



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 QUERY ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 first quarter ended 31 March 2019 (“**Q1FY2019 Results Announcement**”) released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 10 May 2019. The Company would like to provide the following additional information in response to the queries raised by SGX-ST on 31 May 2019:-

SGX Query 1

1. In relation to KYWJ Group:
 - a. Please disclose the names of directors and ultimate controlling shareholders of KYWJ Group and explain why the Company does not have control despite holding 50% interest in KYWJ Group.
 - b. If the Company does not have control of KYWJ Group, please explain who is the party which is responsible for running the business of KYWJ Group as well as to make strategic decisions for KYWJ Group.
 - c. To provide outlook of KYWJ Group and disclose the status of each of its major projects and current development stage and take up rate. To also disclose known factors or events that may affect the Group in the next reporting period as well as next 12 months.
 - d. To disclose the significant trends and competitive conditions of the business of KYWJ Group is operating in.

Company’s Response

a and b. The ultimate controlling shareholders of the KYWJ Group is Beijing Hongkunweiyue Property Co. Ltd (“Hongkun”, “北京鸿坤伟业房地产开发有限公司”), which holds the other 50% of the equity interest in the KYWJ Group. The board of directors of KYWJ, consists of 1 representative director appointed by the Company, Mr. Zhang Rong Xiang (张荣祥) and 2 directors (including the Chairman of the board) appointed by Hongkun, Mr. Ou Li Zhi (欧立志) and Mr. Chen Xi (陈西). As disclosed in the Company’s announcement on 8 May 2017, none of the directors, controlling shareholders or substantial shareholders of the Company and their respective associates have any interest, direct or indirect in Hongkun.

The Company’s representative director (Mr. Zhang Rong Xiang) has no majority control (whether in the constitution or otherwise) at each board level of the KYWJ Group save for certain reserved matters which requires unanimous approval such as: (i) entering into connected transactions above RMB 600,000 in value; (ii) the composition of the board of its subsidiary companies; and (iii) the provision of guarantees to third parties, other than to its subsidiary companies.

Given the above, the capacity to dominate the decision-making in relation to the financial and operating policies of the KYWJ Group lies with Hongkun at all times. In addition, the Chairman of the board of the KYWJ Group who appointed by Hongkun has the power to resolve any deadlock between the shareholders of the KYWJ Group. Hongkun is the party who is running the business of the KYWJ Group as well as to make strategic decisions of the KYWJ Group.

c. A table setting out the status of the projects of the KYWJ Group is as follows:

Phase	Status of Construction	Status of Development	Take-up rate
Phase 1-1	Completed	Completed	96.20%
Phase 1-2	Completed	Completed	92.07%
Phase 1-3	Completed	Completed	90.74%
Phase 2-1	Completed	Completed	89.41%
Phase 2-2	Completed	Completed	89.41%
Phase 2-3	Under construction (20% remaining)	Completion of development expected by 2020	89.41%
Phase 3-1	Under construction (20% remaining)	Completion of development expected by 2020	66.51%
Phase 3-2	Under construction (80% remaining)	Completion of development expected by the 4 th quarter of 2020	28.16%
Phase 3-3	Under construction (90% remaining)	Completion of development expected by the 4 th quarter of 2020	N.A.

As disclosed in the Q1FY2019 Results Announcement, the cumulative pre-sales from uncompleted phases will only be recognised in the income statements by the KYWJ Group upon completion in a later period. Save as disclosed, the Group is not aware of any known factors or events that may affect the Group in the next reporting period as well as for the next 12 months.

d. Save as disclosed in the Q1FY2019 Results Announcement, the Group is not aware of any significant trends and competitive conditions of the business of the KYWJ Group is operating in.

SGX Query 2

2. In relation to Trade and other receivables:
 - a. To provide breakdown against Trade and other receivables.
 - b. To disclose the aging schedule of Trade and other receivables in 3 months breakdown with upper limit specified.
 - c. To explain why trade and other receivables amounted to RMB182.3 million which is significantly greater than the RMB12.2 revenue generated in 1Q2019.
 - d. To discuss views on the collection of the debts and basis for the views.
 - e. To disclose breakdown of Company's major debtors and for each explain why Company is unable to collect the outstanding receivables.

Company's Response

a. to e: A breakdown of the Group's Trade and Other Receivables on 31 March 2019 and 31 December 2018 are set out below:

	Ageing	31.03.2019 RMB'000	31.12.2018 RMB'000
Trade receivables ⁽¹⁾	Less than 1 year	31,392	37,490
Due from associates ⁽²⁾	Less than 1 year	112,110	142,279
Due from non-controlling shareholder ⁽³⁾	Repayable on demand	140	124
Other receivables			
- Prepayments ⁽⁴⁾	Less than 1 year	8,426	9,573
- Refundable deposits ⁽⁵⁾	Less than 1 year	30,000	30,000
- Other deposits ⁽⁶⁾	Less than 1 year	216	216
Total		182,284	219,682

- (1) The major customer is Tianjin Zhongda Enashe water Limited (天津中大恩那社水务有限公司). Included in trade receivables is note receivables of RMB6.10 million, which represents banker's acceptance bill;
- (2) Due from associates, the KYWJ Group, are unsecured and repayable on demand. Included in the due from associates is an initial shareholder's loans of RMB121 million funded for the KYWJ Group's working capital purposes. The decrease is due to repayment 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 rental, land development projects, and construction material in relation to water pipelines;
- (5) 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,"Baoding"), the Company had given up its rights to cooperate with Baoding in relation to a property investment project to invest in the Xiongan New District (雄安新区);
- (6) Other deposits include, *inter alia*, refundable rental deposits and electric deposits.

The trade and other receivables of RMB182 million are made up of trade receivables of RMB31 million and non-trade receivables (ie, non revenue related) of RMB151 million.

The decrease in trade receivables of approximately RMB6 million are due to revenue earned in the first quarter of the financial period ended 31 March 2019, and settlement from customers. Except which, other receivables is not relate to the revenues.

The Group has a practice to collect advances from its customers before commencement of work. Typically, the Group offers 0 to 90 days credit terms to its customers and seeks to maintain a strict control over its outstanding receivables. The management will perform regular reviews on overdue balances by reference to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information in estimating the expected credit loss of each class of financial assets. All trade and other receivables disclosed above believe to remain collectible, based on historical payment behavior and credit-worthiness of the customers.

SGX Query 3

3. To discuss the factors that led to the significant decline in margin for the business of water pipeline construction, where Company experienced 52.9% decline in construction revenue but 299.3% increase in its related costs.

Company's Response

The business of water pipeline construction is largely dependent on the local economic environment and the state of the property development industry in the PRC. The cost on construction of water pipeline increased by 299.3% while the revenue on construction of water pipelines decreased by 52.9% in Q1FY2019, which was mainly due to the varying gross profit margins of such operations. For example, the gross profit margin of water meter installation projects vary significantly from the gross profit margins of water pipeline construction projects. Nevertheless, all the water pipeline construction projects of the Company remain a positive gross profit margin.

SGX Query 4

4. To provide details of the Tianjin Water Project where the Group expects a positive performance in 2019.

Company's Response

The current water plant is expected to continuously have a positive performance. Furthermore, the Group expects to complete the construction of the new project (新河再生水厂项目) in the second half of 2019. Following the completion, the Group expects this new project to contribute additional sources of revenue, for example, revenues on services for treating discharged water of 70,000 cubic meters (m³) daily and revenues on sales of reclaimed water.

SGX Query 5

5. In relation to the Liuhe Gold and Papua New Guinea projects:
 - a. To disclose investment to-date and what is the state of operations.

Company's Response

Save as disclosed in the Q1FY2019 Results Announcement, there have not been any substantial changes to-date in relation to the Liuhe Gold and Papua New Guinea projects since the Company's update in its annual report for FY2018.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman

4 June 2019