

**CHINA INTERNATIONAL HOLDINGS LIMITED**  
**(Company Registration No: 23356)**  
**(Incorporated in Bermuda)**  
**(the “Company”)**

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**REPLY TO QUERIES FROM SINGAPORE EXCHANGE LIMITED**

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*Terms not otherwise defined in this announcement shall bear the meanings ascribed to them in the announcements by the Company dated 10 May 2012.*

The Board of Directors would like to respond to the following queries raised by Singapore Exchange Limited (“**SGX**”) on 14 May 2012 (“**SGX Query**”) in relation to the Company’s announcement of 10 May 2012 on the Q1 FY2012 results, as follows:

**Query 1: We note that Trade Receivables increased from RMB7.0 million as at 31 December 2011 to RMB8.9 million as at 31 March 2012. However, revenue decreased from RMB31.1 million for FY2011 to RMB9.8 million for Q1FY2012. In this regard, please explain the increase in Trade Receivables.**

**Company’s response**

In accordance with the accounting policies adopted by the Company, revenue generated from a fixed price contract for water pipe constructions is recognized using the percentage completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that is probable to be recoverable.

The movement of trade receivables between 31 December 2011 to 31 March 2012 is as follows:

	RMB ‘000
Trade receivables as of 31 December 2011	6,974
Construction revenue recognized in Q1 2012	5,212
Collections on trade receivables in Q1 2012	<u>(3,267)</u>
Trade receivables as of 31 March 2012	<u>8,919</u>

**Query 2: We note that there were Payments for Structured Bank Deposits amounting to RMB10 million in Q1 FY2012. Please provide details of such structured bank deposits, including the purpose of such deposits.**

**Company's response**

These Structured Bank Deposits are short-term 7-day bank deposits with fixed annual interest rate of 3% for the purpose of generating reasonable interest income, same as what we reported in 2011 annual report. As of 31 March 2012, there is no balance of such structured bank deposits on balance sheet.

**Query 3: On Page 9 of the results announcement, the Company explained that the decrease in turnover of the Group was due to a “decrease of pipeline connection fees in association with the slow down of residential real estate development projects at CIHL (Tianjin) Water Development Company Limited ”. Please elaborate on what pipeline connection refer to.**

**Company's response**

Under the Group's reportable segments, water supply services include the construction of water pipelines (revenue generated thereof is known as “pipeline connection fees”) and the supply of grey water. For the past few years, revenue generated by construction of water pipelines has been significantly more than that of the supply of grey water due to new constructions of residential real estate development projects. However, in the last year, the general slowdown of residential real estate development projects has affected our business of water pipeline constructions and resulted in a corresponding decrease in pipeline connection fees.

BY ORDER OF THE BOARD

Shan Chang  
Non-Executive Chairman

16 May 2012