



China International Holdings Limited

中 翔 國 際 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Bermuda Company Registration No. 23356)

RESPONSE TO SGX QUERIES ON THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”), refers to the Company’s condensed interim financial statements for the six months ended 30 June 2024 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 14 August 2024. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 21 August 2024:

SGX Query 1

Prior to December 2022, Yichang Zeyou Real Estate Development Co. LTD (“**Zeyou**” or the “**Project Company**”) was 100% owned by Beijing Kaiyuan Wanjia Management Consultancy Company Limited (“**KYWJ**”), who was in turn indirectly 50% owned by the Group and 50% owned by Beijing Hongkunweiye Property Development Co. Ltd (“**Hongkun**”). The Company sold its 50% stake in KYWJ to Hongkun on 18 December 2022 (the “**Disposal**”) and as such, Zeyou is now 100% owned by Hongkun. The consideration of RMB 2 million paid by Hongkun for the Disposal took into account the dividend repayment of RMB 156 million to the Group which was substantially settled in-kind via the transfer of a convention centre worth RMB 194 million (the “**Exhibition Asset**”) and other properties, namely 307 carpark lots, 6 store units, 6 townhouses and a sales office. Given that the dividend repayments were deemed to be invalid, and the Exhibition Asset and other properties had their legal titles frozen and continue to remain with the KYWJ group due to ongoing litigations:

- a. Does it invalidate the four-party share transfer agreement that was entered into with Hongkun and KYWJ on 18 December 2022 for the Disposal? If no, explain why not.
- b. Was management aware at the time of the entry into such agreement that the transfer of the title of these assets were not completed? If so, what were the safeguards put in place to ensure that the Group would receive ownership of these assets?
- c. Why did management proceed to record these assets in its books even though the legal titles of such assets have not been transferred yet? Is this in compliance with International Financial Reporting Standards?

Company’s Response

- a. The Company’s PRC legal counsel advised that the judgment issued by the Yichang Intermediate People’s Court only pronounced that the 2022 Dividend Distribution Plan of Zeyou was void, and did not rule on other matters concerning Zeyou. To date, no party to the Four-party Share Transfer Agreement (“**FSTA**”) has raised any arguments or challenged the validity of the FSTA. Our PRC legal counsel has confirmed that the Court did not make any ruling or direction on the validity of the FSTA.

b. After the FSTA was signed on 18 December 2022, the transaction for the transfer of the assets had progressed in accordance with the usual legal procedures. The process begun with the execution of the relevant transaction agreements on the government administered online portal (网签), the handing over of keys from the transferor to Zhongjia Xinye Assets Management Company Limited (“Zhongjia”) and the successful registration of corporate details of the new owners with the property management company. At that point in time, there were no indications or warning signs of any wrongdoing on Zeyou’s part.

c. The transfer of title (房产证) for property transactions in PRC typically takes between six to twelve months. It is customary practice for Chinese property companies to record property transactions as investment assets in the books after satisfying 3 critical milestones: (i) the transaction agreement is executed on the government administered online portal (网签), (ii) the property is completed and handed over to the buyer, and (iii) the property management company has accepted the buyer as the property owner. This is consistent with the Group’s revenue recognition policy over the years and this treatment is in compliance with International Financial Reporting Standards.

Although Zhongjia and CIHL (Tianjin) City Development Limited had not obtained the relevant legal titles of the investment properties, management considers that Zhongjia had already obtained the ownership of the investment properties through contractual agreements with KYWJ Group. This assessment was made on the basis that (a) the transfer process that typically ranges from 6 to 12 months (as explained above) had been initiated, and (b) the relevant payment procedures for the purchase had been completed.

SGX Query 2

In the Company’s 1H FY2024 financial results, the Group reclassified RMB10.5 million worth of investment properties (i.e. 6 store units and several parking lots) to receivables due from Zeyou pursuant to Zeyou auctioning off these assets in June 2024. The Company then wrote off these receivables at the same time as “there is no reasonable expectation of recovery of these receivables”.

a. Provide a breakdown of the remaining investment properties worth RMB 36.6 million in Yichang that have had their transfers of title frozen by local authorities and explain why the Company did not write down this amount.

b. Explain why the Company recognised further losses of RMB 10.5 million in the current period instead of utilising its provision of RMB 59.5 million previously recognised in FY2023 for the receipt of the FY2022 dividend which was eventually deemed invalid.

Company’s Response

a. A breakdown of the remaining investment properties in Yichang dated 30 June 2024 is as follows:

No.	Location	Quantity Unit	Size M²	Amount RMB’000
1	Hongkun Huayu Villa Phase III townhouse, Yiling District, Yichang City (双拼别墅)	2	515.38	9,250
2	Hongkun Huayu Villa III townhouse, Yiling District, Yichang City (联排别墅)	4	731.19	8,310
3	No.1 Business, Hongkun Huayu Villa III, Yiling District, Yichang City (Sales Office)	1	1,085.26	19,080
		7	2,331.83	36,640

The above properties are related to the dividend case. As announced on 19 June 2024, the Yichang Intermediate People's Court ("YIPC") issued its written Judgment on the appeal on 18 June 2024. In its Judgment, the YIPC upheld the decisions of the lower court, Yichang Dianjun District Court, and rejected the Company's appeal. The decision by the YIPC on this litigation commenced by Mr. Zhang Zhaowang against Zeyou is final and unappealable. As the Judgment did not specify the method of settlement, to account for the decision of the YIPC, management had had to reassess the Group's liabilities and reached the decision that the provision and related investment properties should be retained until there are further developments.

b. It is not the same situation as the properties in para (a) above. The Group became aware on 21 June 2024 that Zeyou, through court-sponsored auctions, had sold six units of store units from the Guobin No. 1 Project and a few parking lots before 20 June 2024. Zeyou had previously on 28 September 2022 agreed to transfer the aforementioned six units of store units and 305 parking lots to the Group, but after the court-sponsored auctions, the Group no longer has any rights over the properties. As Zeyou is now unable to fulfil its obligations under these agreements, the aforementioned investment properties amounting to RMB10,235,510 have been de-recognised in the books.

SGX Query 3

In 1H FY2024, the Group recognised its share of net loss of its joint venture, Hubei Huike International Exhibition Service Co., Ltd ("Huike"), worth RMB 96.4 million. This was pursuant to Huike failing to obtain the legal title of the Exhibition Asset from the Project Company. Accordingly, it was reclassified from long term asset to other receivables from KYWJ and written off at the same time as "there is no reasonable expectation that Huike will be able to recover these amounts from KYWJ". In the Company's announcement on 18 June 2024, it was explained that the Company did not launch an appeal to transfer the Exhibition Asset to Huike due in part to opposing views by Huike's 50% co-shareholder, Hongkun. It is noted that Hongkun also owns 100% of KYWJ and accordingly 100% of the Exhibition Asset.

a. Explain why the Company needs to take Hongkun's views into consideration when deciding to launch an appeal for Huike to obtain the legal title of the Exhibition Asset, noting that Hongkun will benefit if Huike is unable to do so.

b. What is the Company's plans to transfer the Exhibition Asset to Huike? Does the Company intend to take legal action against Hongkun?

Company's Response

a. As Huike was established as a 50:50 joint venture between CIHL and Hongkun, Huike has to get consent from the two shareholders before undertaking any legal action. The two shareholders were in agreement when Huike first commenced legal action in January 2023 but ever since Zeyou came under investigation by Yichang police and tax authorities in April 2023, Hongkun has not been cooperative.

b. After the Beijing First Intermediate People's Court handed down its judgment on the case, and with Huike's decision not to file an appeal, the Company has sought legal advice on the available options. No decision has been made at this point.

SGX Query 4

The Group recorded significant current liabilities of RMB 217.2 million and cash and bank balances of only RMB 25.4 million. The Company also recorded net operating cash outflows of RMB 12.8 million for 1HFY2024. Please disclose the Board's assessment of (i) whether the Company's current assets are adequate to meet the Company's short term liabilities, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response

(i) and (ii) The breakdown of current liabilities is as follows:

	The Group
	30.06.2024
	RMB'000
Trade and other payables ⁽¹⁾	126,602
Borrowing – unsecured ⁽²⁾	28,000
Borrowings - secured ⁽³⁾	2,997
Current tax liabilities ⁽⁴⁾	64
Provision ⁽⁵⁾	59,500
Lease liabilities ⁽⁶⁾	61
	217,224

(1): Trade and other payables include, *inter alia*, trade payables due to suppliers and contractors, receipts in advance, and accruals. Receipts in advance of RMB82.82 million are non-financial liabilities where the Group does not expect any cash outflows. The Group expects that it will be able to retain the lines of credit with its suppliers and contractors.

(2): These are unsecured and repayable on demand but the Group expects to retain this borrowing until there are sufficient funds.

(3): This is repayable in the next 12 months, the Group expects to be able to repay this amount on time.

(4): Current tax liabilities will be repaid in the next 12 months.

(5): Provision of RMB59.50 million is related to the dividend case – refer to Company's Response 2a.

(6) : Lease liabilities will be paid in 12 months.

Based on the above analysis of current liabilities, the Group has assessed that there will be no significant payment obligations in the next 12 months.

By Order Of The Board
China International Holdings Limited

Shan Chang
Executive Chairman
26 August 2024