

CHINA INTERNATIONAL HOLDINGS LIMITED
(Bermuda Company Registration No. 23356)
(Incorporated in Bermuda)

REPLY TO QUERY FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Any capitalised terms not defined in this Announcement shall bear the same meaning as ascribed to them in the Company's announcement dated 18 July 2011.

The Board of Directors of China International Holdings Limited (the "Company") would like to respond to the following queries raised by Singapore Exchange ("SGX") on 20 July 2011 ("SGX Query") in relation to the Company's announcement of 18 July 2011 on the Investment in the acquisition of 20% equity interest in Liuhe County Yukun Mining Co. Ltd. ("Liuhe" or the "Project Company"), as follows:

Background to the Transaction

Query 1:

Please advise how the Company was introduced to the deal. To advise whether there was an advisor / consultant / introducer. If so, to disclose whether there was any introducer fees payable, the amount, terms of payment, basis at arriving at the fees etc. Otherwise, to provide an appropriate negative statement.

Company's response

The Company became aware of the opportunity through normal course of business. There was no advisor/consultant/introducer to the Company.

Query 2:

We note that the Seller is a venture investment fund managed by Resources & Capital Associates Innovation, Beijing ("RCA"). Please advise who the ultimate shareholders and directors of RCA are.

Company's response

The Seller is a limited liability partnership with three general partners namely Mr Tan Jun, Mr Zhou Ming, and Ms Yang Zheng.

Query 3:

It is stated that Mr Wang Shui has extensive experience in geology, mining, and business development. Please elaborate on his experience and qualifications (if any) that demonstrates he has extensive experience in geology, mining and business development.

Company's response

Mr Wang Shui, age 50, is an experienced mining investor in China and Mongolia. Mr. Wang is a graduate of Wuhan Institute of Iron and Steel (武汉钢铁学院) and has over 25 years of experiences of mine management and mine development in China as well as in Mongolia. His past and current experiences include:

- Inner Mongolia Hutonghua Zinc and Lead Mine (State-owned), former General Manager (内蒙古自治区国有梧桐花铅锌矿，前矿长);
- Inner Mongolia Hulunbeir Xinxin Mining Co. Ltd., Chairman of the Board (内蒙古呼伦贝尔新鑫矿业有限责任公司现任董事长);
- Wulanbatuo Xinxin Mining Co. Ltd, Mongolia, Chairman of the Board (蒙古共和国乌兰巴托新鑫矿业有限责任公司现任董事长);
- Inner Mongolia Xilinguole Xingyuan Mining Co. Ltd., Vice Chairman of the Board (内蒙古锡林郭勒鑫源矿业有限责任公司现任副董事长);
- Chifeng China Non-ferrous Seku Bohongye Zinc Industry Co. Ltd, Board Director (赤峰中色库博红烨锌业公司现任董事)。

Query 4:

We note that the legal due diligence report reveals that Liuhe's current gold mining license was validly issued by the Jilin Provincial Land and Natural Resources Administrative Agency ("JPLNRA"). Please advise the following:

- (a) To disclose the Chinese name of JPLNRA;
- (b) Whether JPLNRA is the competent authority to issue the gold mining license;
- (c) Whether the Company has obtained all the necessary approvals, permits, licenses for its operations. If so, to list the date of approvals and the name of the permit, license and the competent authority which issued the permit, certificate or granted the approval (as the case may be);

Company's response

- (a) The Chinese name of JPLNRA is 吉林省国土资源厅;
- (b) JPLNRA is the competent authority to issue the gold mining license in Jilin Province;
- (c) the Project Company has obtained all the necessary approvals, permits, licenses for its current operations as listed below:

No	证件名称	发证机构名称	发证时间
1	柳河县钰坤矿业有限公司营业执照	柳河县工商行政管理局	2010 年 12 月 28 日
2	柳河县钰坤矿业有限公司税务登记证	柳河县国家税务局; 柳河县地方税务局	2009 年 5 月 15 日
3	柳河县钰坤矿业有限公司组织机构代码证	柳河县质量技术监督局	2009 年 5 月 19 日
4	柳河县钰坤矿业有限公司采矿许可证	吉林省国土资源厅	2011 年 4 月 18 日

Query 5:

Please provide the Audit Committee's view whether the Transaction is in the best interests of the Company and the basis for its opinion. If the Audit Committee is of the view that the Transaction is in the best interests of the Company, the Audit Committee should take into account the following:-

- (a) The existing mining license will expire in April 2012;
- (b) The Project is a gold mining project and will require a substantial time to be developed into an operational mine to enable the Company to achieve any return on investment;
- (c) No valuation was carried out.

Company's response

The Audit Committee held discussions with the management team on the internal valuation process and reviewed the analysis of the investment opportunity in the Project Company. On the account of the legal and financial due diligence studies, site visit made on the Project Company and the mine were conducted by the senior management team, and the technical report on the mine had also been examined by the management, the Audit Committee considered the transaction to be in the best interests of the Company and a good investment opportunity to work alongside with an experienced partner Mr Wang Shui who is from the mining industry in PRC.

The Audit Committee and the Board had taken into account the following:

- (a) Although the existing mining license will expire in April 2012, the Project Company has submitted an application for increased scale of operation for a daily mining and processing of 300 ton of mineral per day in 2010. The Project Company advised that the new mining plan application is expected to be formally approved and the issuance of a new mining license by JPLNRA in 2011.
- (b) The Project is a gold mining project and will require a substantial time to be developed into an operational mine to enable the Company to achieve any return on investment.
- (c) The management did research on the market pricing on the similar assets to serve as a guide, and took into consideration the valuation agreed between Mr Wang Shui and the Vendor, and prepared to enter into the deal on the same valuation basis. Mr Wang Shui is also taking up additional 31% equity to increase his total share of equity in the project company to 48%.

Asset (Project Company)**Query 6:**

Please provide details of the Project Company and the Project.

Company's response

The Project Company is Liuhe County Yukun Mining Co. Ltd. The major assets of Liuhe are its gold mining license for the 1.28 square kilometres Project site (the "Project"), as well as exploration license for the 26.85 square kilometres surrounding area of the Project site, and

its mining equipment. Based on the balance sheet of Liuhe as of 31 May 2011, total tangible assets were RMB19.5 million.

Consideration

Query 7:

We note that the Consideration for the Acquisition is RMB32,000,000 and the Company will also assume an amount of RMB6,862,700 of debts owed by Liuhe to the Seller. Please provide the S\$ equivalent for such amounts and total aggregate consideration, and the relevant exchange rate used.

Company's response

Exchange rate on 14 July 2011: S\$:CNY = 1: 5.33

Acquisition consideration equity portion: RMB32 million = S\$6,003,752

Assumption of the pro rata share of debts owed to the Seller by Liuhe (20%/51% of RMB17.5 million) of RMB6,862,700 = S\$1,287,561

Aggregate Acquisition Consideration (equity and debt assumed):
RMB38.862,700 = S\$7,291,313

Query 8:

The Company has performed legal due diligence on the Seller and Liuhe's gold mining license. Please advise if legal and financial due diligence have been performed on the Project Company. If so, please disclose the scope of the due diligence conducted and the outcome of the due diligence.

Company's response

The Company performed legal due diligence on the Project Company by reviewing permits and licenses listed above under reply to Query 4, as well as reviewing 柳河县钰坤矿业有限公司章程 and copies of the following reports:

	报告内容	文件号	出处	时间
1	《吉林省柳河县金厂沟金矿补充详查报告》矿产资源储量评审备案证明	吉国土资储备字[2011]16号	吉林省国土资源厅	2011.03.18
2	《吉林省柳河县金厂沟金矿补充详查报告》评审意见书	吉储审字[2011]11号	吉林省矿产资源储量评审中心	2011.03.14
3	关于《柳河县钰坤矿业有限公司改扩建项目》准予备案的通知	吉金[2011]22号	吉林省黄金管理局	2011.06.22

The Company performed financial due diligence on the Project Company by reviewing the financial statement of the Project Company as of 31 May 2011 and 31 December 2010, as well as through a site visit of the Project Company during which the management team of the Company visited the location of the drilling sites, inspected samples of the mined ore, equipment and fixed assets on site.

Based on the legal and financial due diligence performed, the management team reported to the Board of Directors and recommended for approving the investment in the Project Company.

Query 9:

We note that the Project area has seen increased exploration activities by Liuhe which resulted in increase in identified resources. Please provide the basis for this statement. If a recent study by an independent expert was conducted, please disclose details of the study (eg. name of the expert, the party who commissioned the study, date of the study, how much resources, etc), Otherwise, to explain why a study by a recognized independent expert was not undertaken and how the Directors have satisfied themselves that the consideration paid is reasonable and fair.

Company's response

The Company reviewed the information available to the Company at the time and, in particular, the report 《吉林省柳河县金厂沟金矿补充详查报告》评审意见书 which was issued by 吉林省国土资源厅 dated 14 March 2011. In this report, it verified that the Project Company employed 中色地科矿产勘查股份有限公司 to prepared and submitted the 吉林省柳河县金厂沟金矿补充详查报告 to 吉林省国土资源厅 on 27 December 2010. The competent government authority, 吉林省国土资源厅, organized a review of the technical and geological information by a panel of experts and thereafter approved the reserve estimation of Au raw ore of 564.66kt. During the site visit, the Company's due diligence team also had the opportunity to inspect the current exploration activities, the results of which have not been documented. Based on the existing documented information and further information obtained from the due diligence, the Directors have satisfied themselves that the consideration paid is reasonable and fair.

Query 10:

To disclose if there will be any goodwill that will be recorded as a result from the Transaction. In addition, to disclose that in the event that an impairment testing is required to be conducted, the financial performance of the Group may be adversely affected.

Company's response

There would likely be goodwill recorded as a result from the Transaction. The Company is in the process of finalizing computations of the financial arrangements and will document the accounting for the transaction accordingly subsequently.

The Company will perform goodwill impairment test annually and will report in the audited annual report the results of the test. The Company acknowledges that in the event that goodwill impairment testing is conducted, the financial performance of the Group may be adversely affected.

Query 11:

We note that there is no independent valuation carried out on the Project. Please state how has the Board satisfied itself that the Consideration is at fair market value.

Company's response

The management did research on the market pricing on the similar assets to serve as a guide, and accepted the valuation adopted by Mr Wang Shui and prepared to enter into the deal on the same valuation basis. Mr Wang Shui is also taking up additional 31% equity to increase his total share of equity in the project company to 48%.

The Board reviewed the valuation analysis performed by the management team as well as the results of the legal and financial due diligence and reached the conclusion that the Consideration is at fair market value.

Query 12:

Please provide the S\$ equivalent of the values stated under "Consideration and Payment Terms", and the relevant exchange rate used.

Company's response

Exchange rate on 14 July 2011: S\$:CNY = 1: 5.33

- (i) Equity interest – 100% of equity is valued at RMB160 million / S\$30,018,762, with 20% interest valued at RMB32 million / S\$6,003,752;
- (ii) Seller's Shareholder loan of RMB17.5 million to be split pro rata between the acquirers, with the Company's share at RMB6,862,700 / S\$1,287,561;
- (iii) Total acquisition cost to the Company is therefore RMB38,862,700 / S\$7,291,313.

Query 13:

We note that the Company is acquiring 20% of the Project Company and the Seller's Shareholder loan of RMB 17.5 million is split pro-rata between the acquirers, with the Company's share being RMB 6,862,700. To explain why the Company's share is RMB 6,862,700 given that the Company's 20% pro rata share of the loan should be 20% of RMB 17.5 million, which is RMB 3.5 million.

Company's response

The Seller had 51% interest in the Project Company prior to the Transaction and split it to 20% and 31% interests in the Project Company for the simultaneous sales to the Company and Mr Wang Shui respectively. Therefore the Seller's Shareholder loan of RMB17.5 million is split 20%:51% and 31%:51% pro-rata between the acquirers, with the Company's share of 20%:51% being RMB 6,862,700.

Financial effects of the Transaction

Query 14:

Please disclose details of the computation on how the relative figures in Listing Rule 1006 have been arrived at.

Company's response

Calculation under Listing Rule 1006 (c) as follows:

Average weighted price on 14 July 2011 = approximately S\$0.047

Issued Share Capital on 14 July 2011 = 874,603,750 shares

Market Capitalisation on 14 July 2011 = S\$41,106,376

Aggregate consideration = S\$7,291,313 (exchange rate is S\$1:CNY5.33)

Aggregate Consideration / Market Capitalisation on 14 July 2011 = Approximately 17.74%

ON BEHALF OF THE BOARD

Shan Chang
Chairman

25 July 2011