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 FULL YEAR RESULTS FOR YEAR ENDED 31 DECEMBER 2022

The Board of Directors of China International Holdings Limited (the "Company"), and together with its subsidiaries (the "Group"), refers to the Company's full year results for the year ended 31 December 2022 released to Singapore Exchange Securities Trading Limited ("SGX-ST") on 1 March 2023 (the "Full Year Results Announcement"), the Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 22 March 2023.

SGX Query 1

The Group stated that the profit for FY2022 of RMB 66.84 million attributable to the owners of the parent included a dividend declared by associated company, KYWJ Group, amounting to RMB 59.50 million.
(i) Please disclose the details of when the dividends from KYWJ Group were paid (or the expected dates of payment) and when the dividends had been paid in cash. To provide a detailed breakdown of the form of payment, how the payment for dividends will be made and the expected date of payment of each form of payment;
(ii) Please provide details on whether the Group will be distributing proceeds from the dividends from the KYWJ Group to its shareholders; and
(iii) Please provide a detailed breakdown of the RMB 45.8 million in other income in FY2022 which increased 71% from RMB 636k in FY2022, and to explain material items that led to the increase.

Company's Response

(i) A breakdown of the payment for dividends from the KYWJ Group to the Company is as follow:

Date	Payment form	Payment amount RMB'000
28 September 2022	Property units[#] transferred to the Group	48,500*
26 October 2022	Cash received	10,000
15 December 2022	Cash received	1,000
		59,500

[#] : comprising certain completed residential units.

**: The RMB48.50 million is part of the RMB48.764 million referred to in Query 2(ii) of this announcement.*

(ii) As stated in (i) above, a major portion of the dividend payment from the KYWJ Group were in the form of property units transferred to the Group. No dividend to CIHL's shareholders has been declared or recommended by the Board of the Company, considering the Group's likely operational and financial cashflow requirements over the next 1-2 years.

(iii) The breakdown as disclosed by the Company on 1 March 2023 in its Full Year Results Announcement:

The Group's other income in FY2022 was RMB45.82 million compared to RMB0.64 million recorded in FY2021. The increase in other income was mainly attributable to a dividend declared by the KYWJ Group.

A breakdown of other income / (loss) - net in FY2022 and FY2021 is as follows:

		The Group			
	Note	6 months ended 31 December 2022 RMB'000	6 months ended 31 December 2021 RMB'000	12 months ended 31 December 2022 RMB'000	12 months ended 31 December 2021 RMB'000
Gain on disposal of KYWJ Group		2,000	-	2,000	-
Other income in respect of the dividend from KYWJ Group	(1)	59,500	-	59,500	-
Other income	(2)	950	(35)	2,193	636
Loss allowance on contract assets recognised	(3)	(17,869)	-	(17,869)	-
Total		44,581	(35)	45,824	636

Notes:

(1) The KYWJ Group declared a dividend in Q3 2022 based on its FY2021 financial report which showed a profit and a positive net assets position. In the Group's accounts, the investment in KYWJ Group after applying IFRS adjustments was reflected as negative net assets (as disclosed on 1 March 2022 – Full Year Results Announcement for the year ended 31 December 2021). The dividend sum of RMB59.50 million had therefore been recognised as other income in FY2022 as the carrying amount of investment in associate was nil.

(2) Other income includes rental income, fair value gain / (loss), interest income and sundry income.

(3) For details refer to Note 5 (b) of Full Year Results Announcement.

SGX Query 2

The Group noted a 75.3% reduction in its other operating expenses of RMB 10.15 million in FY2022 compared to RMB 41.04 million in FY2021 which was cited as mainly due to a reversal of impairment on receivables due from KYWJ Group in 2H 2022 and an impairment of receivables due from KYWJ recognized in 2H 2021.
(i) Please explain the reason(s) for the impairment of RMB 22.176 million; and
(ii) How the debts from KYWJ were repaid, including details of when the payments were made (or are expected to be paid) and the forms of repayment.

Company's Response

(i) As disclosed in the announcement on 1 March 2022 and the Company's Annual Report for the financial year ended 31 December 2021, credit risks associated with other financial assets, at amortised cost – amount due from associates KYWJ Group had increased significantly since its initial recognition. The Group had assessed the lifetime expected credit losses of these receivables and accordingly recognised a loss allowance of RMB22,176,000 against other financial assets, at amortised cost over 365 days past due.

(ii) The breakdown of debt repayments from the KYWJ Group in FY2022 to the Company is as follows:

	Payments from the KYWJ in FY2022 RMB'000
Share of interest in the company holding the Exhibition Assets [(1)]	97,000
Cash received	11,000
307 parking spaces and 6 store units transferred to the Group	10,236
Completed property units transferred to the Group	48,764*
Total assets from the KYWJ Group	**167,000**
Less: dividend from the KYWJ Group in 2022 [(2)]	(59,500)
Total debts repaid by KYWJ Group	**107,500**

** Included in the RMB48.764 million is RMB48.50 million referred to in Query 1(i) of this announcement*.

[(1)] The company holding the Exhibition Assets is Hubei Huike International Exhibition Service Co., Ltd ("湖北会科国际展览服务有限公司", "Huike"). The Company, through its wholly-owned subsidiary, CIHL (Tianjin) City Development Limited ("天津新中城市实业发展有限公司"), holds a 50% interest in Huike. KYWJ Group made a repayment of RMB194 million in cash to its shareholders, of which the Company received 50% , i.e. RMB97 million.

[(2)] The KYWJ Group declared a dividend in Q3 based on its FY2021 financial report which showed a profit and a positive net assets position. In the Group's accounts, the investment in the KYWJ Group after applying IFRS adjustments was reflected as negative net assets (as disclosed on 1 March 2022 – Full Year Results Announcement for the year ended 31 December 2021). The dividend of RMB59.50 million received by the Company had therefore been recognised as other income in 2H 2022.

SGX Query 3

We note on Page 18 of the Group's announcement that the total amount of repayment received from KYWJ Group was RMB 179.7 million. Please provide a breakdown of how the total amount had been repaid and to provide an update on the current status of the transfer of assets/ownership titles of each of the repayment items. Please also provide the current market values of the underlying assets and the methods of determining the current market valuation of the relevant assets and receivables.

Company's Response

The total amount of repayment of RMB179.7 million received from KYWJ Group refers to the net cash received by the Group before 31 December 2021. These were repayments of KYWJ Group's debt due to the Group.

SGX Query 4

The Group recorded a 52.6% increase in its other current assets from RMB 13.03 million as at 31 December 2021 to RMB 19.88 million as at 31 December 2022. Please provide the reason(s) for the increase, and to breakdown and elaborate on the nature of the underlying transactions.

Company's Response

	The Group	
	2022	2021
	RMB'000	RMB'000
As at 31 December		
Asset recognised from costs incurred to fulfil contracts	19,876	13,026

Other current assets represent costs incurred to fulfil contracts for construction of water pipeline, which are related to direct cost incurred for uncompleted contracts as at 31 December 2022 and 31 December 2021 respectively. The increase of 52.6% was mainly due to higher total cost recorded in constructing water pipeline works during the year 2022.

SGX Query 5

We note that in the Company's responses to our queries on 9 March 2022 and 16 March 2022 on the non-current other receivables of RMB 30 million, the Company had explained that this referred to properties in kind owed to the Group by Baoding Zhongshang Real Estate Development Limited ("Baoding") from an investment in a joint venture project which did not materialize. The properties in kind were expected by the Group to be completed by Baoding in October 2022 according to the Company's response on 16 March 2022. However, the Group's unaudited financial statements as at 31 December 2022 reflected that RMB 30 million remained under the non-current other receivables. Please provide the reason(s) for any delays, the revised timeline for the transfer and details on the progress of the transfer of the properties in kind and amount owing from Boading.

Company's Response

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 has been a delay of a due to the COVID-19 pandemic and construction restrictions related to the Beijing 2022 Winter Olympic Games. The revised completion date is sometime in May 2023.

The Company is likely to property units after their completion instead of cash. As such the sum of RMB30 million is classified as non-current other receivables as at 31 December 2022. The Company plans to dispose of these property units in the future.

SGX Query 6

It is noted that the Group has a net cash outflow from operating activities of RMB 29.3 million and a net profit of RMB 62.5 million for FY2022. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position of RMB 62.5 million for the financial year FY2022.

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 in the past a few years. 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 FY2022) have slowed considerably. This had led to a situation of a net cash outflow position from operating activities occurring in FY2022. The profit contributed by the Group's wastewater treatment services is matched by a corresponding increase in contract assets instead of actual cash received during the year.

SGX Query 7

We note on Page 17 of the Group's announcement that RMB 111.2 million of the Group's contract assets exceeded 549 days or 1.5 years. Please provide a breakdown of these contact assets to their relevant projects, their completion dates and to explain why these contract assets have not been collected.

Company's Response

The carrying amount of contract assets only arose from the Company's wastewater treatment operation, the company recognised its revenue and related assets over time, which is considered a public service business.

The Company supplies such services to the local government under relevant environmental laws and regulations, and in compliance with the local government's requirements. The local government will carry out certain audit processes after which a written agreement will be signed with its appointed service providers, including the Company. Management believes the credit risks of this type of public service business provided under a local government contract is acceptable despite the longer settlement period during the introductory stages.

The local government must complete a set of payment management processes, for example, appoint an independent third party to review and audit the quality and quantity of the services provided by the Company. This had led to some delay in its payments and therefore contributed to the increase in contract assets.

SGX Query 8

In relation to the related party transactions ("RPTs") of the Group, it is disclosed on Page 20 of the announcement that "there are no material RPTs apart from those disclosed elsewhere in the financial statements". Please disclose and quantify the RPTs disclosed elsewhere in the financial statements, including the details and quantification of the transactions.

Company's Response

More information on RPTs referred to in this announcement will be included in the audited financial statements for the year ended 31 December 2022 which the Company will release to shareholders in the next week or so.

SGX Query 9

The Group noted on Page 25 of the announcement that "the management having considered various estimates and assumptions including the financial health, cashflow projection and future prospects of the investment in Future Trillion and Liuhe, is in view that no change in the estimates used to determine the recoverable amount since the last impairment loss have appeared was recognized". Please provide details on the operations of Future Trillion and Liuhe since the financial year ended 31 December 2015, including the revenues and profits generated by these entities.

Company's Response

There were no business operations in Liuhe and Future Trillion in 2022, apart from some minimum care-taking. More information on the Group's investments in Liuhe and Future Trillion can be found under the item "Investment in associates" in the notes to the audited financial statements in the Company's Annual Reports from FY2015 to FY2021 and the Company's Annual Report for the year ended 31 December 2022 which the Company will release to shareholders in the next week or so.

By Order Of The Board
China International Holdings Limited

Shan Chang
Chairman
24 March 2023