



RESPONSE TO SGX QUERY ON FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”), refers to the Company’s financial results for the second quarter ended 30 June 2018 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 10 August 2018. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 17 September 2018:

SGX Query 1

1. In relation to Continuing operations:
 - a. Please provide a breakdown of each of the Revenue and Cost of sales provided against the corresponding reporting period;
 - b. Please discuss factors that contribute to the large variance between 3 months ended 2Q2018 and 2Q2017 which resulted in the decrease in gross profits by 40.7% or RMB7.3 million to RMB10.6 million.

Company’s Response

- a. A table of the said revenues and costs is as below:

	Q2-2018			Q2-2017			Increase / (decrease)		
	Revenue (net)	Cost of service provided	Gross profit	Revenue (net)	Cost of service provided	Gross profit	Revenue (net)	Cost of service provided	Gross profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Water supply	10,021	(6,865)	3,156	11,747	(6,383)	5,364	(14.7%)	7.6%	(41.2%)
Construction of water pipeline	11,456	(4,023)	7,433	18,819	(6,339)	12,480	(39.1%)	(36.5%)	(40.4%)
	21,477	(10,888)	10,589	30,566	(12,722)	17,844	(29.7%)	(14.4%)	(40.7%)

- b. Water supply cost in Q2 2018 of the Group was RMB6.87 million, an increase of RMB0.48 million or 7.6% compared RMB6.38 million in Q2 2017. The increase of 7.6% was mainly due to higher staff costs recorded in Q2 2018 as the Company employed more workers for operating the new project.

Revenue from construction of water pipeline in Q2 2018 of was RMB11.46 million, a decrease of RMB7.36 million or 39.1% compared RMB18.82 million in Q2 2017. The above variances are within normal fluctuation of such water business, and may increase or decrease with changes in the local economic environment and the state of the property development industry. Furthermore, pipeline

construction projects comprised mainly new projects, which were at initial stages during Q2 2018, as compared to the prior year, which had more completed projects during Q2 2017.

SGX Query 2

2. In relation to KYWJ Group:
 - a. Please provide a breakdown of Revenue and Cost of sales for 2Q2018 and 2Q2017;
 - b. Please discuss factors that contribute to the large decline in gross profit by 97.3% from RMB11.2 million to RMB0.3 million.

Company's Response

a. A breakdown of Revenue and Cost of Sales in 2Q2018 and 2Q2017 of the KYWJ Group is shown below:

	Q2-2018			Q2-2017			Increase / (decrease)		
	Revenue (net)	Cost of sales	Gross profit /(loss)	Revenue (net)	Cost of sales	Gross profit / (loss)	Revenue (net)	Cost of sales	Gross profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Phase 1-1	4,498	(4,086)	412	9,187	(7,468)	1,719	(51.0%)	(45.3%)	(76.0%)
Phase 1-2	32,785	(34,305)	(1,520)	39,011	(25,761)	13,250	(16.0%)	33.2%	(111.5%)
Phase 2-1	2,642	(1,233)	1,409	-	-	-	NM	NM	NM
Phase 2-2	-	-	-	342,517	(346,090)	(3,573)	(100.0%)	(100.0%)	(100.0%)
Revenue on property management	-	-	-	527	(696)	(169)	(100.0%)	(100.0)	(100.0%)
	39,925	(39,624)	301	391,242	(380,015)	11,227	(89.8)%	(89.6)%	(97.3%)

NM: Not meaningful.

b. Gross profit in Q2 2018 for the KYWJ Group decreased RMB10.93 million or 97.3% compared to last year. The decrease of gross profit of 97.3% was attributed to sales of remaining units from Phases 1-1 and 1-2 that are residual stock and therefore less profitable. Collection from pre-sales units of approximately RMB470 million in Q2 2018 will only be recognised upon completion which is expected to take place in the near future.

SGX Query 3

3. Selling and marketing expenses of KYWJ Group increased by 372.3% from RMB1.34 million to RMB6.33 million despite the huge decline in sales revenue by 89.8% from RMB391.2 million to RMB39.9 million:
- Please provide breakdown of sales and marketing expenses against corresponding reporting period;
 - Please disclose factors which contributed to the significant increment in sales and marketing expenses.

Company's Response

- a. A breakdown of selling and marketing expenses of the KYWJ Group is as follow:

	3 months ended		
	30.06.2018	30.06.2017	Increase / (decrease)
	RMB'000	RMB'000	%
Advertising expense	4,063	642	532.9
Staff costs - salaries	915	70	1,207.1
Marketing activity expense	734	-	NM
Others	622	629	(1.1)
	<u>6,334</u>	<u>1,341</u>	372.3

NM: Not meaningful.

- b. The significant increase in sales and marketing expenses were in respect of general advertising/marketing activity which has increased as the new operating company, Hong Kun focussed more on advertising and marketing to attract new buyers. A different sales strategy had led to more staff being employed and hence higher staff cost for Q2 2018.

SGX Query 4

4. The Group's Trade and Other Receivables amounted to RMB274.3 million as at 30 June 2018 where Revenue for 3 months ended 2Q2018 amounted to RMB21.5 million:
- Please provide aging schedule breakdown of Trade and other receivables in bands of 3 months with upper limit specified;
 - Please provide the identity of the major debtors owing to the Company.

Company's Response

a and b: A breakdown of the Group's Trade and Other Receivables on 30 June 2018 and 31 December 2017 are set out below:

	Ageing	30.06.2018 RMB'000	31.12.2017 RMB'000
Trade receivables ⁽¹⁾	Less than 1 year	21,080	19,260
Gross amounts due from customers for contract work ⁽²⁾	Less than 1 year	17,309	16,861
Due from associates ⁽³⁾	Less than 1 year	191,039	304,507
Due from non-controlling shareholder ⁽⁴⁾	Repayable on demand	105	158
Other receivables			
- Prepayments ⁽⁵⁾	Less than 1 year	14,521	10,339
- Refundable deposits ⁽⁶⁾	Less than 1 year	30,000	-
- Other deposits ⁽⁷⁾	Less than 1 year	290	297
Total		274,344	351,422

- (1) The major customer is Tianjin Zhongda Enashe water Limited (天津中大恩那社水务有限公司).
- (2) The major customer is Beijing Land Reserve Center Mentougou Branch (北京市土地储备中心门头沟分中心).
- (3) Initial shareholder's loans of RMB121 million are due from the KYWJ Group, are unsecured, interest-free and repayable on demand. These are managed as a part of the capital invested in the KYWJ Group by the Company.
- (4) Receivables due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.
- (5) The prepayments include, *inter alia*, prepaid expenses for rental, land development projects, and construction material in relation to water pipe lines.
- (6) The refundable deposits will be repaid by Baoding Zhongshang Real Estate Development Limited (保定市中尚房地产开发有限公司), the Company had given up its rights to cooperate with a property investment project to invest in the Xiongan New District (雄安新区).
- (7) Other deposits include, *inter alia*, refundable rental deposits and electric deposits.

SGX Query 5

5. To disclose and reconcile why the Trade and Other Receivables recorded on Cash flow statement amounted to RMB34.6 million whereas it was stated as RMB21.5 million on the balance sheet.

Company's Response

The movements of the Trade and Other Receivables are as follow:

	Q2 2018		Movement RMB'000
	30.06.2018 RMB'000	31.03.2018 RMB'000	
Trade receivables	21,080	20,542	538
Gross amounts due from customers for contract work	17,309	17,309	-
Other receivables			
- due from associates	191,039	267,382	*
- due from non-controlling shareholder	105	148	(43)
- prepayments, deposits and other receivables	44,811	10,662	34,149
	<u>274,344</u>	<u>316,043</u>	<u>34,644</u>

* The movement of due from associates was classified in cash flow from investing activities.

The movements of other receivables did not relate to revenue of RMB21.5 million recorded in the Company in Q2 2018.

SGX Query 6

6. Please provide an update on the possible claim of damages on CRTGL with regards to the Settlement Agreement.

Company's Response

The Company, through its associate company, Yichang Property Development Co., is still in discussion with the relevant government agencies in Yichang City and Yiling District, in relation to the re-application of the award as stipulated in the original Cooperation Agreement, and has therefore not served notice to CRTGL on the possible claim of damages in relation to the Settlement Agreement. The Company will provide an update when there is any development in relation to the award and any claim of damages to CRTGL.

**BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED**

Shan Chang
Chairman
19 September 2018