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 DISPOSAL OF 50% INTEREST IN BEIJING KAIYUAN WANJIA MANAGEMENT CONSULTING COMPANY LIMITED

The Board of Directors of China International Holdings Limited (the "Company"), and together with its subsidiaries (the "Group"), refers to the Company's announcements in relation to the disposal of 50% interests ("Proposed Disposal") in Beijing Kaiyuanwanjia Management Consulting Company Limited ("Target Company") released to Singapore Exchange Securities Trading Limited ("SGX-ST") on 21 December 2022 and 27 December 2022. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 28 December 2022:

SGX Query 1

The Company disclosed a collective amount of RMB124.79 million due from the KYWJ Group, including a provision of loss allowance of RMB22.18 million. In the Company's response on 27 December 2022, it disclosed that the KYWJ Group has thus far repaid RMB107.50 million due to the Company by way of cash, completed property units, and shares in the company holding the Exhibition Assets. Part of the allowance of RMB22.18 million was no longer required and as such written back in the books.

(a) Please provide a breakdown of the RMB107.50 million repaid by the KYWJ Group to the Company in terms of amount of cash, completed property units and shares in the company holding the Exhibition Assets.

(b) Please disclose what are the Exhibition Assets, the market value of the shares in the company holding the Exhibition Assets that were repaid to the Company and how the value of the relevant payments were determined and the methodology used in arriving at the market and the book value. To also disclose how these Exhibition Assets will be recorded in the Company's financial statements and the current book value of the assets.

(c) Please provide calculations to reconcile the amount owing to the Company by the KYWJ Group of RMB124.79 million with the repaid amount of RMB107.50 million and also explain why part of the allowance of RMB22.18 million was no longer required.

Company's Response

(a) The breakdown of payments from the KYWJ Group to the Company is as follows:

	Prior to 18.12.2022 RMB'000
Share of interests in the company holding Exhibition Assets [(1)]	97,000
Cash received	11,000
307 parking spaces and 6 store units transferred to the Group	10,236
Completed property units transferred to the Group	48,764
Total assets from the KYWJ Group	**167,000**
Less: dividend from the KYWJ Group in 2022	(59,500)
Total repayments from KYWJ	**107,500**

[(1)] The company holding the Exhibition Assets is Hubei Huike International Exhibition Service Co., Ltd ("湖北会科国际展览服务有限公司","Huike"). The Company, through its wholly-owned subsidiary, CIHL (Tianjin) City Development Limited ("天津新中城市实业发展有限公司"), holds a 50% interest in Huike. On behalf of Beijing Hongkunweiye Property Development Co. Ltd ("北京鸿坤伟业房地 产开发有限公司"), Beijing Mengqi Information Consulting Company Limited ("北京梦期信息咨询有限公司") holds Huike's other 50% interest. Please refer to the Company's announcement dated 30 November 2022 for further details in this regard.

(b) The Exhibition Assets refers to the convention centre or "宜昌三峡国际会展中心". The market value of the shares in Huike is equivalent to the value of the Exhibition Assets. The Exhibition Assets represent Huike's only asset, which assessed by management and confirmed by an independent professional valuer was RMB194 million. These are carried in Huike's books as an investment property amounting to RMB194 million. The company's 50% interest in Huike is reflected as a long term investment.

(c) To date, the Company has received repayments from the KYWJ Group amounting to RMB107.50 million, following which it has reversed loss allowances on amounts due from the KYWJ Group of RMB4.88 million. There is a remaining amount due to the Company from the KYWJ Group of RMB17.29 million. A provision for loss of this sum has been made by the Company as there is no certainty at this point that this amount will be collectible. Management will continue to monitor and follow up on collection of this debt.

SGX Query 2

The Company disclosed in its 1H2022 financial results that the negative equity of the KYWJ Group was valued at RMB58.42 million in its 1H2022 results and that Company's management had expected that the situation would likely improve as the KYWJ Group completes the development of "new" Phases 3-3 and SA to be recognized as income in 4Q 2022. The Company responded that it had subsequently proceeded with the disposal of the KYWJ Group notwithstanding the initial expected improvement in its performance due to an overall loss was recorded for KYWJ Group in the period ended 30 September 2022 resulting from additional development cost. The phase was completed on 31 August 2022, according to the Company.

(a) Please provide the value or estimate of the initial projected improvement in the financial performance of KYWJ Group by the Management as at 1H2022, and a reconciliation against its actual figures as at 30 September 2022.

(b) Please also describe and quantify what led to the "additional development costs" between 30 June 2022 and 31 August 2022 which led to the overall loss for KYWJ Group for the period and why this was not foreseen in the Management's projections as at 1H2022.

Company's Response

(a) A summary of the results of the KYWJ Group for Q3 2022 and Q3 2021 is as follows:

	The KYWJ Group			
	3 months ended		9 months ended	
	30.09.2022 RMB'000	30.09.2021 RMB'000	30.09.2022 RMB'000	30.09.2021 RMB'000
Revenue	661,162	36,525	664,432	705,462
Cost of sales	(640,536)	(24,810)	(650,103)	(628,042)
Gross profit	20,626	11,715	14,329	77,420
Other income - net	59	343	330	1,175
Operating expenses	(1,190)	(1,733)	(3,707)	(7,431)
Selling and marketing expenses	(30,477)	(9,932)	(36,318)	(29,485)
(Loss) / profit before income tax	(10,982)	393	(25,366)	41,679
Income tax credit / (expense)	8,659	(3,454)	8,981	(20,587)
(Loss) / profit for the financial period	(2,323)	(3,061)	(16,385)	21,092

The smaller loss of RMB2.32 million recorded by the KYWJ Group for Q3 2022 compared to a loss of RMB14.06 million in 1H 2022 was in line with management's earlier expectation of improved results for the KYWJ Group notwithstanding that it still incurred an overall net loss for the 9-month period ended 30 September 2022.

(b) To clarify the Company's earlier announcement dated 27 December 2022, the "additional development costs" refers to the development costs which were recognised as cost of sales together with the recognition of revenue upon hand over of the completed and sold units. It does not refer to costs which were in addition to budgeted costs.

SGX Query 3

(a) Please disclose the breakdown and total value of investment and loans to date in the KYWJ Group by the Company.

(b) Please also provide a breakdown of the dividends from the KYWJ Group received by the Company since its investment to date.

(c) Please quantify and provide explanation on how the Company's investment in KYWJ Group has been impaired to arrive at the Consideration value of only RMB2 million for the disposal, as announced on 21 December 2022. Please also provide the Board's opinion and bases on the value

of the Consideration, given the total value of investment to date in KYWJ Group to date by the Company.

Company's Response

(a) A breakdown and total value of investment and loans to date in the KYWJ Group by the Company is as follows:

	The Group	
	To date	
	Investment	Loans
	RMB'000	RMB'000
Carrying book value	-	17,292
Less: loss allowance on amount due from KYWJ	-	(17,292)
Amount to date	**-**	**-**

(b) A breakdown of the dividends from the KYWJ Group received by the Company is as follows:

	The Group
	RMB'000
Dividend declared in FY2021	105,602
Dividend declared in FY2022 (*)	59,500
	165,102

* As noted in our response to SGX Query 1(a) above, the Company has recognised this dividend of RMB59.50 million as other income in 2H 2022.

(c) As disclosed in the Company's Annual Report 2017, the Group completed the disposal of its 5% equity interest in the KYWJ Group on 1 June 2017. Following the disposal, the Group de-consolidated and re-classified the KYWJ Group as associated companies of the Group, which would be accounted for using the equity method. The Group's interests in the KYWJ Group are carried in the consolidated statement of financial position at costs and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investment in profit or loss. When the investee company pays a dividend, the investor company receiving the dividend will report a decrease in the carrying value of its investment.

The summary movements of investment in associates - the KYWJ Group is as follows:

	The Group
	RMB'000
Investment cost recognised on 1 June 2017	**95,935**
Adjusted thereafter	
- total share of profit or loss recognised from 2017 to 2021 [(1)]	9,667
- dividend declared in 2021	(105,602)
Balance at 18 December 2022	**-**

(1) 2017 to 2021 represents the financial period from 1 June 2017 to 31 December 2021. The Group has stopped sharing the losses of the KYWJ Group in 2022 as its share of losses is limited to its investment in the Target Company and the Group has no further obligation in respect of those accumulated losses.

The investment in KYWJ Group decreased from RMB95.94 million as at 1 June 2017 to nil as at 18 December 2022 reflecting the Company's investment cost after accounting for its share of profits and losses in the Target Company up to 2021 and dividends received in 2021.

As stated in the Company's announcement dated 21 December 2022, based on the last announced consolidated audited financial statements of the Group for the twelve months ended 31 December 2021, the book value of the Sale Shares recorded in the Group was nil, and the net tangible asset value of the Sale Shares shown in the Target Company was approximately negative net assets of RMB22.18 million. Based on the valuation of the Sale Shares as at 30 September 2022 commissioned by the Company and undertaken by Ravia Global Appraisal Advisory Limited, the fair value of the Sale Shares was determined to be nominal. In the Board's opinion, the Consideration of RMB2 million for the disposal is a reasonable amount, especially taking into consideration the uncertain market conditions of the property industry in the People's Republic of China.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman
3 January 2023