

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

UPDATE TO ANNOUNCEMENT DATED 9 APRIL 2012 –

- (A) PROPOSED LOAN OF RMB150,000,000 BY CIHL (TIANJIN) CITY DEVELOPMENT LIMITED (天津新中城市实业发展有限公司) (THE “PRC LENDER”) TO BEIJING SHOU LUN REAL ESTATE DEVELOPMENT CO., LTD (北京首伦房地产开发有限公司) (THE “PRC BORROWER”) (“RMB LOAN”)**
- (B) PROPOSED LOAN OF HKD159,400,000 BY ZHONGLUN (HONG KONG) LTD (中伦国兴国际有限公司) (“HK LENDER A”) TO CHINA INFRASTRUCTURE MANAGEMENT (HONG KONG) LIMITED (THE “HK BORROWER”) (“HKD LOAN A”)**
- (C) PROPOSED LOAN OF HKD25,198,582 BY VICTOR JAPAN CO., LTD (威亚日本不动产株式会社) (“HK LENDER B”) TO THE HK BORROWER (“HKD LOAN B”)**

((B) AND (C) COLLECTIVELY REFERRED TO AS THE “HKD LOANS”, AND (A), (B) AND (C) SHALL COLLECTIVELY BE REFERRED TO AS THE “LOAN TRANSACTIONS”)

The board of directors (the “**Board**”) of the Company (together with its subsidiaries, the “**Group**”) refers to the announcement dated 9 April 2012 (the “**Announcement**”) regarding certain loan transactions involving the Group.

All capitalised terms not defined herein shall have the meaning attributed to it in the Announcement.

The Board wishes to update and elaborate further on, amongst other things, the factors considered by the Board (including the rationale) for entering into the Loan Transactions and the risk factors for the Company in entering into the Loan Transactions.

1. RATIONALE FOR THE LOAN TRANSACTIONS

As stated at paragraph 11 of the Announcement, the Company has surplus cash in the PRC, which are not efficiently utilised to generate returns for shareholders. The Loan Transactions provide a means for the Company to reallocate its financial resources from its PRC subsidiary to its Hong Kong subsidiary so as to better utilise its cash resources for the benefit of its shareholders.

The RMB Loan will allow the Company to generate interest income from surplus cash held by its PRC subsidiary. The HK Loans will have the benefit of enhancing the cashflow and financial position and provide more flexibility and resources to allow the Company to pursue suitable investment opportunities on a timely basis.

2. RISK FACTORS

The risks factors arising from the Loan Transactions are as follows:

- (a) Counterparty/credit risks – The Company may suffer a default on the RMB Loan if the counterparties are unable to repay the RMB Loan and the Company may fail to receive the funds under the HKD Loans if the HK Lenders default on the HKD Loans.

- (b) Foreign currency exchange risks – As the RMB Loan and HKD Loans are denominated in different currencies, fluctuations in exchange rates could adversely affect the Company.
- (c) Tax and legal risks– There could be legal and tax implications arising from the Loan Transactions. The Company could be exposed to tax risks in both the PRC and in Hong Kong due to the Loan Transactions. Legal risks which could arise include the whether the counterparties have the ability to extend loans or to borrow money under their memorandum and articles of association, and whether the Loan Transactions contravene the laws of Singapore, Hong Kong, the PRC or Bermuda.
- (d) Transactional risks – Under the terms of HKD Loan B, HK Lender B has the option to postpone drawdown by up to 3 months. The Company could suffer a default if HK Lender B fails to provide the HKD Loan. However, this risk is eliminated as Loan B has been fully drawn down.
- (e) Interest payment default risks – As the PRC Borrower is not expected to generate operating cashflow in the short term, there could be interest default risks. Any default under any of the loan agreements is likely to impact the financial status of the Company, particularly as there is no collateral provided for the RMB Loan.

3. FACTORS MITIGATING THE RISK FACTORS

- (a) Counterparty /credit risks – The Company has engaged PRC lawyers and Hong Kong lawyers to advise on the Loan Transactions and to opine on the PRC legal risks involved. Due diligence was also conducted on the financial status and background of the counterparties, as well as the ability of the counterparties to enter into the Loan Transactions. Also, as the PRC Borrower is involved in a government project, there is low risk of non-repayment, although there might be an initial cashflow issue for the PRC Borrower due to the nature of the Project.
- (b) Foreign currency exchange risks – This risk is mitigated in part by the use of a fixed exchange rate for the RMB Loan and the HKD Loans, and the simultaneous drawdown of the RMB Loan and the HKD Loans (save for the option to postpone drawdown of the HKD Loan B by 3 months).
- (c) Tax and legal risks – The Company has engaged the auditors and PRC lawyers to advise on the tax and legal implications of the Loan Transactions. The professional advisers of the Company have expressed the view that there is unlikely to be tax implications for the HK Borrower. However the PRC Borrower may suffer from some PRC tax implications. It is likely that no steps have been taken by the PRC Borrower to mitigate this risk as the PRC Borrower is of the opinion that such risk is low because the risk of default by the parties is very low. The waiver provisions referred to at paragraphs 6(c), 8(i) and 9(j) of the Announcement are intended only as a safeguard and will not be invoked unless as a last resort. In this regard, the PRC lawyers have provided a legal opinion to the Company which confirms that the Loan Transactions are in compliance with PRC laws.
- (d) Transactional risks – Under the terms of HKD Loan B, HK Lender B has the option to postpone drawdown by up to 3 months. To discourage any such postponement, there will be certain penalty charges to be paid by HK Lender B according to the length of such postponement. Further, to minimise the risk to the Company that HK Lender B is unable to disburse the HKD Loan B, a deed of personal undertaking and guarantee has been obtained from Mr. Zei (the terms of which are set out in the Announcement). The terms of the loan agreements also provide that the principal amount of the RMB Loan may be adjusted to match the actual amount of HKD Loans, thereby reducing the Company's risk exposure. However, this risk is eliminated since Loan B has been fully drawn down.

- (e) Interest payment default risks – As the PRC Borrower's credit standing in the PRC would be affected adversely if they make any default on the RMB Loan, it is unlikely that the PRC Borrower will allow any interest default to occur. The Company has also negotiated for waiver mechanisms as set out at paragraphs 6(c), 8(i) and 9(j) of the Announcement to mitigate such risks. If the PRC Borrower fails to repay the RMB Loan, then the HK Lenders will waive the obligation of the HK Borrower to repay the HKD Loans. This allows either party to terminate the loan arrangements unilaterally.

The Loan Transactions will also not have any significant impact on the balance sheet of the Company's PRC operations unless the RMB Loan is not repaid after 3 years.

4. OPINION OF THE AUDIT COMMITTEE

The Audit Committee is of the view that taking into account the rationale, risk mitigation measures and benefit of the Loan Transactions as set out in the Announcement and this announcement, that the Loan Transactions are in the interests of the Company.

5. NO CHANGE IN RISK PROFILE OF THE COMPANY

The Board, having considered the basis and rationale of the Loan Transactions, the risk factors set out at paragraph 2 above as well as the factors mitigating such risk set out at paragraph 3 above, are of the opinion that the Loan Transactions would not significantly change the risk profile of the Group for the following reasons:

- (a) the cash position and consolidated balance sheet position of the Group will not be changed as a result of the Loan Transactions;
- (b) the Loan Transactions will have a positive impact on the profit and loss statement; due to additional income stream from the interest payments on the RMB Loan; and
- (c) there will be minimal exchange rate risk as the RMB Loan and the HKD Loans are drawdown simultaneously.

5. CONFIRMATION OF COMPLIANCE WITH RULE 703 OF THE SGX-ST LISTING MANUAL

Due to the confidentiality undertakings in the Loan Agreements, the Board will not be disclosing the following information:

- (a) the identity of the holding company of the HK Lenders and the PRC Borrower; and
- (b) the location of the Project.

(the "**Undisclosed Information**")

Notwithstanding the non-disclosure of the Undisclosed Information set out above, the Board hereby confirms that the Company is in compliance with Rule 703(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

6. BASIS OF COMPLIANCE WITH RULE 703 OF THE SGX-ST LISTING MANUAL

The Board is of the opinion that the Undisclosed Information does not fall within the scope of Rule 703(1) and thus is not required to be disclosed because such Undisclosed Information will not result in the establishment of a false market in the Company's shares or be likely to materially affect the price or value of the Company's shares for the following reasons:

- (a) the identity of the principal shareholder of the counterparties to the Loan Transactions ("**Principal Party**") and the exact location of the Project undertaken by the counterparties to the Loan Transactions are not necessary or critical for the shareholders of the Company to understand the nature and assess the risks of the Loan Transactions to the Company and will not affect the price and value of the Company's shares; and
- (b) the identities of the HK Lenders and the PRC Borrower have already been disclosed in the Announcement and the Project has been disclosed in the Announcement to be located in Beijing, PRC and will not lead to the establishment of a false market in the Company's shares.

Second, notwithstanding the Directors' opinion set out above, the Undisclosed Information meets the criterion of each of the three conditions set out under Rule 703(3) for the following reasons:

- (a) with regards to Condition 1, a reasonable person would not expect the Undisclosed Information to be disclosed because the Announcement has already disclosed the identity of the HK Lenders and the PRC Borrowers and that the Project is located in Beijing, PRC;
- (b) with regards to Condition 2, the Undisclosed Information is confidential as the Company is bound by confidentiality undertakings with the Principal Party and disclosure of such Undisclosed Information would prejudice the commercial purposes behind the Loan Transactions; and
- (c) with regards to Condition 3, part (iii) and (iv) are applicable,
 - (i) part (iii) of Condition 3: The Undisclosed Information was disclosed by the Principal Party to the Company for the purposes of the Company's internal risk assessment on the Loan Transactions and not intended to be public information; and
 - (ii) part (iv) of Condition 3: The Undisclosed Information, in particular, the location of the Project is considered a trade secret and not intended to be public information due to commercial sensitivities.

BY ORDER OF THE BOARD

Shan Chang
Non-Executive Chairman
12 June 2012