



RESPONSE TO SGX QUERY ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”) refers to the Company’s financial results for the first quarter ended 31 March 2017 (“**Q1 FY2017 Results**”) released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 11 May 2017. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 24 May 2017:-

SGX Query 1

The Company recorded a 92.7% (RMB 14.17 million) increase in the Cost of Sales and Services Provided, from RMB15.29 million in Q1FY2016 to RMB29.46 million in Q1FY2017.

- a. Please elaborate on the reasons for the significant increase of RMB14.17 million in the cost of services provided, given that the Company’s Revenue only increased by 24.4%, from RMB33.92 million in Q1FY2016 to RMB42.19 million in Q1FY2017;
- b. Provide details on the take-up rate for the Yichang Xinshougang Project (the “**Project**”); and
- c. Updates on the construction progress of the Project and whether there were cost overruns that led to the significant increase of 92.7% in cost of sales provided to exceed the increase of 24.4% in the Company’s Revenue.

Company’s Response

- a. A comparison of the revenues and costs is shown below:

	Q1-2017			Q1-2016			Increase / (Decrease)		
	Revenue (net)	Cost of services provided	Gross (loss)/ profit	Revenue (net)	Cost of service provided	Gross profit	Revenue (net)	Cost of services provided	Gross profit
	RMB'000'	RMB'000'	RMB'000'	RMB'000'	RMB'000'	RMB'000'			
Development properties	21,988	(23,865)	(1,877)	9,733	(9,077)	656	125.9%	162.9%	(386.1%)
Others	20,198	(5,598)	14,600	24,191	(6,214)	17,977	(16.5%)	(9.9%)	(18.8%)
	42,186	(29,463)	12,723	33,924	(15,291)	18,633	24.4%	92.7%	(31.7%)

Development property revenue of RMB21.99 million was recorded in Q1 2017, representing 52.1% of total revenue in Q1 2017, which rose 125.9% compared to the same quarter last year. Cost of development property in Q1 2017 was RMB23.86 million, representing 81% of total cost of services provided for the quarter. This was 162.9% higher than Q1 2016.

Bigger weighted and higher increased rate of cost of services provided in Q1 2017 mainly resulted in the significant increase of 92.7% of the Company's cost of services provided, less weighted and lower increased rate mainly resulted in the Company's revenue only increased by 24.4%.

b. As at 31 March 2017, the take-up rates for Phase 1-area 1, Phase 1-area 2, and Phase 1-area 3 of the Yichang Project are 79.05%, 41.39% and 87.61% respectively.

c. Development property revenue in Q1 2017 was RMB21.99 million. With higher development property costs of RMB23.87 million, a gross loss of RMB1.88 million was recorded.

Development property revenue in Q1 2017 was generated mainly from the sales of properties from Phase 1-area 1 and, Phase 1-area 2. These units were not as competitive in terms of price, size and surroundings. The Company tried to increase the take up rate for these properties by offering buyers a discount.

SGX Query 2

In the Financial Results, it was disclosed that the Company's Other Income increased by 21,008%, from a loss of RMB0.083 million recorded in Q1FY2016 to RMB17.35 million for Q1FY2017 due to payables which was partially waived by a non-controlling shareholder of Yichang Xinshougang Property Development Company Limited.

Please disclose:-

- a. The identity of the non-controlling shareholder (the "Shareholder") and whether he is related to the CEO, Directors and/or controlling shareholder(s) of the Company;
- b. The total amount of payables owe to the Shareholder as well as the nature of the underlying transactions of the amount due;
- c. The amount that has been waived by the Shareholder; and
- d. The reasons for the waiver.

Company's Response

a. The non-controlling shareholder (the "Shareholder") was Shu Ren Wood (Shengzhen) Limited (树人木业(深圳)有限公司). The Company's CEO, Directors and/or controlling shareholders do not have any interest, direct or indirect in Shu Ren Wood (Shenzhen) Limited.

b. Total payables owes to the Shareholder amounted to RMB20 million.

c. An amount of RMB11 million was waived by the Shareholder.

d. The Shareholder is a subsidiary of China Resources and transportation Group Limited, which sold 55% interest in the Project to the Company on 15 September 2012, and also gave an undertaking assumed for all additional costs of the completed works ("old work") before the Company control of the Project company. The Shareholder fulfilled the above-mentioned undertaking, and waived its receivables of RMB11 million in respect of the old works as a reimbursement to the Company.

SGX Query 3

The Company further disclosed that its Finance Cost decreased by 60.7%, representing a decrease of RMB4.8 million from RMB7.91 million in Q1FY2016 to RMB3.11 million due to a decrease in interest expense in CIHL (Tianjin) City Development Limited. Please disclose what this interest expense in CIHL (Tianjin) City Development Limited relates to and elaborate on the reasons that led to the decrease in interest expense in CIHL (Tianjin) City Development Limited.

Company's Response

CIHL (Tianjin) City Development Limited ("CCDL"), a wholly subsidiary of the Company, had aggregate short term borrowings of RMB348.43 million on 31 March 2016. After repaying these borrowings, CCDL had no more borrowings in its books on 31 March 2017. As a result the Company's financial cost decreased by 60.7%.

**BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED**

Shan Chang
Chairman
30 May 2017