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**RESPONSE TO SGX QUERY ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2018 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 13 November 2018. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 22 November 2018:-

**SGX Query 1**

1. In relation to Continuing operations:
  - a. Please provide a breakdown of each of the Revenue and Cost of sales provided against the corresponding reporting period;
  - b. Please discuss factors that contribute to the large variance between 3 months ended 2Q2018 and 2Q2017 which resulted in the decrease in gross profits by 16.3%.

**Company’s Response**

a. A breakdown of revenue and Cost of sales and services provided in 3Q2018 and 3Q2017 is shown below:

	3Q2018 RMB’000	3Q2017 RMB’000	Increase / (decrease) RMB’000                      %	
<b>Revenue</b>				
- water supply	9,556	9,344	212	2.3
- construction of water pipeline	11,649	19,078	(7,429)	(38.9)
	<u>21,205</u>	<u>28,422</u>	<u>(7,217)</u>	<u>(25.4)</u>
<b>Cost of sales and services provided</b>				
- water supply	7,001	7,409	(408)	(5.5)
- construction of water pipeline	1,280	5,565	(4,285)	(77.0)
	<u>8,281</u>	<u>12,974</u>	<u>(4,693)</u>	<u>(36.2)</u>
<b>Gross profit</b>				
- water supply	2,555	1,935	620	32.0
- construction of water pipeline	10,369	13,513	(3,144)	(23.3)
	<u>12,924</u>	<u>15,448</u>	<u>(2,524)</u>	<u>(16.3)</u>

b. The decrease of gross profits of 16.3% arose mainly from the decrease of revenue on construction of water pipelines of 38.9%, which are affected by changes in the local economic environment and the state of the property development industry. Furthermore, pipeline construction projects comprised mainly new projects, which were mainly still at initial stages as of Q3 2018, as compared to Q3 of prior year, which had more completed projects.

## **SGX Query 2**

2. In relation to KYWJ Group:
  - a. Please provide breakdown of the Revenue and elaborate on the completion progress of each of the projects and sales performance/take-up rate.
  - b. Please elaborate on the material costs and explain reasons for the significant Cost of sales incurred.
  - c. Please provide breakdown of Selling and marketing expenses against the comparative corresponding period.
  - d. Please provide the cash flow statement of KYWJ Group.
  - e. Please provide breakdown of Trade and other receivables and the identify of major debtors.
  - f. Please explain for the significant increase in Trade and other receivables for the current period.

### **Company's Response**

a. As at 30 September 2018, the status of development properties is followed:

Project is being developed in phases	Sales revenue RMB'000	Take up rate (%)	Status (percentage of completion)
Phase 1 area 1	321,946	91.54	100%
Phase 1 area 2	260,095	88.15	100%
Phase 1 area 3	301,234	90.63	100%
Phase 2	601,754	89.06	95%
"New" Phase 3-1 *	436,972	53.34	40%
"New" Phase 3-2	-	-	10%
"New" Phase 3-3	-	-	-

\*. "New" Phase 3 formerly named Phases 3 and 4.

b. The significant increase in sales and marketing expenses were in respect of general advertising / marketing activity which has increased as the new operating company, as Hong Kun focussed more on advertising and marketing to attract new buyers. A different sales strategy had led to more staff being employed and hence higher staff cost for Q3 2018.

c. A breakdown of selling and marketing expenses of the KYWJ Group is as follow:

	3 months ended		
	30.09.2018 RMB'000	30.09.2017 RMB'000	Increase %
Advertising expense	1,595	1,479	7.8
Entertainment	80	7	1042.9
Publicity and exhibition expense	104	-	NM
Staff costs	1,632	147	1010.2
Legal & Professional Fee - Marketing agency expense	273	-	NM
Marketing activity service expense	556	34	1535.3
Travelling expense	102	6	1600.0
Building management expense	1,480	-	NM
Other expense	284	210	35.2
	<u>6,106</u>	<u>1,883</u>	<u>372.3</u>

NM: Not meaningful.

d. A Statement of Cash flow ended 30 September 2018 for the KYWJ Group is as follows

	9 months ended
	30. 09. 2018
	RMB'000
<b>Cash flows from operating activities</b>	
Loss before income tax	(10,945)
Adjustments for:	
Depreciation of property, plant and equipment	397
Interest income	(168)
	(10,716)
<b>Changes in working capital</b>	
Properties for development	(92,761)
Trade and other receivables	(43,719)
Trade and other payables	211,736
Cash provided by operations	64,540
PRC income tax paid	(5,451)
Net cash provided by operating activities	59,089
<b>Cash flows from investing activities</b>	
Interest received	168
Purchases of property, plant and equipment	(2,199)
Proceed from disposal of property, plant and equipment	127
Net cash used in investing activities	(1,904)
<b>Net increase / (decrease) in cash and cash equivalents</b>	57,185
BEGINNING OF FINANCIAL YEAR	44,481
<b>ENDING OF FINANCIAL YEAR</b>	101,666

e. and f. A breakdown of Trade and other receivables in the KYWJ Group is as below:

	30.09.2018	31.12.2017
	RMB'000	RMB'000
Prepayments, deposits and other receivables <sup>(1)</sup>	10,359	8,583
Due from controlling shareholder <sup>(2)</sup>	639,066	-
Due from non-controlling shareholder	1,992	1,992
Trade receivables	-	5,282
	651,417	15,857

(1) The prepayments, deposits and other receivables include, *inter alia*, refundable security fund deposits, labour inspection deposits and provident funds security deposits placed with government organisations, prepaid expenses for construction costs in relation to property development.

(2) Amount due from controlling shareholder referred to Beijing Hongkunweiye Property Co. Ltd ("Hongkun"). Meantime, there is also an amount due to a subsidiary of Hongkun of RMB722.8 million which expected to be offsetted towards financial year end.

### **SGX Query 3**

3. The Group's Trade and other receivables amounted to RMB273.02 million as at 30 September 2018 where Revenue for 3 months ended amounted to RMB21.2 million.
  - a. Please provide breakdown of Trade receivables and other receivables.
  - b. Please disclose the nature of the contracts for amounts included under Other receivables.
  - c. Please provide aging schedule breakdown of Trade receivables and Other receivables respectively in bands of 3 months with upper limit specified.
  - d. Please explain for the significant amount of Trade and other receivables in comparison to the revenue of for 3 months ended 30 September 2018.
  - e. Please describe the Company's policy in trade receivables collection.

### **Company's Response**

a. to c. : A breakdown of the Group's Trade and Other Receivables on 30 September 2018 and 31 December 2017 are set out below:

	Ageing	30.09.2018 RMB'000	31.12.2017 RMB'000
Trade receivables <sup>(1)</sup>	Less than 1 year	25,653	19,260
Gross amounts due from customers for contract work <sup>(2)</sup>	Less than 1 year	17,309	16,861
Due from associates <sup>(3)</sup>	Less than 1 year	182,088	304,507
Due from non-controlling shareholder <sup>(4)</sup>	Repayable on demand	103	158
Other receivables			
- Prepayments <sup>(5)</sup>	Less than 1 year	17,671	10,339
- Refundable deposits <sup>(6)</sup>	Less than 1 year	30,000	-
- Other deposits <sup>(7)</sup>	Less than 1 year	199	297
<b>Total</b>		<b>273,023</b>	<b>351,422</b>

- (1) The major customer is Tianjin Zhongda Enashe water Limited (天津中大恩那社水务有限公司). included in trade receivables is note receivables of RMB10.32 million, which represents banker's acceptance bill;
- (2) The major customer is Beijing Land Reserve Center Mentougou Branch (北京市土地储备中心门头沟分中心).
- (3) Included in initial shareholder's loans of RMB121 million, which are due from the KYWJ Group, are unsecured, interest-free and repayable on demand, are managed as a part of the capital invested in the KYWJ Group by the Company.
- (4) Receivables due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.
- (5) The prepayments include, *inter alia*, prepaid expenses for rental, land development projects, and construction material in relation to water pipelines.
- (6) The refundable deposits will be repaid by Baoding Zhongshang Real Estate Development Limited (保定市中尚房地产开发有限公司), as the Company had given up its rights to cooperate with a property investment project to invest in the Xiongan New District (雄安新区).
- (7) Other deposits include, *inter alia*, refundable rental deposits and electric deposits.

d. The increase of trade receivables of RMB6.39 million is related to the revenue of RMB21.20 million for 3 months ended 30 September 2018, except which, other receivables is not related to the revenues;

e. By end of Q3 2018, the Company's main segment operation is water supply, the Company offers 3 months credit term to the main industrial customers, other users have to make advanced payment, or the water supply is not available.

#### **SGX Query 4**

4. The Company disclosed on 19 September 2018 that it is still in discussion with the relevant government agencies in Yichang City and Yiling District in relation to reapplication of the award and has not served notice to CRTGL on claim of damage. Please provide update on the current status and whether there is a long stop date before the Board will take further action on the claim against CRTGL for the losses suffered.

#### **Company's Response**

The Company, through its associate company, Yichang Property Development Co., is still in discussion with the relevant government agencies in Yichang City and Yiling District, in relation to the re-application of the award as stipulated in the original Cooperation Agreement, and has therefore not served notice to CRTGL on the possible claim of damages in relation to the Settlement Agreement. The Company will provide an update when there is any development in relation to the award and any claim of damages to CRTGL.

#### **SGX Query 5**

5. In relation to the repayment of loans to CIHL (Tianjian) City Development Limited from an associated company, please provide details of the terms and tenure of these loans.

#### **Company's Response**

The associated company is the KYWJ group, the short term loans repaid from the KYWJ group is unsecured, carries an annual interest rate of 8% and is repayable less than 1 year.

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

**Shan Chang**  
**Chairman**  
26 November 2018