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**ADDITIONAL INFORMATION TO THE UNAUDITED FULL YEAR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”) refers to the Company’s full year results released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 February 2018. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 5 March 2018:

**SGX Query 1**

We note a significant increase in Cost of sales and services provided of 26.5% for 12 months ended 31 December 2017 despite a drop in revenue from RMB90.8 million to RMB92.3 million, kindly:

- Provide a breakdown of revenue and discuss factors that contributed to the revenue in FY2017 and FY2016 respectively;
- Provide a breakdown in cost of sales amounting to RMB37.0 million and RMB29.3 million for FY2017 and FY2016 respectively;
- Provide a discussion on the material items which caused the increase of Cost of sales in FY2017; and
- Provide a discussion on the factors that affected the Group’s gross profit margin and trend outlook.

**Company’s response**

- A breakdown of revenue in FY2017 and FY2016 is shown below:

	FY2017 RMB’000’	FY2016 RMB’000’	Increase/(decrease) RMB’000’      %	
Water supply revenue	34,985	30,585	4,400	14.4
Revenue on construction of water pipeline	55,841	61,742	(5,901)	(9.6)
	90,826	92,327	(1,501)	(1.6)

Revenue on construction of water pipeline decreased RMB5.9 million or 9.6% in FY2017 compared as in FY2016, representing normal volatility of such operations.

b. A breakdown in cost of sales amounting to RMB37.0 million and RMB29.3 million for FY2017 and FY2016 respectively:

	FY2017 RMB'000'	FY2016 RMB'000'	Increase RMB'000'	%
Water supply cost				
- Water	11,464	7,362	4,102	55.7
- Electricity	2,695	1,629	1,066	65.4
- Other costs <sup>(*)</sup>	9,751	8,868	883	10.0
	23,910	17,859	6,051	33.9
Cost on construction of water pipeline				
	13,102	11,407	1,695	14.9
	37,012	29,266	7,746	26.5

\* Other costs are made up of staff costs, depreciation, chemical costs, repair and maintenance and any other costs related to water supply operations.

c. The increased in water supply costs is mainly contributed by an increase in water and electricity costs of 55.7% and 65.4% respectively in FY2017. Prices of water and electricity rose as suppliers no longer offered discounts.

The cost on construction of water pipeline increased 14.9% while the revenue on construction of water pipeline decreased 9.6%, which was mainly due to the varying gross profit margins of such operations. For example, the gross profit margin of water meter installation projects is quite different from the gross profit margin of water pipeline construction projects.

d. The Company expects that the gross profit of water supply will be stable if the prices of water and electricity are stable. The gross profit of construction of water pipeline will still vary due to the nature of the operations.

## **SGX Query 2**

Please provide a breakdown and explanation of major items in Other operating expenses of RMB18.6 million for FY2017 and comparative FY2016.

### **Company's response**

A breakdown of Other Operating Expenses is as follow:

	FY2017 RMB'000'	FY2016 RMB'000'	Increase RMB'000'	%
Reversal of impairment of trade receivables	-	(2,198)	2,198	100
Others	18,649	17,910	739	4.1
	18,649	15,712	2,937	18.7

The increase of Other operating expenses of 18.7% was mainly due to a reversal of impairment loss on trade receivables accounted for in FY2016.

### **SGX Query 3**

Please provide a breakdown and explanation of major items in Other income of RMB34.1 million for FY2017 and comparative FY2016.

#### **Company's response**

A breakdown of Other income is as follow:

	FY2017	FY2016	Increase/ (decrease)	%
	RMB'000'	RMB'000'	RMB'000'	
Interest income less business tax <sup>(1)</sup>	12,930	322	12,608	3,915.5
Profits on disposal of subsidiaries <sup>(2)</sup>	6,415	130,056	(123,641)	(95.1)
Gain on waiver of amount payables <sup>(3)</sup>	11,000	-	11,000	NM
Others	3,790	4,246	(456)	(10.7)
	34,135	134,624	(101,345)	(75.3)

(1) Interest income less business tax increased by RMB12.61 million or 3,915.5% with higher interest income in CIHL (Tianjin) City Development Limited, a subsidiary of the Group. Upon the disposal of the KYWJ Group, the Company's interest income accruing from the KYWJ Group have been recognised as interest income, instead of eliminating them as intercompany transactions for consolidation purposes as per prior financial years.

(2) The decrease of profit on disposal of subsidiaries was mainly due to a substantial gain on disposal of a subsidiary recorded in the previous year.

(3) The former shareholder of the KYWJ Group fulfilled a contract's undertaking, and also waived its receivables of RMB11 million to the Company as a reimbursement.

### **SGX Query 4**

Profits reported by KYWJ is RMB15.76 million for 12 months ended 31 December 2017. Please reconcile and explain the difference to previous accompanying profits, explain the factors that affected the profit and loss.

#### **Company's response**

The primary factor that affected the profit and loss of the KYWJ Group is - a write-down of properties for development of RMB58,332,000, included in cost of services provided in KYWJ Group for the financial year 2016, which resulted in a gross loss of RMB36.21 million in FY2016 compared to gross profit of RMB27.30 million in FY2017. Although the impact of the 2016 write-down is spread over all unsold housing units and un-developed land, it is recognised in the cost of goods and services for the current year.

### **SGX Query 5**

In relation to the results of KYWJ Group, please provide a breakdown of:

- a. Cost of sales and services provided for FY2017 and FY2016 and explain the significant increase of 144.7%; and
- b. Trade and other payables amounting to RMB674.8 million, the aging schedule, and explain for the significant outstanding amount.

### **Company's response**

- a. Cost of sales and services provided for FY2017 in the KYWJ Group increased 144.7% compared as in FY2016, which corresponded with significant increase of revenue of 219.7% in FY2017 compared in FY 2016.
- b. A breakdown of the "Trade and other payables" of the KYWJ Group on 31 December 2017 is set out below:

	<u>31.12.2017</u> <u>RMB'000</u>
Trade payables to construction organizations <sup>(1)</sup>	67,436
Accruals <sup>(2)</sup>	2,224
Receipt in advance arising from presale <sup>(3)</sup>	120,219
Amount due to shareholders <sup>(4)</sup>	484,889
<b>Total</b>	<u><u>674,768</u></u>

(1) Trade payables to construction organizations represent the amounts that the KYWJ Group are payable to the construction organizations within a year;

(2) Accruals include staff salaries and other expenses, which would be paid within a year;

(3) Receipt in advance arising from presale presents the cash Inflow, which will be recognised as revenue when it is applicable;

(4) Amount due to shareholders comprised initial shareholder's loans and shareholders' short term loans. Initial shareholder's loans are unsecured, interest-free and repayable on demand. These are managed as a part of the capital invested in the KYWJ Group. The shareholders' short term loans bear interests at 8% and are repayable on demand.

### **SGX Query 6**

In relation to Trade and other receivables for the Group amounting to RMB351.4 million, please provide:

- a. Breakdown of the Trade and other receivables;
- b. Identity of the major debtors;
- c. Aging schedule of each of the receivables; and
- d. Disclosure of the nature of the transaction that resulted in significant balance amount.

### **Company's response**

A breakdown of Trade and other receivables for the Group on 31 December 2017 is set out below:

	Ageing	31.12.2017 RMB'000
Trade receivables <sup>(1)</sup>	Less than 1 year	19,260
Gross amounts due from customers for contract work <sup>(2)</sup>	Less than 1 year	16,861
Other receivables		
- Due from non-controlling shareholders <sup>(3)</sup>	Repayable on demand	158
- Initial shareholder's loans <sup>(4)</sup>	Repayable on demand	121,192
- Short term loan <sup>(5)</sup>	Less than 1 year	183,315
- Prepayments <sup>(6)</sup>	Less than 1 year	10,339
- Deposits <sup>(7)</sup>	Less than 1 year	297
<b>Total</b>		<b>351,422</b>

(1) and (2) Trade receivables and Gross amounts due from customers for contract work represent the amount due from customers, interest-free.

(3) The non-controlling shareholder was Tianjin Tanggu City Investment Company (天津塘沽城市建设投资公司).

(4) The initial shareholder's loans are due from the KYWJ Group, which are unsecured, interest-free and repayable on demand. These are managed as a part of the capital invested in the KYWJ Group by the Company.

(5) The short term loan is due from the KYWJ Group, it is unsecured, carries an annual interest rate of 8% and is repayable less than 1 year.

(6) The prepayments include, *inter alia*, prepaid expenses for rental and construction material in relation to water pipe lines.

(7) Deposits include, *inter alia*, electric deposits, rental deposits.

### **SGX Query 7**

Please provide a review of the performance of the **KYWJ**, including a discussion of the significant factors that affected the turnover, costs, earnings, cash flow, working capital, assets or liabilities during the current financial period reported on.

### **Company's response**

The Company is not aware of other material factors that can affect the cash flow, working capital, assets or liabilities of the KYWJ Group during the current financial year, the next reporting periods or the next 12 months.

### **SGX Query 8**

Please provide an update on the litigation settlement between the Company and YDUIIC where the Company intends to claim damages from CRTGL for the claim back amount of RMB105 million.

### **Company's response**

The Company will provide an update in a separate email shortly.

### **SGX Query 9**

Please disclose whether and where was the settlement agreement of RMB105 million accounted for in the Financial Statements.

### **Company's response**

The associate, KYWJ Group, recorded the settlement agreement of RMB105 million as part of the costs of property development, as the KYWJ Group is in the view that this is a directly attributable cost to the development property. However, there is no impact on the financial statement of the Group in current financial year. Instead the future share of profit from associated company will decrease by the corresponding amount as and when the cost is realized.

### **SGX Query 10**

Please explain for the significant 63% decrease in Cash and cash equivalent as at 31 December 2017 as compared to as at 31 December 2016.

### **Company's response**

On 26 December 2016, the Company disposed of its 100% equity interest in XZPD. Following the disposal, the Company recorded cash and cash equivalents of RMB146.40 million as at 31 December 2016. The Company repaid borrowings of RMB105.77 million and paid a special dividend of RMB51.13 million in FY2017. This led to a significant decrease of 63% in Cash and cash equivalents as at 31 December 2017.

### **SGX Query 11**

In relation to KYWJ Group's sales of available units in completed Phases 1 and 2 and pre-sales of Phases 3 and 4, please provide:

- a. The take-up rate of units in Phase 1 and 2;
- b. Price trend of project in Phase 3 and 4; and
- c. Details and quantify when will the units for Phase 3 and 4 be completed.

### **Company's response**

- a. The take-up rates for Phase 1-1, Phase 1-2, Phase 1-3 and Phase 2 of the Yichang Project are 80.77%, 58.42%, 90.63% and 86.90% respectively as at 31 December 2017.

b. Yichang's real estate market is expected to improve as a whole in the near future. According to the data released by the National Bureau of Statistics, new property prices of Yichang have increased by 3% as at February 2018 as compared to the end of last year.

c. Phase 3 and 4 are in the process of design with plans to start construction in 2018. The KYWJ Group expects to complete all units by Quarter 4 of 2020.

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

**Shan Chang**  
Chairman  
7 March 2018