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

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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 “**Full Year Results Announcement**”) and the Company’s announcement released on 29 March 2017 (the “**Response Announcement**”) in response to several queries raised by SGX-ST on 23 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. In the Company’s Response to SGX Query 1(b), we note that the construction of Phase 3 and Phase 4 of the Yichang Project has not yet commenced yet the Company has, till date, already incurred a cost of RMB283.6 million for Phase 3 and Phase 4 of the Yichang Project. Out of RMB283.6 million incurred for Phase 3 and Phase 4 of the Yichang Project, a significant amount of RMB135.67 million has been written off in FY2015, as disclosed in the Company’s Response to Query 1(a) on page 1 of the Company’s Response.
  - a. Please provide a breakdown of the cost of RMB283.6 million in relation to Phase 3 and Phase 4 of the Yichang Project and give explanations why this cost has been incurred even before construction on Phase 3 and Phase 4 of the Yichang Project has commenced.
  - b. With regards to the RMB135.67 million in relation to Phase 3 and Phase 4 of the Yichang Project that was written off in FY2015, please provide a breakdown and details of the items that were written off, the reasons for writing these items off and how the value of these items were determined.

**Company’s response**

- a. The breakdown of the cost is as follows:

	Cost incurred as at 31 December 2016 RMB million
Fair value of land use rights (upon acquisition of Yichang project)	410.01
Prospecting and designing expenses	8.92
	419.93
Less: write-down recognised to date	(135.67)
	<u>283.26</u>

- b. After taking into account the Group's recent experience in estimating net realizable values of completed units and properties under development, the Company forecasted that sale prices of Phases 3 and 4 would be depressed given the prevailing market conditions and that any such revenue generated from sales would not be sufficient to cover the development costs of Phases 3 and 4 of the Yichang Project. On this basis, the Company decided to write down the net realisable value of Phases 3 and 4 of the Project.

The Company determined the net realisable value of Phases 3 and 4 based on the valuation performed by an independent valuer, Roma Appraisals Limited.

This write-down is in line with paragraph 9 of IAS 2 – Inventories, which provides that inventories shall be measured at the lower of cost and net realisable value.

### **SGX Query 2**

2. In the Company Response to SGX Query 3(a), we note that the Company has disclosed that there is no recent estimate of the breakeven cost for gold production. Please disclose why the Company had chosen to do a full impairment of the Liuhe Gold Project instead of commencing operation to recoup cost of development if the Company did not have an estimate of the breakeven cost of production.

### **Company's response**

The Group holds a minority interest in the Liuhe Gold Project and is not involved in management decisions in relation to the commercial production. Management decided to fully impair the investment at the end of financial year ended 2015 after considering the following:

- Valuation conducted by an independent valuer, Roma Appraisals Limited;
- Weak commodity prices and additional funds required to continue with the actual production;
- Expected increase in mining cost and poor trial production results; and
- There would be insufficient cash flows over the mining project to recover the investment in Liuhe Gold Project as well as the amount due from Liuhe.

Hence, management has made an impairment at the financial year ended 2015 in accordance with the relevant accounting standards.

### **SGX Query 3**

3. In the Company's Response to SGX Query 3(e), the Company disclosed that the total expenses and write offs in respect of the Company's 20.54% equity interest in the Liuhe Gold Project is RMB44.281 million. However, we note, as described in the Company's Response to SGX Query 3(b) and 3(c), that till date, the Company had invested RMB46.716 million in respect of the acquisition of the 20.54% equity interest in the Liuhe Group Project, made a shareholder loan of RMB9.97 million and also incurred additional development cost of RMB 210 million. Kindly please reconcile these figures.

### Company's response

The Group has only a 20.054% equity interest and had made a shareholder loan to Liuhe. Set out below are the breakdown of Group's investment in Liuhe:

	31 December 2016 RMB'000
Cost of investment (A)	44,281
Less: Impairment loss	(44,281)
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Amount due from associate (B)	9,968
Less: Impairment loss	(9,968)
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- (A) The cost of investment represents the Group's initial investment in the Liuhe less the accumulated share of losses of Liuhe up to the financial year ended 31 December 2015, which is in accordance with IAS 28. Under the equity method of accounting, the investments were initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee under profit or loss, and the Group's share of movements in other comprehensive income of the investee under other comprehensive income. Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investment (after including any other unsecured long-term receivables) the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the other entity.
- (B) This represents a shareholder loan given to Liuhe.

The additional development cost of RMB210 million is an estimate from the project company.

### SGX Query 4

4. In relation to the oil and gas exploration project (the "Oil and Gas Project") in Papua New Guinea, we note that the Company has disclosed that the Oil and Gas Project is still at the stage of geological survey. Please further disclose
- How much has the Company invested in the Oil and Gas Project;
  - What are the expenses incurred to date in relation to the Oil and Gas Project; and
  - How much impairments and provisions have been made on the Oil and Gas Project to date.

### Company's response

- The Company has invested US\$9.5 million, equivalent to approximately RMB 60,162,000, in to the oil & gas project.
- The expenses incurred to date are mainly exploration and evaluation expenditures.

c. The impairment made on the oil & gas project is as follows:

	31 December 2016 RMB'000
Cost of investment (A)	24,617
Less: Impairment loss	<u>(24,617)</u>
	<u>-</u>
Amount due from associate (B)	76,102
Less: Impairment loss	<u>(76,102)</u>
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(A) The cost of investment represents Group's initial investment in the project less the accumulated share of losses up to the financial year ended 31 December 2015, which is in accordance with IAS 28. (Please refer to response on Query 3 on the accounting policy)

(B) This represents a shareholder loan provided to the associate.

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

**Shan Chang**  
**Chairman**  
11 April 2017