



ADDITIONAL INFORMATION TO THE UNAUDITED FULL YEAR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”) refers to the Group’s full year results released to SGX-ST on 1 March 2017. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST:-

SGX Query 1

1. On page 3 of the Financial Results, we note that the Company wrote down RMB58.3 million of properties for development after a significant write down of RMB 357.5 million in FY2015. Please disclose:-
 - a. A breakdown of the projects to which the write down of RMB415.8 million is made and to also quantify the total cost incurred in each of these projects.
 - b. Details of each of these impaired projects, disclosing the size, the nature or type of these developments, the commencement date of the projects as well as the status of each of these projects.
 - c. Take up rates for each of these projects as well as the occupancy rates for the projects that have been completed.
 - d. The technical issues relating to the projects which gave rendered the projects delayed and caused the take-up rates to be low.
 - e. Whether there are any legal suits ongoing for any of these impaired projects

Company’s response

- (a) The only property project which has been the subject of impairment in FY2015 and FY2016 is the project in Yichang (“**Yichang Project**”). The breakdown for the write down of RMB415.8 million is as follows:

Category of write-down properties	Write-down amount		
	FY2016 RMB'000	FY2015 RMB'000	Total RMB'000
Phase 1 area 1	(710)	(8,788)	(9,498)
Phase 1 area 2	(6,216)	(15,632)	(21,848)
Phase 1 area 3	-	(166)	(166)
Phase 2	(51,406)	(197,224)	(248,630)
Phase 3 and Phase 4	-	(135,670)	(135,670)
Hotel	-	-	-
	(58,332)	(357,480)	(415,812)

The total costs incurred by the Yichang Project are as follows:

Category of write-down properties	Total cost incurred as at 31 December 2016 RMB'000
Phase 1 area 1	83,871
Phase 1 area 2	140,504
Phase 1 area 3	33,106
Phase 2	379,406
Phase 3 and Phase 4	283,258
Hotel	33,934
	<u>954,079</u>

- (b) The Yichang Project is being developed pursuant to a state-owned Land Use Rights Grant Contract No. Yichang City Yiling District Yi Zeng Guo Rang (He) zi (2006) Di No.438 (国有土地使用权出让合同编号宜昌市夷陵区增国让(合)字(2006)第 438 号) and a supplementary contract entered into between Yichang City Yiling district Land Resource Bureau and Yichang Xinshougang Property Development Limited on 29 December 2006.

The details of the Yichang Project are summarised as follows:

Site area	:	587,726.09 sq.m.
Location	:	Meiziya Village, Xiaoxita, Yiling District, Yichang City, Hubei Province, People's Republic of China
		(湖北省宜昌市夷陵区小溪塔街道梅子垭村)
Major development usage	:	Commercial, tourism, research centre and/or residential purposes
Ancillary development usage	:	Roadster, carport, greenery area, etc.
Plot ratio	:	≤ 1.0
Density	:	≤ 25%
Green space ratio	:	≥ 40%
Commencement of construction	:	25 March 2011

The Yichang Project is being developed in phases the details of which are as follow:

Category of write-down properties	Remaining area (sq.m)	sales	Commencement date	Status (percentage of completion)
Phase 1 area 1	41,355		2010	100%
Phase 1 area 2	31,475		2015	100%
Phase 1 area 3	67,669		2010	100%
Phase 2	154,309		2015	90%
Phase 3 and Phase 4	291,880		Not confirmed	Construction has not yet commenced
Hotel	10,000		Not confirmed	Construction has not yet commenced

- (c) As at 31 December 2016, the take-up rates for Phase 1-area 1, Phase 1-area 2, and Phase 1-area 3 of the Yichang Project are 77.75%, 32.04% and 87.61% respectively.

- (d) The Company is not aware of any technical issues which may have rendered delays to the Yichang Project. The Company is also not aware of any technical issues which may have led to low take-up rates for the Yichang Project.
- (e) As announced by the Company on 28 March 2017, the Company's 55% owned subsidiary, Yichang Xinshougang Property Development Company Limited had on 24 March 2017 received a Notice of Court from the Yichang City Intermediate Court to attend a court hearing in respect of a claim initiated by Yiling District Urban Infrastructure Investment Company ("**Legal Suit**"). However, the Legal Suit is not related to the impairment of the Yichang Project. Save as disclosed, there are no other material ongoing legal suits in relation to the Yichang Project.

SGX Query 2

2. On page 14 of the Financial Results, we note that the Company made a repayment of RMB384.93 million to a non-related party. Please disclose the identity of the lender and details of the transactions. Further to that, we also note that Companies' total borrowings decreased by 320.1 million as disclosed in paragraph 1(b)(ii) but the cash used for repayment of borrowings only amounted to RMB349.42 million. Please reconcile these figures.

Company's response

- a. The non-related party mentioned on page 14 of the Financial Results is New Times Trust Co., Ltd (新时代信托股份有限公司) ("**New Times Trust**"). New Times Trust is a non-bank financial institution, whose principal business activities consist of the provision of financial services and facilities in China.

None of the directors and/or controlling shareholders of the Company and their respective associates have any interest, direct or indirect, in New Times Trust.

- b. The details and terms of the borrowings from New Times Trust are set out in the table below:

Borrower	CIHL (Tianjin) City Development Limited
Duration	17 November 2015 to 17 December 2016
Interest rate	15% per annum
Security	(i) share charge over 50% of the equity interest in Yichang Xinshougang Property Development Company Limited held by Beijing Kaiyuan Wanjia Consulting Company Limited, a subsidiary of the Group; and (ii) first mortgage over the land use right for Yichang held by Yichang Xinshougang Property Development Company Limited, a subsidiary of the Group.

- c. The reconciliation of the figures for the Company's repayment of borrowings is set out in the table below:

	<u>RMB'000'</u>
Proceeds from borrowings	60,000
Amortization of discount	14,940
Repayment of borrowings -non related parties	(384,927)

-related parties	(10,100)
Decrease of total borrowings	(320,087)

SGX Query 3

3. As described on page 15 of the Financial Results, we note that the Company has made full impairment of the Liuhe Gold Project in Q4FY2015 and did not commence operations due to weak gold price in Q4FY2016. Please disclose:-
 - a. The breakeven production cost of gold in this mine and how this is derived;
 - b. How much did the Company pay for this mine and was the gold price imputed by the Company when the mine was acquired;
 - c. When was the mine acquired and how much additional development cost was incurred;
 - d. The resources and/or reserves and grade of the ore, given that the current gold prices are above US\$1,200 per ounce;
 - e. The total expense and written-off value of the mine to date.

Company's response

- a. There are no recent estimates of the breakeven cost for gold production. In the valuation report undertaken by ROMA at the end of 2015, the assumption of gold price was RMB 233.50 per gram which translated to approximately US\$1,050 per ounce.
- b. To date, the Company had invested RMB 46.716 million in respect of the acquisition of the 20% equity interest in the Liuhe Gold Project. The Company had also made a shareholder loan in the sum of RMB 9.97 million. The gold price was in the range of US\$1500-1600 per ounce when the Liuhe Gold Project was acquired in 2011.
- c. When the Liuhe Gold Project was acquired in July 2011, the project was undergoing exploration. Further exploration was carried out after the acquisition by the Company. The development work was undertaken in 2014-2015. According to Liuhe's estimate, additional development cost of RMB 210 million was incurred.
- d. Based on the latest resources report commissioned by Liuhe on 15 March 2016, the total estimated resources of the mine is approximately 9,679kg of gold at an average grade of 1.64gram per ton. There is no estimation of the reserves at the current gold price.
- e. The total expenses and write off value in respect of the Company's 20% equity interest in the Liuhe Gold Project is RMB 44.281 million.

SGX Query 4

4. With regards to the oil and gas exploration project in Papua New Guinea, please disclose:-
 - a. What is the break-even production cost for project to be viable.
 - b. what is the stage of exploration when the Company decided to embark on this project.

- c. What was the oil price at the acquisition of the project and how much was the price of the oil taken into account in the calculation of the purchase consideration when the Company acquired the project.

Company's response

- a. The project is currently at an early exploration stage. A feasibility study has yet to be undertaken to ascertain the breakeven cost of production and other economic parameters.
- b. When the Company decided to embark on this project, it was still at the stage of geological survey.
- c. When the Company decided to make an investment in this project at the end of 2009, the oil price was in the range of US\$ 80 per barrel. The relatively high oil price in 2009 was an important consideration by the Company when making the investment. However, the worldwide slump in oil prices over the past few years (approximately US\$30-40 per barrel range) has impacted the availability of financing for oil and gas projects world-wide.

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

Shan Chang
Chairman
29 March 2017