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**RESPONSE TO SGX QUERY ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

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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 financial results for the first quarter ended 31 March 2018 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 7 May 2018. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 16 May 2017:-

**SGX Query 1**

*“Please provide a breakdown of the revenue and cost of sales and services provided and discuss factors that contributed to the large variance between 3 months ended 1Q2018 and 1Q2017.”*

**Company’s Response**

A breakdown of revenue and cost of sales and services provided in 1Q2018 and 1Q2017 is shown below:

	1Q2018 RMB’000’	1Q2017 RMB’000’	Increase / (decrease) RMB’000’ %	
<b>Revenue</b>				
- Water supply revenue	7,075	5,621	1,454	25.9
- Revenue on construction of water pipeline <sup>(*)</sup>	8,346	14,331	(5,985)	(41.8)
	15,421	19,952	(4,531)	(22.7)
<b>Cost of sales and services provided</b>				
- Water supply cost	5,184	4,443	741	16.7
- Cost on construction of water pipeline	672	647	25	3.9
	5,856	5,090	766	15.0

(\*) Revenue on construction of water pipeline in 1Q2018 of the Group was RMB8.35 million, a decrease of RMB5.99 million or 41.8% compared RMB14.33 million in 1Q2017. The decrease of 41.8% represents normal volatility of such operations.

**SGX Query 2**

*“Please provide a breakdown of the major items in other operating expenses and discuss factors that contributed to the large variance between 3 months ended 1Q2018 and 1Q2017.”*

### **Company's Response**

A breakdown of other operating expenses in 1Q2018 and 1Q2017 is as follow:

	1Q2018	1Q2017	Increase	
	RMB'000'	RMB'000'	RMB'000'	%
Building management expenses <sup>(1)</sup>	255	8	247	3,087.5
Depreciation <sup>(2)</sup>	634	325	309	95.1
Legal and professional fee <sup>(3)</sup>	2,690	10	2,680	26,800.0
Other expenses <sup>(4)</sup>	4,390	3,884	506	13.0
	7,969	4,227	3,742	88.5

(1) and (2) Building management expenses and depreciation in 1Q2018 increased significantly compared as in 1Q2017, mainly from higher one-off expenses in CIHL (Tianjin) Water Development Limited following the opening of a new office building.

(3) Legal and professional fee in 1Q2018 increased significantly compared as in 1Q2017, after the Company paid professional service expenses in connection with the disposal of Yichang Project.

(4) The other expenses include, inter alia, office expenses, staff costs, entertainment expenses and travelling expenses.

### **SGX Query 3**

*"Please discuss if there has been any active efforts made on the search for the opportunity to dispose of Liuhe Gold and Papua New Guinea projects."*

### **Company's Response**

The Group made full provision on the investments in the Liuhe Gold Project and the PNG Oil & Gas Project in FY2015 and announced that the Group would seek disposal of the two investments. Since then, the Group has made efforts to dispose the two investments.

For the Liuhe Gold Project, the Group is a significant minority investor. We understand that a majority of the investors are seeking exit from the Project. This effort is led by the controlling shareholder, with support from the Group as well as other shareholders.

For the PNG Oil & Gas Project, the Group is a minority shareholder but contributes all its funding requirements. The Group, in conjunction with the other shareholders, has made several attempts to dispose the PNG Oil & Gas Project to potential investors in the sector in the past few years. As at the date of this announcement, this effort is still continuing.

### **SGX Query 4**

*"It was disclosed that market valuation of Liuhe Gold and Papua New Guinea projects were done by independent valuer Roma. Please provide further information on the valuer's track records and relevant professional accreditation, the methodology applied and whether they are in compliance with international valuation standards."*

### **Company's Response**

Roma Appraisals Limited (“**Roma**”) is an independent valuation and consulting service provider and a wholly-owned subsidiary of Roma Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Roma provides a broad range of specialised valuation services such as business and intangible asset valuation, natural resources valuation, financial instruments valuation, property valuation, biological assets valuation, machineries and equipment valuation, and work of art valuation.

(1) Liuhe Gold Project

A valuation exercise was carried out in FY2015 by Roma Valuers to assess whether there was any impairment to the Group’s investment in the Liuhe Gold Project which consists of equity investment and shareholders loan to the Project. As the Company is not a mineral, oil and gas company, and the valuation report done by Roma is not a report of reserves, resources or exploration results.

Roma derived its estimate of the market value of Liuhe Gold Project using 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.

The Liuhe Valuation undertaken by Roma 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”.

(2) Papua New Guinea Project

The Papua New Guinea Project valuation was carried out by Roma in FY2015.

The application of the Group’s accounting policy for EEE requires judgment 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 company have suffered any impairment include the financial health and cash flow projection of the associated company, the period for the associated company has the right to explore a specific area, the substantive expenditure of the associated company on the exploration for and evaluation of oil, and gas resources in specific areas and the future prospect and commercial viability of further exploration and evaluation activities.

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

**Shan Chang**  
**Chairman**  
18 May 2018