

Independent Auditor's Report to the Members of China International Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 97, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

**Independent Auditor's Report to the Members of
China International Holdings Limited
(Continued)**

Emphasis of Matter

We draw attention to Note 3 to the financial statements, which states that the Group recorded a gross loss of RMB14,319,000 (2013: gross profit of RMB56,340,000), net loss of RMB95,926,000 (2013: net profit of RMB20,101,000) and net cash outflows from its operating activities of RMB95,090,000 (2013: RMB2,528,000) for the financial year ended 31 December 2014. As at 31 December 2014, the Group has current borrowings of RMB452,762,000 (2013: RMB35,297,000) due within 12 months from the end of the reporting period and with a cash and cash equivalents balance of RMB54,665,000 (2013: RMB47,734,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not qualified with respect to this matter.

***Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants***

***Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2012***

Singapore

2 April 2015

3. Going concern

The Group recorded a gross loss of RMB14,319,000 (2013: gross profit of RMB56,340,000), net loss of RMB95,926,000 (2013: net profit of RMB20,101,000) and net cash outflows from its operating activities of RMB95,090,000 (2013: RMB2,528,000) for the financial year ended 31 December 2014. As at 31 December 2014, the Group has current borrowings of RMB452,762,000 (2013: RMB35,297,000) due within 12 months from the end of the reporting period and with a cash and cash equivalents balance of RMB54,665,000 (2013: RMB47,734,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

Notwithstanding with the above, the financial statements have been prepared on a going concern basis upon considering the following:

- (i) The Group is able to continue in the current operational existence and generate positive cash flows and discharge their liabilities in the normal course of business for the next twelve months.
- (ii) As disclosed in Note 26(c), the Group is expecting a repayment of approximately RMB173,000,000 by a local government agency in respect of the residential relocation development projects in Men Tou Gou District.
- (iii) The Group currently still has an undrawn borrowing facility of RMB120,000,000 expiring in April 2016 and also the directors have evaluated all the relevant facts available to them and are of the opinion that the Group have good track records or relationships with financial institutions which enhance the Group's ability to continue and/or obtain new credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

Accordingly, the financial statements have been prepared on a going concern basis.

The validity of the going concern assumption on which these financial statements are prepared depends on the assumptions and measures taken above. If the Group and the Company are unable to continue their operational existences and/or unable to maintain their credit facilities, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from this uncertainty.

26. Prepayments, deposits and other receivables

- (c) The Group's other receivables as at 31 December 2014 include balance due from a local government agency of approximately RMB2,338,000 (2013: RMB2,338,000). The Group has entered into a contractual arrangement with the local government agency for reimbursement of payments for the upgrade of Haimen bridge in 2008. Pursuant to the contractual arrangement, the balance was overdue and the management has assessed the recoverability of the outstanding balance and full impairment on the outstanding balance has been recognised previously.

The Group's other receivables as at 31 December 2014 include an amount of RMB173,000,000 (2013: RMB104,000,000) receivable from a local government agency in relation to an agreement entered into on 31 July 2012, on a cost-plus project management fee and the cost of project financing basis. The Re-development Centre is a PRC governmental agency under the District Government of Men Tou Gou, Beijing, and is responsible for the residential relocation development projects in Men Tou Gou District. The project is situated in an area of approximately 32,300 square meters in Men Tou Gou District. The Group is responsible for the provision of project financing, site preparation and the construction of 119,500 square meters of relocation housing on the site. The project is funded entirely from internal sources of the Group. This amount is unsecured, interest bearing at 6.15% to 12.00% (2013: 6.15%) per annum. The fair value of this amount approximates its carrying amounts.

During the financial year, the local government agency decided to terminate the arrangement. At the date of this report, the Company is in the midst of finalising the project with the local government agency. On 30 March 2015, the local government agency confirm that the other receivables of RMB173,000,000 will be repaid by 30 April 2015.
