



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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”), refers to the Company’s condensed interim financial statements for the six months ended 30 June 2022 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 8 August 2022. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 26 August 2022.

SGX Query 1

The Group disclosed that a decrease of 30.7% in revenue was mainly from lower revenue on water supply and construction of water pipeline. Please elaborate the factors that led to the significant fall in revenue of 30.7% in water supply and construction contracts. To also disclose the orderbook of the Group and provide details on how these contracts will affect the Group in the next reporting period and for the next 12 months.

Company’s Response

As disclosed on 10 August 2022, lower revenue on water supply was recorded on lower volumes of water supplied following the loss of a major industry customer which re-located to another area in 2H 2021. The decrease in revenue on construction of water pipeline was attributed to lesser development projects available in the area. The Group’s revenue will continue to be impacted by these factors over the next 12 months.

SGX Query 2

As noted in the financial statements, “The Group has made full impairment in relation to the Liuhe Gold project in Q4 FY2015 and the Company has not found an opportunity to dispose of our share of ownership of this investment. The project will meanwhile remain under care.” Please provide an update of the condition and the status of the Liuhe Gold project, the most recent works carried out to the project and the cost incurred in this project. Please also provide updates on the licensing and permits for the concession pursuant to this project and the number of employees/professionals currently employed for the project.

Company’s Response

There has not been any works carried out in the current financial period or the past 3 years. A few workers are still employed as security guards for the mining plant by Liuhe.

Liuhe holds a mining right license and an exploration right license in the surrounding area associated with exploration which expired in June 2019. All exploration and mining right licenses have not been renewed. Before 31 December 2015, Liuhe had completed several geological and technical studies to try establish the existence of proven and probable mine reserve estimates of the area of the then existing mining license. It had substantially completed construction of production facilities at the mining site, and commenced test run production since the end of financial year 31 December 2014. The accumulated cost incurred in the Liuhe project is approximately RMB313.06 million.

Set out below are the total investment and impairment of the Group accounted for under investment in associated company to date - Liuhe Country YuKun Mining Co. Ltd (also known as “Liuhe Gold project”):

	As at 30 June 2022/ 31 December 2015 RMB'000
Share of net assets	27,237
Goodwill	17,044
	<u>44,281</u>
Impairment loss on investment in associate	<u>(44,281)</u>
	<u>-</u>
Due from associate	9,968
Less: allowance for impairment	<u>(9,968)</u>
	<u>-</u>

The carrying amounts of investment in Liuhe as well as the amount due from Liuhe has been fully impaired since the financial year ended 31 December 2015.

SGX Query 3

Please disclose a breakdown of trade and other payables amounting to RMB 147.9 million as at 30 June 2022. For other payables, please disclose the aging, the underlying transactions and nature of these other payables and whether the counterparties are related parties.

Company's Response

The breakdown of the “trade and other payables” as at 30 June 2022 and 31 December 2021 is set out below:

	30.06.2022 RMB'000	31.12.2021 RMB'000
Trade payables	22,336	35,010
Other payables and accruals ⁽¹⁾	10,986	12,090
Due to related parties ⁽²⁾	1,992	1,992
Due to a non-controlling shareholder of a subsidiary ⁽³⁾	18,011	18,011
Receipt in advance from		
- Supply of gray water	2,553	4,850
- Construction of water pipeline	92,102	93,224
- Advance rental income	-	41
Total	<u>147,980</u>	<u>165,218</u>

(1) Other payables and accruals comprise payables to non-related parties include refundable deposits received from rental lessee. Accruals include value added tax payables and accrued interest expenses.

(2) The related company refers to the KYWJ Group, and the amount due is repayable on demand.

(3) The non-controlling shareholder is 天津滨海新区建设投资集团有限公司, and the amount due is in respect of an initial shareholder's loan, which is interest-free and repayable on demand. These are managed as a part of the shareholders' capital invested in a subsidiary of the Group.

SGX Query 4

It is noted that the Group has a net cash outflow from operating activities of RMB 24.4 million and a net profit of RMB 8.26 million for the financial period ended 30 June 2022. Please explain why the Group is unable to generate net cash inflow from its operating activities, despite the Group's net profit position of RMB 8.26 million for the financial period 1HFY2022.

Company's Response

As disclosed on the announcement, the outbreak of COVID-19 had caused significant disruptions to the movement of people, goods and services throughout China. It had also resulted in disruptions to government activity, including to the payment management processes of government entities. As such, collections for charges billed in relation to the wastewater treatment services provided to the government entities (which were recognised in 1HFY2022) have slowed considerably. This has led to a situation of a net cash outflow position from operating activities occurring in 1HFY2022.

The Group recorded revenue of RMB28.13 million on wastewater treatment services in 1HFY2022 against an increase of contract assets of RMB27.43 million. The difference was the cash received in respect of the said operation in 1HFY2022.

SGX Query 5

Please provide a breakdown and ageing schedule of the significant trade and other receivables under Water Supply Services amounting to RMB 210.8 million and Other Segments amounting to RMB104.1 million. Please explain the reasons for the significant balances which have not been collected and the Board's assessment of their recoverability when these amounts will be paid and to also disclose the corresponding credit terms under the agreements

Company's Response

A breakdown of the Group's Trade and Other Receivables on 30 June 2022 and 31 December 2021 is as follows:

	30.06.2022	31.12.2021
	RMB'000	RMB'000
Trade receivables		
- Contract assets ⁽¹⁾	177,834	150,400
- Other trade receivables	3,519	-
Due from associates ⁽²⁾	102,616	102,616
Due from non-controlling shareholder ⁽³⁾	151	79
Other receivables		
- Prepayments ⁽⁴⁾	26,059	24,734
- Other deposits ⁽⁵⁾	4,842	4,005
Total	315,021	281,834

(1) Contract assets increased from RMB150.40 million as at 31 December 2021 to RMB177.83 million as at 30 June 2022, mainly from higher amounts due from government entities for the wastewater treatment services provided by CIHL (Tianjin) Water Development Company Limited. As disclosed on 10 August 2022, the management believes that the amounts past due are collectible based on historical payment behaviour and credit-worthiness of the relevant customers.

(2) Due from associates, the KYWJ Group (including Yichang Xinshougang) is unsecured and repayable on demand. As disclosed on 10 August 2022, negative equity of the KYWJ group increased to RMB58.42 million as at 30 June 2022 from RMB44.35 million as at 31 December 2021. Management expects that this situation is likely to improve as the KYWJ Group completes the development of “new” Phases 3-3 and SA by the second half of 2022 when pre-sales revenue of approximately RMB546 million included in the trade and other payables as at 30 June 2022 could be recognised in the income statement in 4Q of 2022.

During the current financial period, based on above analysis, the carrying amount due from KYWJ Group is RMB102.62 million. The Group has not made any loss allowance against amount due from the KYWJ Group.

(3) Receivables due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(4) The prepayments include, inter alia, prepaid expenses for VAT and construction materials in relation to water pipelines.

(5) Other deposits include, inter alia, refundable rental deposits and electricity deposits.

SGX Query 6

We refer to the Group’s long term receivable of RMB30 million. Please disclose

- a) if this is still in relation to the group’s deposit with Baoding Zhongshang Real Estate Development Limited (“Baoding”) in a proposed joint investment opportunity which the Group had entered in December 2020 but subsequently did not materialize, and
- b) if so, what action has the Group taken and how does the Group intend to collect repayment due.

Company’s Response

a) The Group’s long term receivable of RMB30 million on 30 June 2022 was in respect of Baoding as earlier.

b) As disclosed in our announcement of 23 April 2021 and 20 April 2022, the Group and Baoding had entered into an agreement with the latter to “return” the deposit in kind by transferring development properties valued at approximately RMB30 million to the Group. Under the agreement, the Group reserved the rights to collect the full outstanding sum of RMB30 million in cash before the development properties are completed.

The completion date for the whole project was set for October 1, 2022. There may be a delay of a few months due to the shutdown ordered by the government for the months prior to and during the Beijing Winter Olympic Games. The Company has not sold any of the units under development. The management plans to dispose off the completed units in the future.

SGX Query 7

We refer to KYWJ Group's summary results. Please disclose:

- a) the value and provide a breakdown on what are the projects currently undertaken by KYWJ Group and the status of the sales and selling prices of the projects, the stages of development of the projects and the factors affecting the operations of KYWJ,
- b) how many staff are currently employed with KYWJ compared to 1H FY2021,
- c) the specific details on factors which caused a significant plunge in profit for KYWJ Group from a profit before tax of RMB 41.3 million in 1H FY2021 to a loss of RMB 14.4 million in 1H FY2022. Please also explain the factors which contributed to a 99.5% decrease in revenue of KYWJ Group from RMB 668.9 million in 1H FY2021 to RMB 3.3 million in 1H FY2022,
- d) a breakdown and status update on the properties for development of KYWJ Group amounting to RMB 818.6 million,
- e) a breakdown of RMB 1,167.2 million in trade and other payables as at 1H FY2022 and RMB 1,052.8 million as at 1H FY2021,
- f) to provide a breakdown and disclose reasons for the significant trade and other payables of KYWJ amounting to RMB 1,167.2 million when compared to its revenue of only RMB 3.27 million. To also disclose the underlying transactions which resulted in this significant balance in trade and other payables.

Company's Response

a) and d) The only property project of KYWJ is the project in Yichang ("Yichang Project"). The development properties in the Yichang Project comprise of units in Phase 1, Phase 2, "new" Phase 3 (formerly named Phases 3 and 4) and Service Apartments ("SA"), to 30 June 2022, the details of the project are as below:

Project is being developed in phases	Carried value of properties' cost RMB'000	Selling prices (*) (RMB/M²)	Take-up rates (%)	Status (percentage of completion)
Phase 1 area 1	7,782	8,642	97.06	100%
Phase 1 area 2	-	9,571	100.00	100%
Phase 1 area 3	27,387	5,076	91.26	100%
Phase 2	21,205	5,069	94.93	100%
"new" Phase 3-1,	58,806	10,708	97.08	100%
"new" Phase 3-2	95,344	8,644	75.30	100%
"new" Phase 3-3	287,090	14,486	67.20	95%
SA	320,940	5,688	56.72	90%
	818,554			

* Selling price equals total sales or total presales divided by total floor area of sold units or total floor area of presold units.

The Company has mentioned that the sales and presales of Yichang Project in 1H 2022 decreased significantly compared as in 1H 2021.

b) The staff number of Yichang Project is 35 and 37 at the end of 1H2022 and 1H2021 respectively.

c) In the 1HFY2021, on 20 January 2021, the KYWJ Group completed the development properties of “new” Phase 3-2. Accordingly, cumulative pre-sales of RMB635.37 million for the “new” Phase 3-2 and their related costs were re-classified from receipt in advance and property for development in the balance sheet to revenue and cost respectively in the income statements on 20 January 2021. Whilst in the 1HFY2022, there was no completed Phase. This mainly resulted in a significant decrease in revenue and plunge in profit for KYWJ Group in 1HFY2022 compared as in 1HFY2021.

e) and f) The balance of Trade and Other payables of KYWJ on 30 June 2022 and 31 December 2021 are as follow:

	30.06.2022	31.12.2021
	RMB'000	RMB'000
Trade payables ⁽¹⁾	308,899	327,241
Other payables and accruals ⁽²⁾	29,473	39,021
Receipt in advance ⁽³⁾	585,110	443,840
Due to shareholders ⁽⁴⁾	243,709	243,711
	1,167,191	1,053,813

(1) Trade payable includes constructions cost payable to the contractors in relation to the development properties;

(2) Other payables and accruals include value added taxes payables, other taxes payables and accrued staff cost;

(3) Receipt in advance represents pre-sales revenue from “New” Phase 3-3 and SA which will only be recognised in income statement upon completion in a later period.

(4) Due to shareholders represent sums owing to Hongkun and the Company, are unsecured and repayable on demand. They are initial shareholder’s loans to the KYWJ Group for its working capital purposes.

By Order Of The Board
China International Holdings Limited

Shan Chang
Chairman
29 August 2022