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)

ADDITIONAL INFORMATION TO THE UNAUDITED FULL YEAR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors of China International Holdings Limited (the "**Company**"), or together with its subsidiaries (the "**Group**") refers to the Group's full year results released to SGX-ST on 29 February 2016. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST:-

Question 1

Write-downs/Impairment in Valuation of Properties

We refer to the Company's Full Year ended 31 December 2015 ("**FY2015**") Financial Results announced on 29 February 2016 ("**Announcement**"). The Company reported a gross loss of RMB297.5 million. The Company attributed this to a "write-down of properties (inventory) for Development as at 31 December 2015" of RMB 357.48 million (FY2014: RMB51,072,000).

Please provide further disclosure on the following:

(a) The size, location and description of the properties under development referred to on page 14 of the Announcement and when development commenced;
(b) To quantify the basis for the value of the significant write-off for each project;
(c) To provide an update on the status of development of these properties, including but not limited to the relevant completion dates, the take-up rates, quantifying the changes in sales prices which resulted in the significant write-downs and how the % decline in sales prices for these project(s) compares to the industry % declines in market prices of similar properties;
(d) The Company disclosed that "The Group makes a write down of its development properties after taking into account the Group's recent experience in estimating net realizable values of completed units and properties under development". Please elaborate on the Company's "recent experience", supporting this relevant data of the Company's experience; and
(e) Whether independent valuations of the properties for development had been undertaken for FY2014 and FY2015 for the purpose of the valuation reported in the Balance Sheet. If so, please provide details of the valuation methodology and details of the valuers undertaking the exercise in 2014 & 2015 and why such a large discrepancy in valuation occurred for the purpose of the 2015 exercise.

Company's response

(a) The properties referred to on page 14 of the Announcement are those being developed pursuant to a state-owned Land Use Rights Grant Contract No. Yichang City Yiling District Yi Zeng Guo Rang (He) zi (2006) Di No.438 (国有土地使用权出让合同编号宜昌市夷陵区增国让（合）字（2006）第 438 号) and supplemented by a supplementary contract entered into between Yichang City Yiling district Land Resource Bureau and Yichang Xinshougang Property Development Limited on 29 December 2006 ("**Yichang Project**").

The details of the Yichang Project are summarized as follows:

Site area	:	587,726.09 sq.m.
Location	:	Meiziya Village, Xiaoxita, Yiling District, Yichang City, Hubei Province, People's Republic of China (湖北省宜昌市夷陵区小溪塔街道梅子垭村)
Major development usage	:	Commercial, tourism, research centre and/or residential purposes
Ancillary development usage	:	Roadster, carport, greenery area, etc.
Plot ratio	:	≤ 1.0
Density	:	≤ 25%
Green space ratio	:	≥ 40%
Commencement of construction	:	25 March 2011

(b) The write-off of the Yichang Project was made after taking into account the net realisable value of the completed units by reference to comparable properties, timing of sale launches, location of the property, expected net selling prices and development expenditure. The basis of valuation is in line with IAS 2 – Inventories that the inventories shall be measured at the lower of cost and net realisable value. The net realisable value refers to the estimated selling price of the inventory in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company recognises that market conditions may continue to change which may affect the future selling prices on the remaining unsold residential units of the Yichang Project and accordingly, the carrying amounts of such units may have to be further written down in future periods.

(c) The completion date for Phase 1, area 2 of the Yichang Project was delayed by three months from 31 March 2016 to 30 June 2016. Save for Phase 1, area 2, there are no other delays to the other completion dates.

The take-up rates for Phase 1, area 1 and Phase 1, area 3 of the Yichang Project have increased from 87.59% to 87.61% and 50.44% to 55.85% respectively during the period FY2014 to FY2015.

The change in the sales prices of the Yichang Project has decreased by 17% from FY2014 to FY2015. Save for the Yiling District, there are no further changes the sales price of the Yichang Properties.

The sales prices of the property in the Guobinyihao Project have decreased by 16% from FY2014 to FY2015.

Details of the changes in sales prices of the Yichang Project are as follows:

(1) Yiling District – Information on residential real estate sales

	FY 2014	FY 2015	Decrease in percentage
Sales area (sq.m)	47.80	46.08	4%
Sales amount (RMB)	241,400.88	193,000.00	20%
Sales price (RMB)	5,050.66	4,188.37	17%

(2) Guobinyihao Project – Information on residential real estate sales (RMB/ Sq.m)

	FY 2014	FY 2015	Decrease in percentage
High-rise	4,494	3,760	16%
Townhouse	6,865	4,600	33%
Duplex Apartments	8,541	7,220	14%
Low Rise Walk Up Apartments	6,800	6,650	2%
Guobinyihao	6,675	5,582	16%

(d) The property sale prices in the Yichang City and Yiling District had decreased on average by 20% in the past three financial years due to challenging market conditions. The Company initially took the view that the depressed property prices were short term in nature and that property prices would recover in the near future. Based on that forecast, the Management took into account the prevailing property sale prices as at 31 December 2014 in arriving at the estimated net realisable value of the Yichang Project for FY2014.

In FY2015, the Company realised that while the property market in the first tier cities, and to some extent, the second tier cities, had benefited from the decrease in mortgage rates and the reduction in borrowing costs, such benefits had yet to extend to third tier cities such as Yichang. This in turn meant that the depressed property price in Yichang was likely to persist in the long term. In order to assist the Company in determining the net realisable value of the Yichang Project, the Company appointed Roma Appraisals Limited ("**Roma**"), an independent valuer, to conduct a valuation of the Yichang Project. Roma had also valued Yichang Project when the Company first acquired the Yichang Project on 15 September 2012. The value of the write-down in the net realisable value of the Yichang Project was based on the valuation conducted by Roma.

(e) The valuation methodology used by Roma was a market based approach. The large discrepancies in the valuation conducted in 2015 were due to the challenging PRC economy and the prevailing negative economic outlook. As mentioned above, the decrease in mortgage rates and interest costs have yet to benefit third tier cities such as Yichang and current government monetary policies have not made it easier for the Company to raise capital.

Question 2

On page 14 of the Announcement, the Company disclosed the write-down of properties for "Phase 3 and Phase 4" of RMB 135.67 million. However, we note that the Company had previously disclosed in its announcement of 20 August 2015 that Phase 3 and Phase 4 had not commenced construction.

Please explain the reasons for the large write-downs for Phase 3 and Phase 4 in FY2015 given that construction had not commenced as at 20 August 2015.

Company's response

Phases 3 and 4 of the Yichang Project are classified as development properties. As paragraph 8 of IAS 2 – Inventories provides that inventories include land and other properties held for resale, Phases 3 and 4 of the Yichang Project are considered as inventories.

Although Phases 3 and 4 of the Yichang Project had not yet commenced construction, the Company forecasted that sale prices of Phases 3 and 4 would be depressed given the prevailing market conditions and any such revenue generated from sales would not be sufficient to cover the development costs of the Yichang Project. On this basis, the Company decided to write-down the net realisable value of Phases 3 and 4 of the Yichang Project. This write-down is in line with paragraph 9 of IAS 2 – Inventories, which provides that inventories shall be measured at the lower of cost and net realisable value.

Please refer to the Company's response for Question 1 above for the basis for the write-down of the Yichang Project.

Question 3

Impairment of Associated Companies – (a) Future Trillion (FT Group) and (b) LiuHe

In paragraph 8 of the Announcement, the Company disclosed an "Impairment loss of investments in associated companies" of RMB 86.07 million under Administrative Expenses.

Please explain how the impairment loss was calculated and why the impairment is reported under Administrative Expenses instead of "Share of losses of associated companies".

Company's response

Method of calculation of impairment losses of investments in associated companies

At the end of a reporting period, the recoverable amounts of the Group's interests in its associated companies, namely Future Trillion Holding Limited ("**Future Trillion**") and its subsidiary, MKS Limited ("**MKS**") (collectively, the "**FT Group**") and Liuhe Country Yukum Mining Co Ltd ("**Liuhe**") are determined by reference to the exploration and evaluation expenditure ("**EEE**") capitalised by the associated companies. The application of the Group's accounting policy for EEE requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Factors taken into account in assessing whether the Company's interests in associated companies have suffered any impairment include the financial health and cash flow projection of each associated company, the period for which each associated company has the right to explore a specific area, the substantive expenditure of each associated company on the exploration for and evaluation of oil, gas, and gold resources in specific areas and the future prospect and commercial viability of further exploration and evaluation activities.

The table below summarises the salient figures relevant to the impairment losses suffered by the Company on its investments in its associated companies, namely the FT Group and Liuhe.

	FT Group RMB'000	**LiuHe RMB'000**
Carrying amount as at 1 January 2015	54,163	45,440
Share of losses for the financial year	(31,263)	(1,159)
Other comprehensive income	1,717	-
Impairment loss on investments in associates	(24,617)	(44,281)
Carrying amount as at 31 December 2015	-	-

Impairment loss on investments in FT Group

As announced by the Company on 29 February 2016, the impairment loss in the FT Group was attributed to the Group's decision to cease oil and gas exploration in Papua New Guinea ("**Exploration Project**"). As it was no longer commercially viable to continue with the Exploration Project, MKS wrote off approximately RMB104.97 million incurred on the Exploration Project. As a result, the Group suffered a loss of RMB31,263,000 and made an impairment loss of RMB24,617,000 on the remaining carrying amount of FT Group. For more details, please refer to Company's response for Question 4 below.

Impairment loss on investments in LiuHe

Based on a valuation conducted by Roma, an independent valuer, and taking into account the expected increase in mining costs and poor trial production results, the Company forecasted that the cash flows over the life of the mining project would be insufficient to recover the Group's investment in Liuhe. On this basis, the Company decided to impair RMB44,281,000 on the carrying amount of Liuhe. For more details, please refer to Company's response for Question 8 below.

Classification of impairment loss of investment in associates

IAS 28 – Investments in Associates and Joint Ventures does not expressly provide how an impairment charge should be presented in the statement of comprehensive income. IAS 1 – Presentation of Financial Statements, paragraph 82 only requires a separate disclosure of the share of the profit or loss contributed by the associated companies to the Group using the equity method.

The Management took this to mean that the impairment losses are not included as part of the share of the results of the associated companies as they are not derived from the application of the equity method and adopted this approach in the annual report.

Question 4

(a) Impairment of Loans to Future Trillion (FT Group) and impairments to carrying value of investment in the FT Group

In the Company's FY2014 Annual Report, in relation to its associated company Future Trillion, the Company announced that the amount "Due from Future Trillion of approximately RMB 65,616,000 (2013: RMB 52,252,000) is denominated in United Stated Dollars, and is secured by equity interests in Future Trillion Group held by its controlling shareholder and corporate guarantee executed by the controlling shareholder of Future Trillion, interest bearing at 6% (2013: 6%) per annum and is repayable in 2015" [emphasis added].

(a) As the amount due from Future Trillion was secured and guaranteed by the controlling shareholder of Future Trillion, please advise why the amount due from Future Trillion is being impaired;
(b) Please disclose what is the status of the corporate guarantee in light of the impairment;
(c) Provide details and identity of the controlling shareholder of Future Trillion and what actions the Company has taken to enforce the guarantee by the guarantor; and
(d) To provide a breakdown of how the proceeds from the shareholder loan of RMB76.10 was utilized.

Company's response

(a)-(c) The amount due and payable from Future Trillion is secured by both a corporate guarantee given by its controlling shareholder, Mega Sino Investments Limited ("**Mega Sino**") in favour of the Company on 27 May 2011 ("**Corporate Guarantee**") in addition to a share charge created over equity interests in Future Trillion held by Mega Sino.

As at the date of the Announcement, the Company has yet to enforce the Corporate Guarantee.

During FY2015, MKS expensed off approximately RMB104,970,000 of exploration and evaluation expenditure. The Company was of the view that further exploration for the Exploration Project was beyond the financial capacity of the Group and thus the Group had been seeking for industry and financial partners to undertake further exploration. However, due to the slump in oil and gas prices, many investors whom the Group had approached decided not to participate in the Exploration Project due to cuts in their budgets. This resulted in the Group being unable to secure partners for the Exploration Project and to meet the conditions set out in the MKS' exploration licence ("**Exploration Licence**"), which is expected to expire in 2020. As such, the Group decided to cease the Exploration Project. Please refer to the Company's responses to Question 6(c) for some of the conditions in the Exploration Licence.

Following the cessation of the Exploration Project, the ability of MKS to repay its loan due to Future Trillion was impaired. Given the circumstances, the Company took a pragmatic approach and decided to treat the amount due and payable from Future Trillion as impaired. Notwithstanding the Company retaining the option to recover a portion of its investment by making it available for disposal, the Company decided to write-off the investment as well as the loan due from the FT Group as the timing and realisable value of the potential disposal is uncertain and there were no concrete plans as at 31 December 2015.

(d) The shareholders loans to Future Trillion were utilised as a loan to MKS. This loan was used by MKS to fund the exploration and administrative work carried out in the Exploration Project.

Question 5

Under paragraph 8 of the Announcement, the Company announced that "the Group has shared the losses from FT Group of RMB31.26 million and made impairment of RMB24.62 million and RMB76.10 million respectively on the remaining carrying amount and in shareholder loan due from FT Group".

Please provide further disclosure on the following:

(a) Total amount of investment to-date into FT Group;
(b) The provisions/impairments to these investments made to-date and the basis of valuation;
(c) Loan amounts extended to-date to FT Group; and
(d) Reasons for impairing the carrying amount of FT Group as the Company has stated that "the Group is considering to dispose this investment when there is an opportunity" with regards to FT Group.

Company's response

(a) To-date, the total amount of investment made in the FT Group by the Company amounts to RMB60,161,638.66.

(b) To-date, the total provisions/impairments to the investments made in the FT Group amounts to RMB24,617,000.

Please refer to Company's response to Question 4(a) to (c) for the basis of the valuation.

(c) To-date, the loan amounts extended to the FT Group by the Company amounts to RMB76,102,149.75.

(d) Please refer to Company's response to Question 4(a) to (c).

Question 6

With regards to FT Group, the Company disclosed in paragraph 8 of its Announcement that "it is not commercially viable to continue exploration, after taking into consideration depressed oil and gas prices", the inability "to obtain additional funds and the difficulty in meeting the conditions set out in exploration licence, which is expected to expire in 2020".

Please provide further elaboration on the following:

(a) What exploration activity has been carried out so far since the Company's investment in FT Group and the milestones achieved;

(b) In respect of the exploration undertaken, please details set out in paragraph 2.1(f)(v) of Practice 6.3 of the Listing Manual;

(c) The conditions set out in the exploration licence which the Company has difficulty in meeting; and

(d) Basis of the Company that it is not "commercially viable to continue exploration".

<u>Company's response</u>

(a) Practice Note 6.3 of the SGX-ST Listing Manual is not applicable. Please refer to Company's response to Question 9(a).

Notwithstanding the Company would like to disclose that for the period from 2010 to 2015, the main exploration activities of the Exploration Project were as follows:

Year 2010	• MKS commissioned GMT International Corporation to undertake biochemical study of the biochemical samples taken from the site
Year 2011	• MKS commissioned Chuanqing GeoPhysical Exploration Company to undertake a two dimensional seismic data collection project which consists four lines • Chuanqing GeoPhysical Exploration Company also completed the first interpretation of the seismic data collected and studied the geological structure
Year 2012	• MKS commissioned Velseis Processing Pty Ltd to undertake a second interpretation of the seismic data collected • MKS commissioned China Petroleum University (Beijing) to undertake a second study of geological structure • MKS commissioned Gaffney, Cline & Associates Pty Ltd ("**GCA**") as an independent valuer to complete the first independent valuation report of the oil and gas resources • MKS commissioned Quantum Geo services (Asia Pacific) Pte Ltd to undertake the third evaluation of the seismic data collected • MKS commissioned 3D-GEO Pty Ltd of Australia to undertake the third geostructural study based on the reinterpretation of seismic data
Year 2013	• MKS commissioned GCA to update its independent valuation report of the oil and gas resources • The Company and MKS jointly conducted a site trip and collection of surface samples for the further study. This resulted in the identification of five prospective leads for further exploration.
Year 2014	• MKS commissioned the Commonwealth Scientific and Industrial Research Organisation to conduct laboratory testing for the collected surface samples • 3D-GEO completed structural study and modelling of the five leads identified in 2013 field trip
Year 2015	• MKS commissioned 3D-GEO Pty Ltd to complete the fourth processing of

	the seismic data and structural interpretation • MKS commissioned 3D-GEO Pty Ltd to complete the updated of the third independent resources evaluation report, identify three prospects and three leads for the further exploration

(b) The Company disclosed the evaluation reports conducted by GCA on 23 May 2012 and 7 January 2013 in relation to the Exploration Project.

The announcement released by the Company on 23 May 2012 disclosed a report by GCA which identified one prospect and one lead for further exploration and provided prospective resources estimation for the prospect named AOI-2, which showed 44 million barrels of oil or 489 billion cubic feet of gas on P50 assumption.

The announcement released by the Company on 7 January 2013 disclosed a report by GCA which, based on revised data processing and studies, identified updated estimation for the prospect named AOI-2 and showed 70 million barrels of oil or 775 billion cubic feet of gas on P50 assumption. This updated report also eliminated AOI-3W as a lead for further exploration.

Based on the updated evaluation of AOI-3W lead, GCA concluded that there was no trap in the AOI-3W area and did not recommend any additional work in this area.

The Company's announcement released on 24 May 2012 provided the results of the activities in the period prior to 2012. The following is an extract from the Company's announcement released on 24 May 2012:

Based on a combination of the available geologic surface mapping data and subsurface mapping utilizing five 2D seismic lines, one prospect and one lead, AOI-2 Prospect and AOI-3W Lead, have been identified in the license area covered by PPL294.

Based on the available information, GCA estimates that the following prospective resources are contained in AOI-2:

Gas Only Case	*P90 90% Probability*	*P50 50% Probability*	*P10 10% Probability*
Gas initially in place (Bscf - Billion standard cubic feet)	*184*	*700*	*2,655*
Estimated Ultimate Recovery Gas (Bscf - Billion standard cubic feet)	*127*	*489*	*1,863*
Oil Only Case	*P90 90% Probability*	*P50 50% Probability*	*P10 10% Probability*
Stock tank oil initially in place (MMstb - Million Stock tank barrel)	*60*	*233*	*871*
Estimated Ultimate Recovery Oil (MMstb - Million Stock tank	*9*	*44*	*180*

barrel)			

Notes:

1. The cases presented above are alternates. If the gas case is used there are no oil resources and vice versa.
2. The figures presented in this table must be considered only in the light of comments contained in the accompanying report dated 23 May, 2012 of which this table forms an integral part. The report is available for inspection by shareholders at the Company's office during office hours from 24 May 2012 to 23 June 2012.

The following is an extract of the Company's announcement released on 7 January 2013:

Based on integration of the updated surface geology data, the re-processing and re-interpretation of seismic data and the construction of balanced structural cross sections, a re-evaluation of the AOI-2 area has resulted in a 3D subsurface model that provides a more confident interpretation of the area's prospectively. As a result, the Tumuli interpretation is considered to be more reliable, the level of geological risk has been reduced.

Based on the supplementary and more reliable surface geology data, GCA increased the net thickness of reservoir in AOI-2 Prospect, as well as the prospective resources as follows:

Gas Only Case	*P90 90% Probability*	*P50 50% Probability*	*P10 10% Probability*
Gas initially in place (Bscf - Billion standard cubic feet)	*332*	*1,104*	*3,640*
Estimated Ultimate Recovery Gas (Bscf - Billion standard cubic feet)	*229*	*775*	*2,549*
Oil Only Case	*P90 90% Probability*	*P50 50% Probability*	*P10 10% Probability*
Stock tank oil initially in place (MMstb - Million Stock tank barrel)	*115*	*369*	*1,226*
Estimated Ultimate Recovery Oil (MMstb - Million Stock tank barrel)	*18*	*70*	*249*

Notes:
1. The cases presented above are alternates. If the gas case is used there are no oil resources and vice versa.
2. The figures presented in this table must be considered only in the light of comments contained in the accompanying report by GCA of which this table forms an integral part.

(c) The Exploration Licence relating to the Exploration Project provides that at a total minimum expenditure of US$30.55 million, MKS shall, over the five years of licence extension term undertake certain work and expenditure programs which included field mapping, drilling exploration, acquisition and processing of a minimum of 20km of 2D seismic. MKS encountered difficulty in meeting these conditions in the Exploration Licence.

(d) Please refer to Company's responses to Question 4(a) to (c).

Question 7

The Company "secured an extension of the license" (paragraph 10 of its FY2015 Result), yet it made a "full impairment" for the "related investment in the Group's project in Papua New Guinea".

Please disclose the reason why the Company secured an extension of the licence but proceeded to impair the investment. Please also disclose the cost involved in obtaining the extension of the license.

Company's response

The cost of securing the extension of the Exploration Licence is nominal. The main conditions for the extension of the Exploration Licence is commitment for further work as described above. In late FY 2014, the Company sought to secure the extension of the licence in anticipation that it would be able to raise the funds necessary for further exploration work. In FY 2015, the sharp decline in oil prices made it impossible for MKS, as well as for the Company, to raise funds to perform the activities within the time frame and conditions of the licence as set out in the response to Question 6(c) above. On this basis, the Company decided to make full impairment for the investment in the Group's project in Papua New Guinea.

Question 8

(b) Impairment of Investment in Liuhe

In paragraph 8 of the Announcement, the Company disclosed that "In respect of the Group's investment in Liuhe, in view of the weak commodity prices, expected increase in mining costs and poor trial production results based on a valuation by an independent valuer, there will be insufficient cash flows over the life of the mining project to repay the outstanding shareholder's loan of RMB 9.97 million and recover the Group's investment in Liuhe. Hence, an impairment of RMB 9.97 million and RMB 44.28 million has been made for the shareholder's loan and carrying amount of the investment."

Please provide further disclosure on the following:

(a) Total amount of investment to-date into Liuhe;
(b) The provisions/impairments to these investments made to-date and the basis of valuation;
(c) Loan amounts extended to-date to Liuhe; and
(d) Reasons for impairing the carrying amount of Liuhe as the Company has stated that "the Group is considering to dispose this investment when there is an opportunity" with regards to Liuhe.

Company's response

(a) To-date, the total amount of investment in Liuhe by the Company is RMB46,716,000.

(b) To-date, the provisions/impairments to these investments made is RMB44,281,000.

During the FY 2015, the Management assessed the recoverability of investment in Liuhe. In view of the weak commodity prices, additional funds were required to continue with the actual production. Based on a valuation conducted by Roma, an independent valuer, and taking into account the expected increase in mining costs and poor trial production results, the Company is of the view that there would be insufficient cash flows over the life of the mining project to recover the Group's investment in Liuhe. On this basis the Company decided to impair the carrying amount of Liuhe. Although the Company retains the option to recover a portion of its investment by making it available for disposal, the Company decided to impair the investment as the timing and realisable value of the potential disposal is uncertain and there were no concrete plans as at 31 December 2015.

(c) To-date, the loan amounts extended to Liuhe by the Company is RMB9,968,280.00.

(d) Please refer to Company's response to question 8(b).

Question 9

With regards to the Liuhe Gold Project, the Company announced that it had "trial production output" and that there were "poor trial production results based on a valuation by an independent valuer".

Please provide further disclosure on the following:

(a) The trial production results, providing the information required in paragraph 2.1(f) of Practice Note 6.3;
(b) The identity and qualifications of the independent valuer;
(c) Whether the independent valuer is employed by the Company its associates or is a third-party consultant;
(d) The Standard used in the valuation;
(e) The method of valuation and the reason for the choice of the valuation method;
(f) The principal assumptions used in arriving at the valuation, including but not limited to, assumed commodity prices, rate of discount and rate of inflation, and the basis for each assumption;
(g) The date and details of valuation done by the independent valuer;
(h) As the Company has begun "trial production output", please disclosed specific details on the feasibility studies or scoping study that has been undertaken by the Company in respect of the Liuhe Gold project;
(i) The exploration results of the Liuhe Gold project;
(j) Whether there are any inferred, measured or indicated resources; and
(k) The reserves discovered for the Liuhe Gold Project.

Company's response

(a) The Company would like to clarify that the phrase "poor trial production results based on a valuation by an independent valuer" in paragraph 8 of the Announcement should be read as "poor trial production results **and** based on a valuation by an independent valuer". The valuation conducted by the independent valuer referred to a valuation of the Company's investment in a gold mining project undertaken by Liuhe ("**Liuhe Gold Project**"). As the trial production result is not a report of reserves, resources or exploration results and the Company is not a mineral, oil and gas companies, Practice Note 6.3 of the SGX-ST Listing Manual (which sets out disclosure requirements for mineral, oil and gas companies) is not applicable.

Trial production result

Total production of trial runs after mineral processing/ore dressing is 305.94 tonne, which consist of the following:

	Tonne
Gold	0.020
Silver	0.140
Copper	23.421

(b)-(c) Roma was engaged as an independent valuer to conduct a valuation of the Liuhe Gold Project on 17 December 2015 ("**Liuhe Valuation**"). Roma is principally engaged in the provision of valuation and technical advisory services including natural resources valuation and technical advisory services. Roma submitted its valuation report to the Company on 26 February 2016.

The Liuhe Valuation exercise was performed to consider whether there was any impairment to the Group's cost of investment in the Luihe Gold Project and also to value the amount due from Liuhe to the Company.

(d) The Liuhe Valuation was based on a going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, market value is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion".

(e) Roma estimated the market value of Liuhe Gold Project based on the Income-Based Approach. The Income-Based approach focuses on the economic benefits due to the income producing capability of the relevant business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

(f) Roma adopted certain specific assumptions in the Liuhe Valuation and the principal assumptions are as follows:

(1)	**Ore grading**
Gold Ore grading (g/t)	1.84

Silver Ore grading (g/t)	11.32
Copper Ore grading (%)	0.15

(2)	**Selling Price**
Gold Price (RMB/g)	233.50
Silver 99% Purity Price (RMB/kg)	3,401.67
Copper Average Price (RMB/t)	40,387.92

(3)	**Price Long Term Growth**
Gold Price Long Term Growth	4%
Silver Price Long Term Growth	6%
Copper Price Long Term Growth	4%

(4)	**Total Ore Production**
	t/year
2016-2017	90,000
2018-2026	180,000
2027	102,735

(5)	**WACC**
	13.45%

Please also refer to the Company's response to Question 9(a).

(g) The Company engaged Roma on 17 December 2015 for the purposes of conducting the profession business valuation of Liuhe Gold Project. Roma submitted the valuation report to the Management on 26 February 2016.

(h)-(k)

Please refer to in the Company's responses to Questions 8(b) and 9(a)-(c) for details on the Liuhe Evaluation. The Liuhe Evaluation is not a report of reserves, resources or exploration results. Save for the Liuhe Evaluation no other feasibility or scoping study has been conducted.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman

18 April 2016