

**ADDITIONAL INFORMATION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST IN HEBEI BRIDGES INVESTMENTS LIMITED (河北桥梁投资有限公司)**

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The Board of Directors of China International Holdings Limited (the “**Company**”, or together with its subsidiaries the “**Group**”) refers to the announcement in relation to the Proposed Disposal of 100% equity interests in Hebei Bridges Investments Limited released on 11 November 2015 (“**Prior Announcement**”). The Company would like to provide the following additional information in response to the queries received from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 19 November 2015:-

**SGX Query 1**

The Company announced on 11 November 2015 a proposed disposal of Hebei Bridges Investments Limited (“**Hebei Bridges**”) (the “**Announcement**”). The Company announced that the Company had entered into “an equity transfer agreement (the “**Agreement**”) with Beijing Hongda Kechuang Technology Limited” (the “**Purchaser**”).

Please provide details of the Purchaser. Please disclose whether the purchaser have any relationships with:

- (a) Controlling shareholders;
- (b) CEO;
- (c) Directors; and
- (d) Any associate of the above.

**Company’s response**

Capitalised terms used in this announcement shall have the same meaning as defined in the Prior Announcement.

The Purchaser is a private limited company established in the People’s Republic of China. It is principally engaged in investment management and consultancy services. The shareholders of the Purchaser are Jiang Li (姜莉), Li Lan Tong (李兰通) and Liu Chun Li (刘春莉) holding interests of 48.4%, 48.4%, and 3.2% respectively. Both the Purchaser and the Company are unrelated parties.

As stated in the Prior Announcement, none of the directors and the controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal. As of the date of the Prior Announcement and of this Announcement, none of the directors including the chief executive officer (other than in their capacity as a director or shareholder of the Company) and controlling shareholders or their respective associates have any relationship with the Purchaser.

### **SGX Query 2**

The Company announced that “Andi estimates the amount of compensation to be received from the Hebei Provincial Government to be RMB8,368,000, which is the value carried in the Andi’s accounts”.

Please disclose when the estimated settlement date will be or when is this likely to happen.

### **Company’s response**

Since the cessation of toll charging operations on 31 December 2012, Hebei Bridges has been in discussions with the Hebei Provincial Government in relation to the estimated compensation amount of RMB8,368,000 due to Hebei Bridges (“**Compensation Amount**”). Hebei Bridges has not been able to reach any form of finality to the Compensation Amount. Despite continued efforts, Hebei Bridges did not receive any positive outcome. On 13 February 2015, the Board again discussed extensively on the issue and noted that there have been several negotiations between management and the Hebei Provincial Government. These negotiations have been lengthy and protracted, and management had already expended considerable time and effort.

As negotiations have been ongoing for a period of almost three (3) years without positive progress from the Hebei Provincial Government, the Board decided to exercise its judgement and concluded that the recoverability of the Compensation Amount was low. During negotiations with the Hebei Provincial Government, the Company became acquainted with the Purchaser who subsequently approached the Company to purchase Hebei Bridges. The Company is not aware of the relationship between the Purchaser and the Hebei Provincial Government. Nonetheless, the management saw this as an opportunity to transfer the risk of the recoverability of the Compensation Amount to the Purchaser. The alternative option was to write off the amount in its entirety, given in their reasonable view, Hebei Provincial Government is unlikely to settle the Compensation Amount in the foreseeable future. Further, Hebei Bridges was already incurring losses since it had ceased its toll charging operations on 31 December 2012. The Company saw this as an opportunity to streamline its business operations and realise its investments in businesses which have lower profitability and stagnant prospects in order to improve liquidity of the Company.

Taking into account the above, the Board is of the view that the Proposed Disposal would be the best possible means which the Group may maximise shareholders’ value going forward by allowing the Group’s business to be streamlined.

### **SGX Query 3**

The Company announced that “the net tangible asset value of Hebei Bridges is RMB2,931,152”.

Please disclose what is the revalued Net Asset Value (“NAV”) including Andi’s compensation.

### **Company’s response**

The Company would like to clarify that the net tangible asset value of Hebei Bridges of RMB2,931,152 as disclosed in the Prior Announcement has taken into account the estimated Compensation Amount.

Pursuant to IFRS 5, as the toll concession asset held by Andi (“**Toll Concession Asset**”) is classified as assets held for sale, the Toll Concession Asset is required to be carried at fair value. On this basis, management is of the opinion that the fair value represents the Compensation Amount.

The management estimated the Compensation Amount by using the formula below:

$$\text{Basis of compensation} = \frac{\text{Remaining toll collection period}}{\text{Total toll collection period granted}} \times \text{Original transfer price}$$

The basis of compensation above is in accordance with the published guidelines issued by the Department of Transportation of China on 20 August 2008, which set out the maximum amount of compensation to be paid by the Department of Transportation of China where the toll operator has been notified to cease the toll concession arrangement.

Upon consolidation of the financial accounts of Andi and Hebei Bridges, the net asset value of Hebei Bridges attributable to the Company is RMB2,931,152, as illustrated below:

Net assets of Hebei Group	RMB	8,309,213 <sup>(1)</sup>
Less: Non-controlling interests		(5,378,061) <sup>(2)</sup>
Net asset value of the assets to be disposed (Hebei Bridges)		<u>2,931,152</u>

Notes:

(1) The net assets of Hebei Group consist of Hebei Bridges and Andi.

(2) The non-controlling interests refer to the 40% equity interest in Andi held by a third party.

### **SGX Query 4**

The Company announced that “The Directors are of the view that the Proposed Disposal would represent the best possible means in which the Group is able to maximize shareholders”.

Please provide the basis for this statement and provide an elaboration on the details.

### **Company's response**

Please see the Company's response above to SGX Query 2.

### **SGX Query 5**

The Company announced that "The consideration for the Proposed Disposal shall be RMB1,000 and was arrived at arms' length, on a willing-buyer and willing-seller basis after taking into account the net asset value of Hebei Bridges and the possibility that a mutually satisfactory settlement may not be reached with the Hebei Provincial Government shortly".

Please provide disclosure on the following:

- (a) The basis for the consideration of RMB1,000 and why does the Board consider this price as arms' length when the "net tangible net asset value of Hebei Bridges is RMB2,931,152".
- (b) Why it is in the best interest of the Company to sell Hebei Bridges with NAV of RMB2.93 million for RMB1,000.
- (c) Further elaboration on what the state of negotiation with the Government and what is the basis for the Board's view that "the possibility that a mutually satisfactory settlement may not be reached with the Hebei Provincial Government shortly".

### **Company's response**

As described above, the Board did not believe at the relevant time that the Hebei Provincial Government will settle the Compensation Amount in the foreseeable future or if at all. The Compensation Amount is hence more likely than not to be irrecoverable, and with the completion of the Proposed Disposal, the risk of the irrecoverability of the Compensation Amount is transferred to the Purchaser.

In the absence of the Proposed Disposal, the management would have chosen the alternative option which is to write down the value of the Toll Concession Asset from RMB8,368,000 to nil. If that option was chosen, the revised net asset value of the Hebei Bridges following the write down would be as follows (for illustrative example only):

	RMB
Revised net assets of Hebei Group	(59,163) <sup>(1)</sup>
Less: Non-controlling interests	<u>(1,612,292) <sup>(2)</sup></u>
Revised net asset value of Hebei Bridges	<u><u>( 1,671,455)</u></u>

Notes:

- (1) The revised net assets of Hebei Group consist of Hebei Bridges and Andi.
- (2) The non-controlling interests refer to the 40% equity interest in Andi held by a third party.

As at the date of the Agreement, there were no monies owing by Hebei Bridges to the Company. The write down would have resulted in a net loss to the Company of RMB4,602,400.

The basis of the consideration of RMB1,000 was arrived at after arm's length negotiations on a willing buyer, willing seller basis, taking into consideration, the following factors:

- (a) The likelihood of Andi recovering the Compensation Amount in the foreseeable future is low;
- (b) Hebei Bridges has been incurring losses for the past consecutive 2 years;
- (c) The costs and expenses required to maintain staff to recover the Compensation Amount without a possible conclusion would result in further losses to the Company in the foreseeable future; and
- (d) The alternative to the Proposed Disposal would be to liquidate Andi and Hebei Bridges concurrently, which would result in the Company having to incur more costs and expenses.

**By Order of the Board**

China International Holdings Limited

Shan Chang

Chairman

24 November 2015