))	50	77
	<u>5,064</u>	<u>3,575</u>
Amount capitalised in property, plant and equipment ⁽¹⁾	–	(3,498)
	<u>5,064</u>	<u>77</u>

(1) During the financial year ended 31 December 2019, the Group has capitalised the related interest expense of RMB3,498,000 as cost of property, plant and equipment, which form part of additions to the water plant and its ancillary facilities (Note 12).

8. Employee benefit expense

	Group	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and bonuses	14,410	14,556
Pension costs of defined contribution plans	2,595	4,022
Employee share based payment	2,136	–
	<u>19,141</u>	<u>18,578</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

9. Profit before income tax

The Group's profit before income tax is arrived at after charging the following:

	Group	
	2020	2019
	RMB'000	RMB'000
Included in cost of sales and services provided:		
Cost of inventories consumed	8,876	13,093
Depreciation of property, plant and equipment	24,301	7,551
Employee benefit expense	4,718	3,848
Utility costs	5,888	3,551
Water pipeline installation and construction costs	26,562	7,467
Chemical costs and other treatment costs	15,166	–
Included in administrative and other operating expenses:		
Fees on audit services paid/payable to:		
- auditor of the Company	1,004	1,030
- other auditors	76	75
Fees on non-audit services paid/payable to:*		
- other auditors	68	28
Amortisation of intangible assets (Note 13)	81	108
Depreciation of property, plant and equipment	3,015	4,265
Employee benefit expense	14,423	14,730
Legal and professional fees	1,508	2,350
Travelling	626	2,029
Utilities	27	28

* No non-audit services fees paid/payable to independent auditor of the Company during the current and prior financial years.

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For the Financial Year Ended 31 December 2020

10. Income tax expense

Tax expense attributable to profit is made up of:

	Group	
	2020	2019
	RMB'000	RMB'000
Profit for the financial year		
Current income tax – PRC enterprise income tax	15,754	13,100
Deferred income tax	(334)	(262)
	15,420	12,838
(Over)/under provision in prior financial years		
Current income tax – PRC enterprise income tax	(502)	(4,008)
Deferred income tax	–	(7,313)
	(502)	(11,321)
Total income tax expense	14,918	1,517

Pursuant to relevant laws and regulations in PRC, subsidiaries in PRC are required to pay PRC enterprise income tax at a standard rate of 25% (2019: 25%).

No provision for income tax of Hong Kong entities since there is no assessable profit for the current and prior financial years.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries, in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

10. Income tax expense (Cont'd)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	80,769	27,442
Adjusted for: Share of (profit)/loss of associates net of tax	(40,018)	1,225
Profit before tax exclude share of profit of associates	40,751	28,667
Tax calculated at PRC income tax rate of 25% (2019: 25%)	10,188	7,167
Tax effects of:		
- Income not subject to tax	(580)	(776)
- Expenses not deductible for tax purposes	5,204	5,551
- Over provision of tax in prior years	(502)	(11,321)
- Utilisation of tax losses previously not recognised	–	896
- Deferred tax asset not recognised	608	–
Income tax expense	14,918	1,517

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RMB7,493,000 (2019: RMB6,829,000) at the end of the reporting period which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses can be carried forward up to a period of 5 years. During the current financial year ended 2020, unrecognised tax losses of RMB1,769,000 (2019: of RMB1,950,000) has expired.

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The calculation of basic per share is as follows:

	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	57,055	18,560
Weighted average number of ordinary shares in issue ('000)	71,234	71,234
Basic earnings per share (RMB (Fen))	80.10	26.05

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

11. Earnings per share (Cont'd)

Diluted

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards.

For share options, the weighted average number of ordinary shares outstanding has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

For share awards, the weighted average number of ordinary shares outstanding has been adjusted as if all outstanding share awards will be vested.

The calculation of diluted earnings per share is as follows:

	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	57,055	18,560
Weighted average number of ordinary shares in issue ('000)	71,234	71,234
Adjustment for share options ('000)	45	–
Adjustment for share awards ('000)	298	–
	71,577	71,234
Diluted earnings per share (RMB (Fen))	79.71	26.05

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

12. Property, plant and equipment

Group	Leasehold land and buildings RMB'000	Water plant and its ancillary facilities				Plant and machinery RMB'000	Office equipment RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000						
2020											
Cost											
Beginning of financial year	42,896	292,918	233	1,580	4,627	4,200	4,144	350,598			
Transfer	-	3,439	770	23	-	-	(4,232)	-			
Additions	-	2,277	587	496	-	467	8,604	12,431			
Disposals	-	-	(51)	-	-	(281)	-	(332)			
Written-off	-	-	-	(625)	-	-	-	(625)			
Adjustment	-	(16,284)	-	-	-	-	-	(16,284)			
Currency translation differences	(98)	-	-	-	-	-	-	(98)			
End of financial year	42,798	282,350	1,539	1,474	4,627	4,386	8,516	345,690			
Accumulated depreciation and impairment losses											
Beginning of financial year	14,639	49,428	227	1,363	2,955	3,957	-	72,569			
Depreciation charge	2,427	23,121	10	118	1,543	97	-	27,316			
Disposals	-	-	(46)	-	-	(281)	-	(327)			
Written-off	-	-	-	(574)	-	-	-	(574)			
Currency translation differences	(55)	-	-	-	-	-	-	(55)			
End of financial year	17,011	72,549	191	907	4,498	3,773	-	98,929			
Net book value											
End of financial year	25,787	209,801	1,348	567	129	613	8,516	246,761			

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

12. Property, plant and equipment (Cont'd)

Group	Leasehold land and buildings RMB'000	Water plant and its ancillary facilities					Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
2019									
Cost									
Beginning of financial year	41,297	134,735	233	1,807	4,627	4,648	46,744	234,091	
Adoption of IFRS 16 (Note 2.1)	1,599	-	-	-	-	-	-	1,599	
Transfer	-	129,754	-	-	-	-	(129,754)	-	
Additions	-	28,429	-	91	-	-	87,154	115,674	
Disposals	-	-	-	-	-	(448)	-	(448)	
Written-off	-	-	-	(318)	-	-	-	(318)	
End of financial year	42,896	292,918	233	1,580	4,627	4,200	4,144	350,598	
Accumulated depreciation and impairment losses									
Beginning of financial year	12,201	41,881	222	1,597	1,414	4,204	-	61,519	
Depreciation charge	2,438	7,547	5	84	1,541	201	-	11,816	
Disposals	-	-	-	-	-	(448)	-	(448)	
Written-off	-	-	-	(318)	-	-	-	(318)	
End of financial year	14,639	49,428	227	1,363	2,955	3,957	-	72,569	
Net book value									
End of financial year	28,257	243,490	6	217	1,672	243	4,144	278,029	

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

12. Property, plant and equipment (Cont'd)

- (i) The Group's leasehold land and buildings are located in PRC.
- (ii) In March 2006, CIHL (Tianjin) Water Development Company Limited ("Water Development") obtained approval from the local government agency, to authorise the use of the parcel of land directly associated with water plant and its ancillary facilities for the purpose of supplying gray water for a period of 50 years. As at 31 December 2020, the legal title for the use of the above-mentioned parcel of land has not transferred to Water Development. Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group obtained the right to use through contractual arrangement with the local government agency.
- (iii) For the financial year ended 31 December 2020 and 31 December 2019, bank borrowing is secured on the Group's leasehold land and buildings with carrying amounts of RMB21,038,000 (2019: RMB28,257,000) (Note 23).
- (iv) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such lease assets are disclosed in Note 12(a) to the financial statements.

(a) Leases – The Group as a lessee

This note provides information for leases where the Group is a lessee. The Group leases office space for the administrative purposes. For leases where the Group is a lessor is disclosed in Note 14 to the financial statements.

- (i) Amounts recognised in statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Group	
	31 December 2020	1 January 2020
	RMB'000	RMB'000
Right-of-use assets		
Buildings	469	1,109
Lease liabilities		
Current	429	398
Non-current	–	590
	429	988

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

12. Property, plant and equipment (Cont'd)

(a) Leases – The Group as a lessee (Cont'd)

- (ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Group	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets - buildings	486	490
Interest expense (included in finance cost) (Note 7)	50	77
Expense relating to short-term leases (included in administrative expenses and other operating expenses)	7	512

The total cash outflow for leases in financial year ended 31 December 2020 was RMB616,000 (2019: RMB1,049,000).

13. Intangible assets

	Group	
	2020	2019
	RMB'000	RMB'000
Cost		
Beginning and end of financial year	243	243
Accumulated amortisation		
Beginning of financial year	108	–
Amortisation charge (Note 9)	81	108
End of financial year	189	108
Net book value	54	135

Intangible assets of the Group represents computer software.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

14. Investment properties

	Group	
	2020	2019
	RMB'000	RMB'000
Beginning of financial year	34,800	34,800
Fair value losses recognised in profit or loss (Note 6 (b))	(1,700)	–
End of financial year	33,100	34,800

(i) Leasing arrangements

Investment properties are leased to a non-related party under operating leases with rentals receivable monthly.

Minimum lease payments receivable on leases of investment properties are as follows:

	2020	2019
	RMB'000	RMB'000
Not later than one year	714	342
Between one and five years	94	–
	808	342

(ii) Investment properties pledged as security

For the financial year ended 31 December 2020 and 2019, investment properties are mortgaged to secure bank borrowing (Note 23(b)).

(iii) Amounts are recognised in profit or loss for investment properties

	Group	
	2020	2019
	RMB'000	RMB'000
Rental income (Note 6(a))	1,551	1,346
Direct operating expenses (including repairs and maintenance)	(280)	(186)
	1,271	1,160

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

14. Investment properties (Cont'd)

(iv) Measuring investment property at fair value

The Group's investment properties are located in Beijing, PRC and are held as office building to generate rental income. The properties are held at fair value. Changes in fair values are presented in consolidated statement of comprehensive income as part of other losses-net.

As at reporting date, the details of the Group's investment properties are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
Webok-times Center, No.17 Zhongguancun South Main Street, Haidian District, Beijing, PRC	5 office units at level 21 of a 23-storey office building	Office	Leasehold	51 years

Fair value hierarchy

	Fair value measurement using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
31 December 2020			
- Office buildings - PRC	–	33,100	–
31 December 2019			
- Office buildings - PRC	–	34,800	–

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been generally derived using the market value approach, by making reference to sales evidence as available in the market. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

14. Investment properties (Cont'd)

- (iv) Measuring investment property at fair value (Cont'd)

Valuation techniques used to derive Level 2 fair values (Cont'd)

Investment properties are carried at fair value which has been determined based on valuations performed at the end of the reporting period. The valuations are based on the properties' highest-and-best-use, performed by Ravia Global Appraisal Advisory Limited, an independent valuer with a recognised and relevant professional qualification. They have recent experience in the location and category of the properties being valued.

There were no changes in valuation technique and transfers into and out of fair value hierarchy levels during the financial years ended 31 December 2020 and 2019 respectively.

15. Goodwill arising on consolidation

	Group	
	2020	2019
	RMB'000	RMB'000
Cost and carrying amount		
Beginning and end of financial year	20,303	20,303

Goodwill arising from business combination is allocated to water supply service cash-generating unit ("CGU") comprising CIHL (Tianjin) Water Development Co., Limited ("Water Development") in PRC at acquisition. This CGU is expected to benefit from that business combination.

The recoverable amount of the CGU was determined based on fair value less costs of disposal calculations. The fair value is within level 3 of the fair value hierarchy.

In assessing whether an impairment is required, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and value in use. Given the nature of the CGU's activities, information on the fair value of the CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the fair value less costs of disposal is determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGU (based on the most recent plans), including any expansion projects, and its eventual disposal, using assumptions a market participant may take into account. These cash flows were discounted using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The assumptions for the fair value less costs of disposal calculations are those regarding the discount rate, revenue growth rate and budgeted gross margin during the period. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past performance and expectations on market development.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

15. Goodwill arising on consolidation (Cont'd)

The management prepares cash flow forecasts derived from the most recent financial budgets approved by the management covering a ten-year period with a growth rate of 15% (2019: 15%). Discount rate of approximately 12% (2019: 14%) was used for the cash flow forecasts as at 31 December 2020.

Management is of the opinion that a ten-year period is appropriate as the rights to use the parcel of land associated with water plant and its ancillary facilities for supplying of gray water are more than ten years and the nature of the business of this CGU is considered fairly stable.

If the estimated growth rate used in the fair value less cost of disposal calculation for this CGU had declined by 8.6% (2019: 10.2%), estimated pre-tax discount rate applied to the discounted cash flows for this CGU had raised by 9.00% (2019: 6.00%), the recoverable amount of the CGU would equal to the carrying amount.

16. Investments in subsidiaries

	Company	
	2020	2019
	RMB'000	RMB'000
Unlisted investments, at cost		
Beginning and end of financial year	240,011	240,011
Less: Impairment losses	(44,011)	(44,011)
	196,000	196,000

Movement in allowance for impairment of investment in subsidiaries:

	Company	
	2020	2019
	RMB'000	RMB'000
Beginning and end of financial year	44,011	44,011

An allowance for impairment loss was made in respect of the Company's investment in certain loss making subsidiaries to the recoverable amounts, taking into consideration the financial conditions of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

16. Investments in subsidiaries (Cont'd)

The Group's principal subsidiaries as at 31 December 2020 and 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent*		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019	2020	2019
<u>Held by the Company</u>									
(a)/(b) Tianjin Bridges Investments Limited ("TBIL")	Investment holding	Samoa	US\$28,915,663	100	100	100	100	–	–
(a)/(c) China Infrastructure Management (Hong Kong) Limited ("CIMHK")	Provision of management services to the Group	Hong Kong	HK\$10,000	100	100	100	100	–	–
(a)/(b) China (Tianjin) Water Resources Limited ("CTWRL")	Investment holding	Samoa	US\$1	100	100	100	100	–	–
(a)/(b) CIHL Development Limited ("CHIL Dev")	Investment holding	Samoa	US\$1	100	100	100	100	–	–
<u>Held by TBIL</u>									
(a)/(d) CIH Haimen (Tianjin) Enterprise Limited ("Haimen")	Dormant	PRC	RMB48,000,000	–	–	75	75	25	25

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

16. Investments in subsidiaries (Cont'd)

Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent*		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019	2020	2019
<u>Held by CTWRL</u>									
(a)/(e)/(h) CIHL (Tianjin) Water Development Co., Ltd. ("Water Development")	Construction of water pipeline and supply of gray water	PRC	RMB60,000,000	—	—	60	60	40	40
<u>Held by Water Development</u>									
(a)/(e)/(h) Tianjin Lingang Water Co., LTD	Construction of water pipeline and supply of gray water	PRC	RMB20,000,000	—	—	33	33	67	67
<u>Held by CHIL Dev</u>									
(a)/(f) CIHL (Tianjin) City Development Limited ("XZCID")	Investment holding and property investment	PRC	RMB50,000,000	—	—	100	100	—	—
<u>Held by XZCID</u>									
(a)/(b) Pinnacle China Ltd ("PCL")	Investment holding	British Virgin Islands	US\$1	—	—	100	100	—	—
(a)/(g) Beijing Shiji Longquan Enterprise Co., Limited ("SJLQ")	Provision of engineering and land leveling service for preliminary land development projects	PRC	RMB10,000,000	—	—	100	100	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

16. Investments in subsidiaries (Cont'd)

Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent*		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019	2020	2019
<u>Held by XZCID (Cont'd)</u>									
(a) Tianjin Gangbin Water Co., Ltd	Invest, operate and manage the supply of reclaimed water	PRC	— ^{**}	—	—	55	—	45	—
(a) Beijing Xinzhong City Technology Co., Ltd	Provision of engineering service for environmental projects for environmental projects	PRC	— ^{**}	—	—	100	—	—	—
* Parent is referring to the Company									
** No paid-up share capital as at 31 December 2020									
(a) Audited/reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for consolidation purposes.									
(b) Not required to be audited under the laws of country of incorporation.									
(c) Not required to be audited under the laws of country of incorporation. However, the Group has appointed Andrew K.C. Lai & Company, Hong Kong as auditor of CIMHK.									
(d) Audited by CACCPA Limited Liability Partnership, PRC.									
(e) Audited by Lixin Zhong Lian CPAs, PRC.									
(f) Audited by Beijing Zhongtianxinda Accounting Networks and Associations Co., Ltd., PRC. XZCID operates a branch office 天津新中城市實業發展有限公司北京工程管理有限公司("XZCID Beijing Branch") with statutory registration in Beijing, PRC.									
(g) Audited by Zhong Rui Certified Public Accountant Co., Ltd., PRC.									
(h) CIHL (Tianjin) Water Development Co., Ltd. and its subsidiary, Tianjin Lingang Water Co., LTD, collectively known as (the "Water Development Group")									

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

16. Investments in subsidiaries (Cont'd)

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and associates would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

Carrying amount of non-controlling interests

	Group	
	2020	2019
	RMB'000	RMB'000
Water Development and its subsidiaries ("Water Development Group")	109,021	93,308
Other subsidiaries with non-controlling interests	16,724	16,891
	125,745	110,199

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests ("NCI") that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2020 and 2019.

Summarised statement of financial position

	← Water Development →	
	2020	2019
	RMB'000	RMB'000
As at 31 December		
Current		
Assets	227,253	216,411
Liabilities	(147,145)	(182,079)
Total current net assets	80,108	34,332
Non-current		
Assets	254,146	284,058
Liabilities	(74,985)	(88,300)
Total non-current net assets	179,161	195,758
Net assets	259,269	230,090
Accumulated NCI	109,021 ⁽¹⁾	93,308

(1) Included in the movement of the accumulated NCI of Water Development for the financial year ended 31 December 2020, comprised of the capital contribution by NCI of RMB6,750,000 for the increase in paid-up share capital in a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

16. Investments in subsidiaries (Cont'd)

Summarised statement of comprehensive income

	←Water Development→	
	2020	2019
	RMB'000	RMB'000
Revenue	160,837	65,782
Profit before income tax	29,336	24,745
Income tax expense	(6,907)	(5,617)
Profit for the financial year	22,429	19,128
Profit for the financial year allocated to NCI	8,963	7,575

Summarised cash flows

	←Water Development→	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(28,308)	95,547
PRC income tax paid	(22,542)	(7,924)
Net cash (used in)/provided by operating activities	(50,850)	87,623
Net cash provided by/(used in) from investing activities	(11,501)	(59,295)
Net cash provided by financing activities	1,750	77,000
Net (decrease)/increase in cash and cash equivalents	(60,601)	105,328
Cash and cash equivalents		
Beginning of financial year	143,394	38,066
End of financial year	82,793	143,394

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For the Financial Year Ended 31 December 2020

17. Investments in associates

	Group			
	Future Trillion Group RMB'000	Liuhe RMB'000	KYWJ Group RMB'000	Total RMB'000
2020				
<i>Investment at equity method</i>				
Beginning of the financial year	24,617	44,281	98,244	167,142
Share of profit of associates	–	–	40,018	40,018
End of financial year	24,617	44,281	138,262	207,160
<i>Impairment loss on investments in associates</i>				
Beginning and end of the financial year	(24,617)	(44,281)	–	(68,898)
Net carrying amount				
End of financial year	–	–	138,262	138,262
2019				
<i>Investment at equity method</i>				
Beginning of the financial year	24,617	44,281	99,469	168,367
Share of losses of associates	–	–	(1,225)	(1,225)
End of financial year	24,617	44,281	98,244	167,142
<i>Impairment loss on investments in associates</i>				
Beginning and end of the financial year	(24,617)	(44,281)	–	(68,898)
Net carrying amount				
End of financial year	–	–	98,244	98,244

There are no contingent liabilities relating to the Group's interest in the associates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(i) Investment in Future Trillion Group

Set out below are the associates of the Group as at 31 December 2020 and 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of companies	Principal activities	Place of business/ country of incorporation	Issued and paid up capital	Equity holding	
				2020 %	2019 %
(a)(b) Future Trillion Holdings Limited ("FT")	Investment holding	British Virgin Islands	US\$3,055	34.53	34.53
<u>Held by FT</u>					
(a)(c) MKS Limited ("MKS")	Provision for oil and gas exploration	Independent State of Papua New Guinea	Kina7,257,000	28.35	28.35

(a) Reviewed by Nexia TS Public Accounting Corporation, Singapore, for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by A & A Registered Public Accountant, Papua New Guinea.

The tables below provide summarised financial information for Future Trillion Group. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

- (i) Investment in Future Trillion Group (Cont'd)

Summarised Statement of Financial Position

	2020	2019
	RMB'000	RMB'000
As at 31 December		
Current		
Cash and cash equivalents	161	246
Other current assets	50	55
Total current assets	211	301
Total current liabilities	115,527	88,509
Non-current		
Assets	14	16
Net liabilities	(115,302)	(88,192)
Less: Non-controlling interests	14,067	14,651
Net liabilities	(101,235)	(73,541)
Reconciliation of carrying amounts		
Opening net liabilities at 1 January	(88,192)	(85,222)
Loss for the financial year	(17,373)	(4,978)
Other comprehensive (loss)/income	(9,737)	2,008
Closing net liabilities	(115,302)	(88,192)
Less: Non-controlling interests	14,067	14,651
Closing net liabilities	(101,235)	(73,541)
Group's share in %	34.53%	34.53%
Group's share	—	—
Goodwill	—	—
Impairment loss on investments in associates	—	—
Carrying amount	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

- (i) Investment in Future Trillion Group (Cont'd)

Summarised statement of comprehensive income

	2020	2019
	RMB'000	RMB'000
For the financial year ended 31 December		
Loss for the financial year	(17,373)	(4,978)
Other comprehensive (loss)/income	(9,737)	2,008
Total comprehensive loss	(27,110)	(2,970)
Loss for the financial year allocated to non-controlling interests	(848)	(891)
Share of loss of associate	-	-

Future Trillion Group obtained an exploration right license of an oil and gas exploration project in June 2008. The exploration right license expired in June 2014 and the first extension license was granted on 22 December 2014 for a period of 5 years. The exploration license had expired in March 2020. Since then the Group has supported the local partners to submit an application for a new exploration license covering roughly the same area previously explored by the Group and its partners.

Future Trillion Group undertook several exploration tasks during the last financial year ended 31 December 2014. Based on integration of the new surface geology data, the re-processing and re-interpretation of seismic data, and the construction of 3D subsurface structure models, a re-evaluation of the entire license area provides a more prospective view for the license and a more confident interpretation model for Tumuli structure. As a result, the Tumuli structure is considered to be more reliable, the level of geological risk has been reduced and a number of new structures are identified for future exploration to increase the resources in the area covered by the license.

The project is still in exploration stage, the future prospect of the Group's investment in Future Trillion Group is largely dependent on the discovery of the existence of economic viable resources of the oil and gas exploration project. Further exploration will be needed to ensure the Tumuli structure contains economically viable resources by drilling and to improve the geological maturity of new identified structures by geological survey and seismic acquisition.

In the financial year ended 31 December 2015, MKS expensed off approximately RMB104,970,000 of exploration and evaluation expenditure. The board of directors of MKS assessed that it is not commercially viable to continue exploration, after taking into consideration depressed oil and gas prices, the inability of MKS to obtain additional funds. MKS's licence has expired on 18 March 2020.

As a result, the Group has shared the losses from Future Trillion Group of RMB31,263,000, made an impairment loss of RMB24,617,000 on the remaining carrying amount of Future Trillion Group, and made a loss allowance of the amount due from Future Trillion Group of RMB76,102,000 (Note 21(c)(iii)) in the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

During the financial year ended 31 December 2020 and 2019, management considered various estimates and assumptions include the financial health, cash flow projection and future prospects of the investment and in view that no change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. Therefore, no reversal of impairment loss required at the end of reporting period.

The Group has not recognised its share of losses from Future Trillion Group of RMB5,706,000 (2019: RMB1,411,000) for the financial year ended 31 December 2020 as the Group's cumulative share of losses exceed its interest in that entity and the Group has no obligation in respect of those accumulated losses of RMB19,309,000 (2019: RMB13,603,000) at the reporting date.

(ii) Investment in Liuhe

Set out below are the associate of the Group as at 31 December 2020 and 2019. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Company	Principal activities	Place of business/ country of incorporation	Issued and paid up capital RMB'000	Equity holding	
				2020 %	2019 %
(a)(b) LiuHe County YuKun Mining Co. Ltd. ("Liuhe") ("柳河县钰坤矿业有限公司")	Gold exploration and production	PRC	83,356	20.054	20.054

(a) Reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for Group consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(ii) Investment in Liuhe (Cont'd)

The tables below provide summarised financial information for Liuhe. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised statement of financial position

	2020	2019
	RMB'000	RMB'000
As at 31 December		
Current		
Cash and cash equivalents	482	482
Other current assets	5,628	5,628
Total current assets	6,110	6,110
Total current liabilities	169,596	169,596
Non-current		
Assets	306,952	306,952
Other liabilities	22,000	22,000
Net assets	121,466	121,466
Reconciliation to carrying amounts:		
Opening net assets at 1 January	121,466	124,222
Loss for the financial year	–	(2,756)
Closing net assets	121,466	121,466
Group's share in %	20.054%	20.054%
Group's share	–	–
Goodwill	–	–
Impairment loss on investment in associate	–	–
Carrying amount	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(ii) Investment in Liuhe (Cont'd)

Summarised statement of comprehensive income

	2020	2019
	RMB'000	RMB'000
For the financial year ended 31 December		
Revenue	–	–
Interest expense	–	(1,807)
Loss for the financial year	–	(2,756)
Share of loss of associate	–	–

Liuhe holds a mining right license and an exploration right license in the surrounding area associated with exploration right expiring in June 2019 respectively. In the prior years, Liuhe completed several geological and technical studies to establish the existence of proved and probable mine reserve estimates of the surrounding area of the existing mining license, and has substantially completed construction of production facilities at the mining site, and commenced test run production since the end of financial year 31 December 2014. All of the exploration and mining right licenses have expired as at 31 December 2019.

In the financial year ended 31 December 2015, management assessed the recoverable of investment in Liuhe. In view of the weak commodity prices, additional funds required to continue with the actual production, the expected increase in mining costs and poor trial production results and based on a valuation conducted by an independent valuer, management is of the view that there will be insufficient cash flows over the life of the mining project to recover the Group's investment in Liuhe. Hence, an impairment loss of RMB44,281,000 was made for the carrying amount of the investment and made a loss allowance of the amount due from Liuhe of RMB9,968,000 (Note 21(c)(iii)).

During the financial year ended 31 December 2020 and 2019, management considered various estimates and assumptions include the financial health, cash flow projection and future prospects of the investment and in view that no change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. Therefore, no reversal of impairment loss required at the end of reporting period.

There was no share of losses from Liuhe for the financial year ended 31 December 2020 and the Group has not recognised its share of losses from Liuhe of RMB553,000 for the financial year ended 31 December 2019 as the Group's cumulative share of losses exceed its interest in that entity and the Group has no obligation in respect of those accumulated losses of RMB5,519,000 at the both reporting dates respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(iii) Investment in KYWJ Group

Set out below are the associates of the Group as at 31 December 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of companies	Principal activities	Place of business/ country of incorporation	Issued and paid up capital	Equity holding	
				2020	2019
				%	%
(a)(b) Beijing Kaiyuanwanjia Management Consulting Limited ("KYWJ")	Investment holding	PRC	RMB4,444,445	50	50
<u>Held by KYWJ</u>					
(a)(b) Yichang Xinshougang Property Development Company Limited ("XSG")	Property development and asset management	PRC	RMB120,000,000	50	50
<u>Held by XSG</u>					
(c) Yichang Jiaye Hotel Management Co., Limited	Dormant	PRC	RMB1,000,000	50	50
(c) Yichang Xiecheng Exhibition Services Co., Limited	Dormant	PRC	RMB1,000,000	50	50

(a) Reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for consolidation purposes.

(b) Audited by Zhongxingcai Guanghua certified public accountants LLP.

(c) Not required to be audited under the laws of country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(iii) Investment in KYWJ Group (Cont'd)

Summarised statement of financial position

	2020	2019
	RMB'000	RMB'000
As at 31 December		
Current		
Cash and cash equivalents	127,039	156,343
Other current assets (excluding cash)	1,664,300	1,801,815
Total current assets	1,791,339	1,958,158
Financial liabilities	2,875	204,496
Other liabilities	1,490,307	1,686,932
Total current liabilities	1,493,182	1,891,428
Non-current		
Total non-current assets	5,077	167,970
Total non-current liabilities	26,710	38,212
Net assets	276,524	196,488
Reconciliation to carrying amounts:		
Beginning of the financial year	196,488	198,938
Profit/(loss) for the financial year	80,036	(2,450)
Closing net assets	276,524	196,488
Group's share in %	50%	50%
Group's share	138,262	98,244
Carrying amount	138,262	98,244

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

17. Investments in associates (Cont'd)

(iii) Investment in KYWJ Group (Cont'd)

Summarised Statement of Comprehensive Income

	2020	2019
	RMB'000	RMB'000
For the financial year ended 31 December		
Revenue	1,008,096	204,020
Depreciation	498	523
Income tax (credit)/expense	(50,710)	3,765
Profit/(loss) for the financial year	<u>80,036</u>	<u>(2,450)</u>
Share of profit/(loss) of associates	<u>40,018</u>	<u>(1,225)</u>

KYWJ Group is in the business of real estate development focusing on property development in Meiziya Village, Xiaoxita, Yiling District, Yichang City, Hubei Province, PRC. KYWJ Group holds land use rights in the surrounding area associated with the property development. The development project, Yichang Guobin No.1, are carried out in different phases. Till to-date, KYWJ Group has completed the development in Phases 1 and 2, and during the financial year ended 31 December 2020, the “new” Phase 3-1 has been completed. As at 31 December 2020, the “new” Phase 3-2, “new” Phase 3-3 and service apartments are in the process of construction and expected to complete in phases between the financial years ended 2021 to 2022. Details of the land use right are as follows:

Description	Tenure	Total approximate site area (sq. m)	Total gross floor area (sq. m)	Main usage
The property is subjected to a right to use of land till	Leasehold			
(i) 28 December 2076 for residential purpose; and		530,722	658,989	Residential and commercial
(ii) 28 December 2046 for commercial, tourism and convention purpose.		57,004	111,027	Hotel and convention centre
		<u>587,726</u>	<u>770,016</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
- To be recovered within 12 months	6,389	3,893
Deferred tax liabilities:		
- To be settled within 12 months	(4,883)	(2,721)
- To be settled after more than 12 months	(5,258)	(5,258)
	(10,141)	(7,979)
Deferred tax liabilities – net	(3,752)	(4,086)

Movement in the deferred income tax account is as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Beginning of financial year	4,086	11,661
Credited to profit or loss	(334)	(7,575)
End of financial year	3,752	4,086

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

18. Deferred income tax (Cont'd)

The movement in deferred income tax assets and liabilities, (prior to offsetting of balances within the same tax jurisdiction), is as follows:

Deferred tax liabilities	Accelerated tax depreciation RMB'000	Fair value gains on investment properties RMB'000	Other RMB'000	Total RMB'000
Group				
2020				
Beginning of financial year	(706)	5,258	3,427	7,979
Credited to profit or loss	(37)	(425)	2,624	2,162
End of financial year	(743)	4,833	6,051	10,141
2019				
Beginning of financial year	(679)	5,258	14,815	19,394
(Credited)/charged to profit or loss	(27)	–	(11,388)	(11,415)
End of financial year	(706)	5,258	3,427	7,979
Deferred tax assets				
Accelerated tax depreciation RMB'000				
Group				
2020				
Beginning of financial year				(3,893)
Credited to profit or loss				(2,496)
End of financial year				(6,389)
2019				
Beginning of financial year				(7,733)
Charged to profit or loss				3,840
End of financial year				(3,893)

Deferred income tax liabilities of RMB13,660,000 (2019: RMB10,702,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries (established in PRC) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

19. Inventories

	Group	
	2020	2019
	RMB'000	RMB'000
Raw materials for construction of water pipeline	1,944	2,246

The cost of inventories for construction of water pipeline installation are recognised in profit or loss as “cost of sales and services provided” amounted to RMB5,413,000 (2019: RMB5,115,000).

20. Other current assets

	Group	
	2020	2019
	RMB'000	RMB'000
As at 31 December		
Asset recognised from costs incurred to fulfil a contract	10,176	7,949

Costs incurred to fulfil contracts for construction of water pipeline related to direct cost incurred for uncompleted contracts as at 31 December 2020 and 31 December 2019 respectively. The Group expect the capitalised costs to be completely recovered, hence no impairment loss has been recognised.

Costs recognised in the financial year ended 31 December 2020 amounted to RMB4,760,000 (2019: RMB23,133,000) was included in the other current assets at the beginning of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<i>Non-current</i>					
Other receivables	(e)	30,000	–	–	–
Total non-current		30,000	–	–	–
<i>Current</i>					
Trade receivables	(a)	16,042	26,898	–	–
Bill receivables	(b)	10,050	7,900	–	–
		26,092	34,798	–	–
Less: Loss allowance	(a)	–	(2,142)	–	–
		26,092	32,656	–	–
Contract assets	(a)	94,154	38,848	–	–
Other receivables					
- Non-related parties	(c)(i)	9,197	37,790	–	–
Less: Loss allowance	(c)(i)	(6,670)	(6,670)	–	–
		2,527	31,120	–	–
- Associates	(c)(iii)	158,261	158,215	–	–
Less: Loss allowance	(c)(iii)	(86,070)	(86,070)	–	–
		72,191	72,145	–	–
- Non-controlling shareholders of subsidiaries	(c)(ii)	86	196	–	–
- Subsidiaries	(c)(iv)	–	–	478,069	476,570
Less: Loss allowance	(c)(iv)	–	–	(35,649)	(35,649)
		–	–	442,420	440,921
Prepayments and advances	(d)	13,002	6,834	2	2
Deposits		73	68	55	58
<i>Total current</i>		208,125	181,867	442,477	440,981
		238,125	181,867	422,477	440,981

Trade and other receivables are mainly denominated in Renminbi.

The Group has a practice to collect advances from its customers before commencement of work. Typically, the Group offers 0 to 30 days credit terms to its customers and seeks to maintain a strict control over its outstanding receivables. The management will perform regular reviews on overdue balances.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables (Cont'd)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and the Company are cash and cash equivalents and trade and other receivables. The Group's and the Company's exposure to credit risk arises primary from trade and other receivables.

For customers, the Group performs credit reviews on new customers before acceptance and an annual review for existing customers. Credit reviews take into account the evaluation of financial strength, the Company's past experiences with the customers and other relevant factors. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Following are the Group's and Company's credit risk management practices, and the quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(a) Trade receivables and contract assets

The trade receivables of the Group comprise of 3 debtors (2019: 4 debtors) that individually represent 13%, 31% and 40% (2019: 10%, 10%, 15% and 58%) of trade receivables.

As at 31 December 2020, the contract assets balance RMB94,154,000 was derived from revenue from wastewater treatment services and income from temporary water treatment services (2019: RMB38,848,000 was derived from income from temporary water treatment services). The contract assets will then be transferred to trade receivables when the Group's right to consideration in exchange for the services rendered to the customer became unconditional, i.e. being when the customer complete its payment management processes.

Loss allowance for trade receivables and contract assets are measured at an amount equal to lifetime expected credit losses ("ECL") via provision matrix as these items do not have a significant financing component. Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due to measure the ECL by reference to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The contract assets relate to unbilled work-in-progress and have substantially same risk characteristics as the trade receivables for the same types of contracts.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments.

In prior financial years, the Group has recognised a loss allowance of RMB 2,142,000, against trade receivables and contract assets over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. During the current financial year, the loss allowance has been utilised. No other loss allowance are recognised as the management believes that the amounts that are past due are collectible, based on historical payment behaviour and credit-worthiness of the customers.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables (Cont'd)

Credit risk (Cont'd)

(b) Bills receivables

Bills receivables have a maturity period of 3 - 150 days and will be converted into cash upon maturity.

Bill receivables are with banks with high credit-ratings. Hence, no expected loss rate are assigned and loss allowance are recognised.

(c) Other financial assets, at amortised cost

The Group's and the Company's other financial assets recognised at amortised cost are mainly comprised of other receivables, ie, amount owing by non-related parties, amount owing by associates, amount owing by non-controlling shareholders of subsidiaries and deposits. These other financial assets are subject to immaterial credit loss.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to these receivables in estimating the probability of default of each of these other financial assets.

For the purpose of impairment assessment, loss allowance is generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

Other financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of other receivables to engage in a repayment plan with the group, and a failure to make contractual payments.

As at 31 December 2020, the Group and the Company had respectively recognised a loss allowance of RMB92,740,000 (refer to Note 21(c)(i) and Note 21(c)(iii)) and RMB35,649,000 (refer to Note 21(c)(iv)) against other financial assets, at amortised cost over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. No other loss allowance are recognised as the management believes that the amounts that are collectible, based on historical payment behaviour and credit-worthiness of the other receivables.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables (Cont'd)

Credit risk (Cont'd)

(c) Other financial assets, at amortised cost (Cont'd)

(i) Other receivables - non-related parties

The carrying amount of other receivables individually determined to be impaired and the movement in the related loss allowance are as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Gross	6,670	6,670
Less: Loss allowance	(6,670)	(6,670)
	<u>–</u>	<u>–</u>
Movement in loss allowance of other receivables – non-related parties:		
At beginning and end of financial year	<u>6,670</u>	<u>6,670</u>

Included in the loss allowance above comprise an amount of RMB4,132,000 (2019: RMB4,132,000) due from a non-related party relating to the Men Tou Gou project. The impaired other receivable was long overdue and the management has assessed the recoverability and is of the opinion that payments are not forthcoming. Hence, a loss allowance has been made by the Group.

In the preceding financial year 2019, included in other receivables amounted to RMB30,000,000 are receivables from a real estate development company, Baoding Zhongshang Real Estate Development Limited, (“Baoding”) in relation to withdrawal of a joint investment opportunity (Note 21(e)). As at 31 December 2020, the Group has reassessed the facts and circumstances surrounding the receivable from Baoding, accordingly the receivables was reclassified to non-current other receivables, refer to Note 21(e) to the financial statements.

(ii) Due from non-controlling shareholders of subsidiaries

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables (Cont'd)

Credit risk (Cont'd)

(c) Other financial assets, at amortised cost (Cont'd)

(iii) Due from associates

Breakdown of due from associates are as follows:

- Due from Future Trillion of RMB76,102,000 is denominated in United States Dollars, and is secured by equity interests in Future Trillion Group held by its controlling shareholder and corporate guarantee executed by the controlling shareholder of Future Trillion, bears interest at 6% per annum and is repayable on demand. This has been fully impaired.
- Due from Liuhe of RMB9,968,000 is denominated in Renminbi, and is unsecured, bears interest at 12% to 15% per annum and is repayable on demand. This has been fully impaired.
- Due from KYWJ Group of RMB72,190,000 (2019: RMB72,145,000) is denominated in Renminbi and is unsecured, interest free and has no fixed term of repayment.

The carrying amount of the amount due from associates individually determined to be impaired and the movement in the related loss allowance are as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Gross	86,070	86,070
Less: Loss allowance	(86,070)	(86,070)
	—	—
Movement in loss allowance of amount due from associates:		
Beginning and end of financial year	86,070	86,070

Management assessed the recoverability of the amount due from associates and is of the opinion that payments are not forthcoming. Hence, impairment was made in full for the receivables due from associates – Future Trillion and Liuhe.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

21. Trade and other receivables (Cont'd)

Credit risk (Cont'd)

(c) Other financial assets, at amortised cost (Cont'd)

(iv) Due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

	Company	
	2020	2019
	RMB'000	RMB'000
Due from subsidiaries	479,795	476,570
Less: Loss allowance	(35,649)	(35,649)
	<u>444,146</u>	<u>440,921</u>

Movement in loss allowance of amount due from subsidiaries:

	Company	
	2020	2019
	RMB'000	RMB'000
Beginning and end of financial year	<u>35,649</u>	<u>35,649</u>

Management assessed the recoverability of the amount due from subsidiaries and is of the opinion that payments are not forthcoming for outstanding balance of RMB35,649,000. Hence, impairment was made in full for the receivables due from those loss making subsidiaries.

(d) Prepayments and advances

The prepayment and advances include construction cost of RMB204,000 (2019: RMB6,084,000) paid in advance to the sub-contractors and value added tax receivables of RMB 10,404,000 (2019: Nil).

(e) Other receivables

During the current financial year, the Group and Baoding Zhongshang Real Estate Development Limited has entered into an agreement with the latter to return the deposit in kind by transferring development properties currently valued at approximately RMB30 million to the Group. Under the agreement, the Group obtained 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 other receivables from current to non-current in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

22. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	58,523	167,745	1	1
Short-term deposits	69,032	–	–	–
Restricted bank balances	–	146	–	–
	<u>127,555</u>	<u>167,891</u>	<u>1</u>	<u>1</u>

Details of restricted bank balances are as follow:

	Group	
	2020	2019
	RMB'000	RMB'000
Restricted bank balances for a land development project ^(a)	–	146

(a) Restricted bank balances of approximately Nil(2019: RMB146,000) is placed for securing the performance and fund utilisation for a land development project of the Group. The restricted bank balances have been discharged during the financial year ended 31 December 2020.

The total cash and bank balances are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	124,373	162,147	1	1
Hong Kong Dollar	2,946	5,645	–	–
United States Dollar	190	87	–	–
Singapore Dollar	46	12	–	–
	<u>127,555</u>	<u>167,891</u>	<u>1</u>	<u>1</u>

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business. These local exchange control regulations imposed restriction on exporting capital from the country, other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

22. Cash and cash equivalents (Cont'd)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2020	2019
	RMB'000	RMB'000
Cash and bank balances (as above)	127,555	167,891
Less: Restricted bank balances	–	(146)
Cash and cash equivalents per consolidated statement of cash flows	127,555	167,745

23. Borrowings

	Note	Group	
		2020	2019
		RMB'000	RMB'000
Unsecured borrowing from a non-related party			
Current	(a)	28,000	28,000
Secured bank borrowing			
Current	(b)	12,500	5,000
Non-Current	(b)	59,500	72,000
		72,000	77,000
Total borrowings		100,000	105,000

Short-term borrowing and bank borrowing are denominated in Renminbi.

(a) Short-term borrowing

Short term borrowing from a non-related party is unsecured, interest free and repayable on demand.

(b) Bank borrowing

On 14 January 2019, the Group's subsidiary, CIHL (Tianjin) Water Development Co., Ltd, entered into a loan agreement amounted to RMB77,000,000 with China Bohai Bank for a loan tenure of 6 years till 28 January 2025 with both fixed and variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

23. Borrowings (Cont'd)

(b) Bank borrowing (Cont'd)

The exposure of the borrowing of the Group to interest rate changes and the contractual repricing dates at the statement of financial position date is as follow:

	Group	
	2020 RMB'000	2019 RMB'000
6 months or less	62,155	67,155
6 – 12 months	6,617	6,617

The Group is not exposed to interest rate risk for bank borrowing amounting to RMB 3,228,000.

The bank borrowing are secured by first mortgages over Group's leasehold land and buildings (Note 12) and investment properties (Note 14).

At the end of the reporting period, the fair value of non-current bank borrowing approximates its carrying amount. The fair value is determined from the cash flow analysis, discounted at annual market borrowing rate of 6.75% of an equivalent instrument at the end of the reporting period which management expects to be available to the Group. The fair value is within Level 2 of the fair value hierarchy.

24. Trade and other payables

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade payables		47,740	63,607	–	–
Accruals	(a)	6,256	6,145	1,371	1,200
Other payables					
- Non-related parties	(b)	4,581	6,624	1,161	1,161
- Non-controlling shareholders of subsidiaries	(c)	18,011	18,011	–	–
- Subsidiaries	(d)	–	–	135,434	130,566
- Associates	(e)	1,992	1,992	1,993	1,993
		24,584	26,627	138,588	133,720
Receipts in advance from	(f)				
- Supply of gray water		4,396	8,205	–	–
- Construction of water pipeline		89,699	96,463	–	–
		94,095	104,668	–	–
		172,675	201,047	139,959	134,920

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

24. Trade and other payables (Cont'd)

Trade and other payables are mainly denominated in Renminbi. Trade payables generally have credit terms ranging from 0 to 30 days.

(a) Accruals

Included in the accruals are interest payable of borrowing of RMB1,163,000 (2019: RMB1,163,000), accrued employee benefit expense of RMB1,926,000 (2019: RMB1,909,000) and remaining relates to operating expenses.

(b) Other payables to non-related parties

Other payables to non-related parties are mainly value added tax relating to the accrued interest income from associates amounted to RMB1,035,000 (2019: RMB2,936,000).

(c) Due to non-controlling shareholders of subsidiaries

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(d) Due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(e) Due to associated companies

The amounts due to associated companies are unsecured, interest-free and repayable on demand.

(f) Receipts in advance

Receipts in advance mainly relates to payments received in advance from customers. The related amounts are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer which generally does not exceed one year.

The decrease in receipts in advance is due to more projects were completed in the current financial year ended 2020.

Revenue recognised in the financial year ended 2020 amounted to RMB40,382,000 (2019: RMB11,250,000) was included in the receipts in advance at the beginning of the financial year.

25. Deferred income

	Group	
	2020	2019
	RMB'000	RMB'000
Beginning of financial year	16,300	16,300
Amortisation of deferred income	(815)	–
End of financial year	15,485	16,300

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

25. Deferred income (Cont'd)

Deferred income comprised of government grants for the construction of property, plant and equipment (the "Assets") relating to the development of Xinhe Water Recycling Plant (the "Project") in the Group's subsidiaries, CIHL (Tianjin) Water Development Company Limited. The deferred grants are subsequently charged to profit or loss over the useful life of related Assets to match the related costs.

The Assets was made available for use during the financial year ended 31 December 2019.

26. Share capital

(a) Ordinary shares

	Group and Company	
	Number of shares '000	Amount S\$'000
Authorised:		
2020		
Beginning and end of financial year <i>(1,000,000,000 ordinary shares with a par value S\$0.05 each)</i>	1,000,000	50,000
2019		
Beginning and end of financial year <i>(1,000,000,000 ordinary shares with a par value S\$0.05 each)</i>	1,000,000	50,000
Group and Company		
	Number of shares '000	Amount RMB'000
Issued and fully paid:		
2020		
Beginning and end of financial year	71,234	17,779
2019		
Beginning and end of financial year	71,234	17,779

All issued ordinary shares were fully paid. The par value for these ordinary shares is S\$0.05 (2019: S\$0.05). Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

26. Share capital (Cont'd)

(b) Share options

The Group adopted CIHL Share Option Scheme (the “2020 Scheme”) on 29 June 2020. Since the commencement of the 2020 Scheme, the Company had granted 2,700,000 options under the 2020 Scheme to participants. The details of the share options granted under the 2020 Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price S\$
3 July 2020	3 July 2020 to 2 July 2021	3 July 2021 to 2 July 2025	0.294

Under the 2020 Scheme, if the share options remain unexercised after a period of 5 years from the date of grant, the share options expire. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed immediately if the employee leaves the Group, unless the remuneration committee otherwise approved.

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Number of share options '000	Weighted average exercise price S\$	Number of share options '000	Weighted average exercise price S\$
Outstanding at the beginning of financial year	–	–	2,300	0.9040
Lapsed	–	–	(2,300)	0.9040
Granted	2,700	0.294	–	–
Outstanding at the end of financial year	2,700	0.294	–	–
Exercisable at the end of financial year	–	–	–	–

At as 31 December 2020, the outstanding share options have a weighted average remaining contractual life of 4.50 years and the exercise prices of S\$0.294. The share-based payments to directors recognised in profit or loss for the financial year ended 31 December 2020 was approximately RMB1,752,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

26. Share capital (Cont'd)

(b) Share options (Cont'd)

All share options had expired as at 31 December 2019. There are no share-based payments made to directors and executives for the financial year ended 31 December 2019.

These fair values were calculated using the Binomial option pricing model. The fair value of share options granted in 2020 was estimated to be S\$694,000, equivalent to RMB3,514,000. The inputs into the model are as follows:

Share price	S\$0.270
Exercise price	S\$0.294
Expected volatility	76.50%
Expected life	5 years
Risk free rates	0.51%
Expected dividend yield	0%
Employee exit rate	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the past 2 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, excise restriction and behavioral considerations.

(c) CIHL Performance Share Plan (the "PSP")

The PSP was approved by the shareholders of the Company at a Special General Meeting held on 29 June 2020. The PSP shall complement the 2020 Scheme and serve as an additional and flexible incentive tool. Under the rules of the PSP, all directors and employees of the Group as well as the employees of associates are eligible to participate in the PSP at the absolute discretion of the Remuneration Committee.

On 3 July 2020, pursuant to the PSP, the Company had granted 500,000 shares and 100,000 shares under the PSP to directors and employees of the Company (the "participants") respectively. The vesting period of the PSP are a) 30% shall vest after the first anniversary of the date of grant; and b) remaining 70% shall vest after the second anniversary of the date of grant. They are automatically converted into one ordinary share each on vesting at an exercise price of nil. The participants do not receive any dividends and are not entitled to vote in relation to the shares granted under PSP during the vesting period. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis. The fair value of the PSP at grant date was estimated by taking the market price of the company's shares on that date. The share-based payments to participants recognised in profit or loss for the financial year ended 31 December 2020 was approximately RMB384,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

26. Share capital (Cont'd)

(c) CIHL Performance Share Plan (the "PSP") (Cont'd)

The total number of shares over which shares to be issued under the PSP, together with the number of shares issued under the 2020 Scheme shall not exceed 15% of the issued share capital of the Company at any time.

The Remuneration Committee is charged with the administration of the PSP in accordance with the rules of the PSP. The Remuneration Committee administering the PSP comprises the directors, Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

None of the directors in the committee participated in any deliberation or decision in respect of shares granted to himself.

The number of shares to be offered to a participant shall be determined at the discretion of the Remuneration Committee provided that:

- (i) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates shall not exceed 25% of the 2020 Scheme; and
- (ii) the number of shares which may be offered to each participant who is a controlling shareholder or their associates shall not exceed 10% of the 2020 Scheme.

27. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity. All reserve are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

27. Reserves (Cont'd)

(b) Company

Note	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Other reserve RMB'000	Total reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Beginning of financial year	65,712	810,044	479	8,324	-	884,559	(400,276)	484,283
Total comprehensive loss for the financial year	-	-	-	-	-	-	(5,679)	(5,679)
Share based payment	-	-	-	-	2,136	2,136	-	2,136
End of financial year	65,712	810,044	479	8,324	2,136	886,695	(405,955)	480,740
Beginning of financial year	65,712	810,044	479	8,324	7,114	891,673	(403,423)	488,250
Total comprehensive loss for the financial year	-	-	-	-	-	-	(3,967)	(3,967)
Share options lapsed	-	-	-	-	(7,114)	(7,114)	7,114	-
End of financial year	65,712	810,044	479	8,324	-	884,559	(400,276)	484,283

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

27. Reserves (Cont'd)

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up for unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premium payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company and the Group represents the balance of the amount of credit arising from the following exercise:

- capital reduction pursuant to a special resolution passed on 10 May 2004 for the reduction of issued and paid-up share capital of the Company from S\$0.20 to S\$0.05 on each of the 751,987,750 issued and paid-up shares.
- capital reorganisation pursuant to a special resolution passed on 28 April 2017 for the reduction of issued and paid-up share capital of the Company from S\$1.00 to \$0.05 on each of the 51,230,183 issued and paid-up shares.

(iii) Other reserves

Other reserves of the Company and the Group represents the balance of the amount of credit arising from the following transaction:

- The fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Group are recognised in accordance with the accounting policy adopted for share-based payments as set out in Note 2.24(iv) to the financial statements.
- The fair value of the actual or estimated number of unissued share awards granted to employees of the Company and the Group are recognised in accordance with the accounting policy adopted for share-based payments as set out in Note 2.24(v) to the financial statements.

(iv) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

Contributed surplus, other reserves and capital redemption reserve are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

28. Related party transactions

For management purpose, the Group is organised into business units based on its products and services and has three reportable segments as follows:

- (a) Sales and purchases of goods and services

	2020 RMB'000	2019 RMB'000
<i>Associates</i>		
- Receipt of repayment of loans and interests	-	70,180

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2020 and 2019 are unsecured and receivable/payable within 12 months from the end of the reporting period are disclosed in Notes 21 and 24 to financial statements respectively.

- (b) Key management compensation

Key management includes directors (executive and non-executive) and chief financial officer. The compensation paid/payable to key management is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Directors' fees	1,290	1,080
Salaries, allowances and bonuses	3,014	2,817
Pension costs of defined contribution plans	-	4
Share-based payments	1,752	-
	<u>6,056</u>	<u>3,901</u>

Included in the total key management compensation is directors' remuneration of the Company amounting to RMB6,056,000 (2019: RMB3,901,000).

29. Segment information

For management purpose, the Group is organised into business units based on its products and services and has two reportable segments for the financial year ended 31 December 2020 as follows:

Water supply services	-	Construction of water pipeline, supply of gray water and wastewater treatment service
Land development	-	Provision of engineering and land leveling service for preliminary land development projects
Others	-	Others include investment/corporate segment

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

29. Segment information (Cont'd)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The other segment include investment segment which identifies new investment opportunities locally and oversea that has the potential to increase revenue streams and produce good returns on investments.

The accounting policies of the operating segments are the same as those set out in Note 2.4 to the financial statements.

The segment information provided to the management for the reportable segments are as follows:

	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
Financial year ended 31 December 2020				
Total segment revenue	204,438	789	–	205,227
Inter-segment revenue	(46,405)	(624)	–	(47,029)
Revenue from external segment	158,033	165	–	158,198
Segment results	72,399	165	–	72,564
Interest income	734	99	137	970
Rental income	–	–	1,551	1,551
Other income	–	–	2,865	2,865
Administrative expenses	–	–	(11,777)	(11,777)
Other operating expenses	(8,863)	(1,957)	(7,492)	(18,312)
Fair value loss on investment properties	–	–	(1,700)	(1,700)
Other gain	–	–	9	9
Currency translation loss	–	–	(355)	(355)
Finance expenses	(5,014)	–	(50)	(5,064)
Share of net profit of associated companies	–	–	40,018	40,018
Income tax (expense)/credit	(6,907)	819	(8,830)	(14,918)
Profit for the financial year				65,851
Depreciation and amortisation	(24,443)	(5)	(2,868)	(27,316)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

29. Segment information (Cont'd)

The segment information provided to the management for the reportable segments are as follows: (Cont'd)

	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
Financial year ended 31 December 2019				
Total segment revenue	110,496	(2,650)	–	107,846
Inter-segment revenue	(44,714)	–	–	(44,714)
Revenue from external segment	65,782	(2,650)	–	63,132
Segment results	30,132	(2,650)	–	27,482
Interest income/(expense)	6,256	24	(5,234)	1,046
Rental income	–	–	1,346	1,346
Other income	32,976	–	270	33,246
Administrative expenses	–	–	(9,855)	(9,855)
Other operating expenses	(11,653)	(2,049)	(10,739)	(24,441)
Currency translation loss	–	–	(80)	(80)
Finance expenses	–	–	(77)	(77)
Share of net loss of associated companies	–	–	(1,225)	(1,225)
Income tax (expense)/credit	(5,617)	(498)	4,598	(1,517)
Profit for the financial year				25,925
Depreciation and amortisation	(10,726)	(5)	(1,193)	(11,924)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

29. Segment information (Cont'd)

The segment information provided to the management for the reportable segments are as follows: (Cont'd)

	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
As at 31 December 2020				
Total assets	491,505	4,762	326,402	822,669
Total assets includes:				
Property, plant and equipment	239,593	2	7,166	246,761
Intangible assets	54	–	–	54
Goodwill arising on consolidation	20,303	–	–	20,303
Long term receivable	–	–	30,000	30,000
Investment properties	–	–	33,100	33,100
Investment in associates	–	–	138,262	138,262
Deferred income tax assets	4,302	–	2,087	6,389
Inventories	1,944	–	–	1,944
Other current assets	10,176	–	–	10,176
Trade and other receivables	132,340	2,767	73,018	208,125
Cash and cash equivalents	82,793	1,993	42,769	127,555
Total assets				822,669
Addition to property, plant and equipment	4,467	–	(90)	4,377
Total liabilities	222,130	7,227	77,279	306,636
Total liabilities includes:				
Short-term borrowings	12,500	–	28,000	40,500
Trade and other payables	134,645	7,227	30,789	172,661
Current income tax liabilities	–	–	7,920	7,920
Deferred income tax liabilities	–	–	10,141	10,141
Deferred income	15,485	–	–	15,485
Lease liabilities	–	–	429	429
Long term borrowings	59,500	–	–	59,500
Total liabilities				306,636

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

29. Segment information (Cont'd)

The segment information provided to the management for the reportable segments are as follows: (Cont'd)

	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
As at 31 December 2019				
Total assets	508,122	19,749	267,486	795,357
Total assets includes:				
Property, plant and equipment	269,467	6	8,556	278,029
Intangible assets	135	–	–	135
Goodwill arising on consolidation	20,303	–	–	20,303
Investment properties	–	–	34,800	34,800
Investment in associates	–	–	98,244	98,244
Deferred income tax assets	1,807	–	2,086	3,893
Inventories	2,246	–	–	2,246
Other current assets	7,949	–	–	7,949
Trade and other receivables	62,820	15,652	103,395	181,867
Cash and cash equivalents	143,395	4,091	20,405	167,891
Total assets				795,357
Addition to property, plant and equipment	115,671	–	3	115,674
Total liabilities	261,074	17,939	75,048	354,061
Total liabilities includes:				
Short-term borrowings	5,000	–	28,000	33,000
Trade and other payables	154,648	17,024	29,375	201,047
Current income tax liabilities	13,126	915	8,706	22,747
Deferred income tax liabilities	–	–	7,979	7,979
Deferred income	16,300	–	–	16,300
Lease liabilities	–	–	988	988
Long term borrowings	72,000	–	–	72,000
Total liabilities				354,061

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

29. Segment information (Cont'd)

The segment information provided to the management for the reportable segments are as follows: (Cont'd)

Geographical information

	Revenue		Non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	–	–	481	1,121
PRC except Hong Kong	158,198	63,132	474,388	434,283
	158,198	63,132	474,869	435,404

In presenting the geographical information, revenue is based on the geographical locations of the customers which the revenue are derived from and is measured in a manner consistent with that in the statement of comprehensive income.

Inter-segment sales are carried out based on agreed term.

Revenue from major customers

Revenue of RMB90,573,000 (2019: RMB25,441,000) are derived from four (FY2019: three) external customers. These revenues are attributable to the water supply services (FY2019: water supply services) segment.

30. Events occurring after reporting period

As announced on 26 February 2021, a final tax-exempt dividend of SGD3 cents per ordinary share amounting to a total of SGD2,137,006 (equivalent of approximately RMB10,388,000) has been recommended and subject to approval of shareholders at upcoming Annual General Meeting on 23 April 2021. These financial statements do not reflect the dividend which will be accounted for the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

31. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 or later periods and which the Group has not early adopted:

IFRS/IAS No.	Title	Effective for annual periods beginning on or after
IFRS 3	Amendments to IFRS 3 – Reference to Conceptual Framework	1 January 2022
IAS 16	Amendment to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
IAS 37	Amendments to IFRS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
	Annual Improvements to IFRSs 2018-2020	1 January 2022
IFRS 17	IFRS 17 Insurance Contracts	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current	1 January 2023
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

32. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2021.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2021

Authorised Share Capital	:	S\$50,000,000
Issued and Paid Up Capital	:	S\$3,561,676.65
Class of Shares	:	Ordinary Shares of S\$0.05
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2,521	31.02	125,975	0.18
100 - 1,000	4,445	54.69	1,356,500	1.90
1,001 - 10,000	979	12.05	3,041,134	4.27
10,001 - 1,000,000	177	2.18	9,087,436	12.76
1,000,001 AND ABOVE	5	0.06	57,622,488	80.89
TOTAL	8,127	100.00	71,233,533	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	32,085,248	45.04
2	CITIBANK NOMINEES SINGAPORE PTE LTD	11,234,306	15.77
3	RAFFLES NOMINEES (PTE.) LIMITED	7,621,263	10.70
4	LEE TAT KWONG (LI DAGUANG)	5,025,821	7.06
5	CHAN SIN MIAN	1,655,850	2.32
6	OCBC SECURITIES PRIVATE LIMITED	981,100	1.38
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	771,550	1.08
8	TAI KWANG HAN	426,600	0.60
9	KHOO SWEE KWANG	305,000	0.43
10	LIM CHER HENG	270,495	0.38
11	NG JIN NEE BRENDA	267,500	0.38
12	ABN AMRO CLEARING BANK N.V.	259,500	0.36
13	WONG PANG FEI	246,410	0.35
14	HENG SEE ENG	227,855	0.32
15	FONG WENG KHIANG	225,000	0.32
16	WONG CHEONG SHEK	153,000	0.21
17	HEE LEE SET	150,000	0.21
18	ANG LUM KHUANG	140,000	0.20
19	TAN BRIAN ROY	121,800	0.17
20	MAK CHEE FONG	113,700	0.16
	TOTAL	62,281,998	87.44

STATISTICS OF SHAREHOLDINGS

As at 16 March 2021

LIST OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Wellful Holdings Limited	20,052,308	28.15	—	—
China Construction Group Inc	11,001,256	15.44	—	—
Wisdom Accord Limited	7,500,000	10.53	—	—
Century Investment Company Limited	12,000,000	16.85		
Lin Rongqiang ⁽¹⁾	—	—	20,052,308	28.15
China Construction Holdings Limited ⁽²⁾	—	—	11,001,256	15.44
Fok Hei Yu ⁽³⁾	—	—	11,001,256	15.44
John Howard Batchelor ⁽³⁾	—	—	11,001,256	15.44
Zheng Dagang ⁽⁴⁾	—	—	7,500,000	10.53
Mu De Jun ⁽⁵⁾	—	—	12,000,000	16.85
Gong Xuan ⁽⁵⁾	—	—	12,000,000	16.85
Lee Tat Kwong (Li Daguang) ⁽⁶⁾	5,025,821	7.06	—	—

Footnotes:

- (1) The sole shareholder of Wellful Holdings Limited is Lin Rongqiang holding 100% of the total issued share capital. Therefore, Lin Rongqiang is deemed to be interested in the 20,052,308 shares beneficially owned by Wellful Holdings Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).
- (2) The sole shareholder of China Construction Group Inc is China Construction Holdings Limited, holding 100% of the total issued share capital. Therefore, China Construction Holdings Limited is deemed to be interested in the 11,001,256 shares beneficially owned by China Construction Group Inc by virtue of Section 4 of the Securities and Futures Act (Cap.289).
- (3) By way of a deed of appointment dated 28 August 2013, Mr. Fok Hei Yu and Mr. John Howard Batchelor were jointly severally appointed as receivers over 100% of the shares in China Construction Group Inc, a company incorporated under the law of Bermuda. China Construction Group Inc in turn holds 11,001,256 shares (representing 15.44% of the shareholding) in China International Holding Limited. Pursuant to Section 4 of the Securities and Future Act (Cap 289), Mr. Fok Hei Yu and Mr. John Howard Batchelor are deemed to have an interest in the shares in China International Holdings Limited.
- (4) The sole shareholder of Wisdom Accord Limited is Zheng Dagang, holding 100% of the total issued share capital. Therefore, Zheng Dagang is deemed to be interested in the 7,500,000 shares beneficially owned by Wisdom Accord Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).
- (5) The shareholders of Century Investment Company Limited are Mu Dejun and Gong Xuan holding 70% and 30% respectively of the total issued share capital. Therefore, Mu Dejun and Gong Xuan are deemed to be interested in the 12,000,000 shares beneficially owned by Century Investment Company Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).
- (6) Based on the CDP Listing as at 16 March 2021, Mr Lee Tat Kwong (Li Daguang) held 5,025,821 shares representing 7.06% of the total issued share capital of the Company. In the last disclosure of change in interest of substantial shareholder from Mr Lee Tat Kwong (Li Daguang) on 5 March 2021, he held a total of 5,019,521 shares representing 7.047% of the total issue share capital of the Company.

According to the Company's record as at 16 March 2021, there was 21.67% of the Company's shares being held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA INTERNATIONAL HOLDINGS LIMITED (the **Company**) will be held by way of electronic means on Friday, 23 April 2021 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2020 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax-exempt dividend of 3 Singapore cents per share for the year ended 31 December 2020. (2019: NIL) **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company's Bye-Law at the forthcoming Annual General Meeting:

3.1	Mr Teo Woon Keng John	[Retiring under Bye-Law 104]	(Resolution 3)
3.2	Mr Zhang Rong Xiang	[Retiring under Bye-Law 104]	(Resolution 4)
3.3	Mr Chee Teck Kwong Patrick	[Retiring under Bye-Law 104]	(Resolution 5)

[See Explanatory Note (i)]
4. That, subject to and contingent upon the passing of Resolution 5 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM and the passing of Resolution 7 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer (**CEO**) of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST): (a) the continued appointment of Mr Chee Teck Kwong Patrick (**Mr Patrick Chee**) as an independent director, for purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Patrick Chee as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution. **(Resolution 6)**
[See Explanatory Note (ii)]
5. That, subject to and contingent upon the passing of Resolution 5: (a) the continued appointment of Mr Patrick Chee, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Patrick Chee as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution, provided that this Resolution shall only be proposed and voted upon if Resolution 6 is passed by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM. **(Resolution 7)**
[See Explanatory Note (ii)]

Mr Chee Teck Kwong Patrick, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and Nominating Committee and a member of the Audit Committee and will be considered Independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
6. To approve the payment of Directors' fees of RMB1,300,000 for the financial year ending 31 December 2021 (2020: RMB1,300,000). **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

7. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 9)**
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. Authority to issue shares

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (**SGX-ST**), the Directors of the Company be authorised and empowered to:

- (a)
 - (i) issue shares in the Company (**shares**) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the time this Resolution is passed, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING

- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from the exercising share options or vesting of share awards; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with 2(a) or 2(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX- ST) and the Bye-Laws of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 10)**

[See Explanatory Note (iii)]

10. Authority to issue shares under the CIHL Share Option Scheme

That the Directors of the Company be authorised and empowered to offer and grant options under the CIHL Share Option Scheme (***the 2020 Scheme***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2020 Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2020 Scheme and such other share-based incentive schemes shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 11)**

[See Explanatory Note (iv)]

11. Authority to issue shares under the CIHL Performance Share Plan

That the Directors of the Company be authorised and empowered to offer and grant awards under the CIHL Performance Share Plan (***the Plan***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and such other share-based incentive schemes (including the CIHL Share Option Scheme) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 12)**

[See Explanatory Note (v)]

NOTICE OF ANNUAL GENERAL MEETING

12. Authority to issue shares under the CIHL Scrip Dividend Scheme

That pursuant to Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised and empowered to issue such number of shares in the Company as may be required to be issued pursuant to the CIHL Scrip Dividend Scheme from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 13)**
[See Explanatory Note (vi)]

By Order of the Board

Lee Wei Hsiung
 Company Secretary

Singapore, 6 April 2021

Explanatory Notes:

- (i) Details Detailed information on Mr Teo Woon Keng John, Mr Zhang Rong Xiang and Mr Chee Teck Kwong Patrick who are proposed to be re-elected as Directors of the Company can be found under sections “Board of Directors” and “Additional Information on Directors seeking re-election” in the Company’s Annual Report for the financial year ended 31 December 2020.
- (ii) The proposed ordinary resolutions 6 and 7 are to seek approval from the shareholders via a Two-Tier Voting process for Mr Patrick Chee to continue in office as an Independent Non-Executive Director of the Company for a three-year term, with effect from the passing of these resolutions proposed at the forthcoming AGM, until the conclusion of the third annual general meeting of the Company following the passing of these resolutions. Otherwise, he will continue to serve as an Independent Director of the Company until the earlier of his retirement or resignation, or 31 December 2021.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such director who has, over time, gained valuable insights into the Group, its market and the industry.

The Nominating Committee and the Board have determined that Mr Patrick Chee remains objective and independent minded in Board deliberations. His vast experience enables him to provide the Board and the various Board Committees on which he serves, with pertinent experience and competence to facilitate sound decision-making and that his length of service does not in any way interfere with his exercise of independent judgment nor hinder his ability to act in the best interests of the Company. Additionally, Mr Patrick Chee fulfils the definition of independent directors of the SGX-ST Listing Rules and the 2018 Code. More importantly, the Board trust that Mr Patrick Chee is able to continue to discharge his duties independently with integrity and competency.

- (iii) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding fifty per cent (50%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) The Ordinary Resolution 11 proposed in item 10 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme and such other share-based incentive scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (v) The Ordinary Resolution 12 proposed in item 11 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Plan and such other share-based incentive scheme (including CIH Share Option Scheme) up to a number not exceeding in total (for the entire duration of the Plan) 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vi) The Ordinary Resolution 13 proposed in item 12 above, if passed, will empower the Directors of the Company, from the date of this Annual General meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the CIHL Scrip Dividend Scheme. Please refer to the Company's announcement dated 3 April 2017 for details on the CIHL Scrip Dividend Scheme.

Notes:

1. A Shareholder being a Depositor whose name appears in the records of the Depository is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at forty-eight (48) before the time appointed for Annual General Meeting ("AGM") in order for the Depositor to be entitled to attend and vote at the AGM.
2. If a Depositor wishes to appoint a proxy/proxies to attend the AGM, then he/she must complete and deposit the duly completed Depository Proxy Form at the office of the Company's Singapore Transfer Agent, Boardroom Corporate & Advisory Services (Pte) Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the AGM.
3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

NOTICE OF ANNUAL GENERAL MEETING

PLEASE READ THE FOLLOWING NOTES AND THE EXPLANATIONS OF THE RESOLUTIONS BEFORE DECIDING HOW TO VOTE.

Appointment of Proxy and Voting

(A) ATTENDANCE IN PERSON

In compliance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, and as amended by COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendments No. 2 & 3) Order 2020 (the **Order**), the AGM will be conducted by electronic means and Shareholders will not be able to attend the Annual General Meeting (**AGM**) and Special General Meeting (**SGM**) physically.

All Shareholders or their corporate representatives (in the case of Shareholders which are legal entities) will be able to participate in the AGM and SGM proceedings by watching a “live” webcast (the **Live AGM and SGM Webcast**) or listen to a “live” audio feed (the **Live AGM and SGM Audio Feed**).

Shareholders who wish to participate in the AGM and SGM proceedings through the Live AGM and SGM Webcast via their mobile phones, tablets or computers must pre-register at <https://septusasia.com/cihfy2020agm> by 10.15 a.m. on 21 April 2021 (the **Registration Deadline**) to enable the Company to verify their status.

Following the verification, authenticated Shareholders will receive an email by 10.15 a.m. on 22 April 2021, which includes their login credentials as well as instructions on how to access the live audio-visual webcast or live audio-only stream of the AGM and SGM proceedings.

Shareholders who register by the Registration Deadline but do not receive an email response by 10.15 a.m. on 22 April 2021 may contact via email at webcast@septusasia.com, with the full name of the shareholder and his/her identification number.

(B) SUBMISSION OF QUESTIONS

Shareholders will Not be able to ask questions during AGM and SGM via Live AGM & SGM Webcast or Live Audio Feed, and therefore it is important for Shareholders to submit their questions in advance of the AGM and SGM.

Shareholders may submit questions relating to the items on the agenda of the AGM and SGM by:

- (1) email to cih@cihgrp.com. When submitting the questions, please provide the Company with the following details, for verification purpose:
 - (i) Full name;
 - (ii) Current address;
 - (iii) Number of shares held; and
 - (iv) The manner in which you hold shares in the Company (e.g. via CDP or SRS); OR
- (2) digital submission at <https://septusasia.com/cihfy2020agm>.

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are encouraged to submit their question as early as this will allow adequate time for Board and the Company to address and answer any substantial and relevant questions. Questions related to the resolutions are to be submitted by 10.15 a.m. on 19 April 2021.

The Company will, within one month after the date of AGM and SGM, publish the minutes of the AGM and SGM on SGXNet and Company's website.

(C) VOTING SOLELY VIA APPOINTING CHAIRMAN OF THE MEETING AS PROXY

Shareholders who wish to vote at the AGM & SGM must submit a proxy form to appoint the Chairman of the Meeting to cast votes on their behalf.

The completed Proxy Form must mail to the Company's Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 by no later than 21 April 2021 at 10.15 a.m., being 48 hours before the time fixed for the AGM & SGM.

An investor who holds shares under the Supplementary Retirement Scheme (SRS Investor) (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective SRS Approved Nominees (SRS Operators) to submit their votes at least seven (7) working days before the AGM (i.e. by 10.15 a.m. on 13 April 2021).

(D) ACCESS TO DOCUMENTS OR INFORMATION RELATING TO THE AGM AND SGM

In the Request Form despatched to Shareholders on 1 April 2021, the printed copy of Annual Report for FY2020 and the Circular would only be available to Shareholders upon submission of a duly completed request form to the Company no later than 13 April 2021.

In this regard, the Annual Report for FY2020 and the Circular have been made available for download from SGXNet at <https://www.sgx.com> and the Company's corporate website at <https://www.cihgrp.net/ir.html>.

(E) OTHERS

In the meantime, Shareholders are encouraged to check regularly the SGXNet at <https://www.sgx.com> and the Company's corporate website at <https://www.cihgrp.net/ir.html> for the latest updates with respect to the Company's AGM and SGM.

Should Shareholders have any questions that has not been addressed above, you are advised to forward your questions to cih@cihgrp.com. The Company will endeavor to provide the answers in as timely a manner as possible but the Company seek your understanding if there are any delays.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Teo Woon Keng John, Mr Zhang Rong Xiang and Mr Chee Teck Kwong Patrick are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened at 10:00 a.m. on 23 April 2021 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
Date of Appointment	3 June 2015	15 January 1999	16 June 2008
Date of last re-appointment	27 April 2018	27 April 2018	29 June 2020
Age	63	59	67
Country of principal residence	Singapore	People’s Republic of China	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Teo Woon Keng John for re-appointment as a Director of the Company. The Board have reviewed and concluded that Mr Teo Woon Keng John possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Zhang Rong Xiang for re-appointment as a Director of the Company. The Board have reviewed and concluded that Mr Zhang Rong Xiang possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Chee Teck Kwong Patrick for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Chee Teck Kwong Patrick possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of Audit Committee and a member of Remuneration Committee and Nominating Committee	Managing Director	Independent Non-Executive Director, a member of Audit Committee and Chairman of Remuneration Committee and Nominating Committee
Professional qualifications	Bachelor of Accountancy, (Hons) National University of Singapore MBA, University of Wales Fellow, Institute of Singapore Chartered Accountants	Bachelor, Hefei University of Technology Master, China Academy of Building Research Senior engineer	Bachelor of Law, (Hons) National University of Singapore Solicitor in the Senior Courts of England and Wales Notary Public Commissioner for Oaths
Working experience and occupation(s) during the past 10 years	1) From 2019 to present: Executive Director of Asia Pacific Lottery Association Ltd 2) From 2003 to 2018: Chief Financial Officer, Chief Risk Officer of Singapore Pools (Pte) Limited	Nil	1) From 2007 to 2017: Senior Consultants of KhattarWong LLP 2) From 2017 to present: Senior Consultant of Withers KhattarWong LLP
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of Interest (including any competing business)	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships#			
Past (for the last 5 years)	Past Directorships: Nil	Past Directorships: Nil	Past Directorships:
Present	Present Directorships: <ul style="list-style-type: none"> ● China International Holdings Limited ● Asia Pacific Lottery Association Ltd ● Ang Mo Kio Thye Hua Kwan Hospital Ltd ● ISCA Cares Limited Principal commitments: <ul style="list-style-type: none"> ● Asia Pacific Lottery Association Ltd 	Present Directorships: <ul style="list-style-type: none"> ● Beijing Jinlongshidai Investment Limited ● Jing Wealth Investment Enterprise Limited ● Tianjin City Ningqu Industry Development Limited ● Tianjin Zhongchengjianfa Development Limited ● CIHL (Tianjin) Haihe Development Limited ● Beijing Century Aodu Kaiyuan Technology Co., Ltd ● China International Holdings limited Principal Commitment: <ul style="list-style-type: none"> ● China International Holdings Limited 	<ul style="list-style-type: none"> ● Ramba Energy Limited (now known as ENECO Energy Limited) ● Hanwell Holdings Limited ● Tat Seng Packaging Group Ltd. ● CSC Holdings Limited ● Hengxin Technology Ltd ● Hai Leck Holdings Limited Present Directorships: <ul style="list-style-type: none"> ● MeGroup Ltd ● OneApex Limited ● China International Holdings Limited Principal Commitment: <ul style="list-style-type: none"> ● Senior Consultant of Withers ● KhattarWong LLP

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.			
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	Nil	Nil	Nil
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
c) Whether there is any unsatisfied judgment against him?	Nil	Nil	Nil
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	Nil	Nil	Nil
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	Nil	Nil	Nil
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	Nil	Nil	Nil
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	Nil	Nil	Nil
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p>	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
<p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>			
<p>k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	Nil	Nil	Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEO WOON KENG JOHN	MR ZHANG RONG XIANG	MR CHEE TECK KWONG PATRICK
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of a listed company?	N.A.	N.A.	This relates to re-appointment of Director
If yes, please provide details of prior experience.			Not Applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.			Not Applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).			Not Applicable



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