



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)

RESPONSE TO SGX QUERIES ON THE FULL YEAR RESULTS FOR PERIOD ENDED 31 DECEMBER 2020

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 for period ended 31 December 2020 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 26 February 2021. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 3 March 2021:-

SGX Query 1

We note that the KYWJ Group reported profits of RMB80 million for FY2020. To disclose whether any distributions have been declared and when will it be paid to the Company. If none, please explain why.

Company’s Response

No distributions have been declared for FY2020. The Company intends to discuss this matter with the controlling shareholder of the KYWJ Group at the next shareholders’ meeting.

SGX Query 2

Please explain why interest income amounted to only RMB 902,000 during the financial period ended 31 December 2020 when the KYWJ Group has significant cash and bank balance amounting to RMB127 million.

Company’s Response

For the People’s Bank of China, the interest rates on RMB savings account in FY2020 are as below:

PRC RMB Interest Rates on Savings Account (FY2020)

Maturity	Overnight	3 Months	6 Months	1 year
Interest rate (%)	0.35	1.1	1.30	1.50

Interest income of RMB902,000 against average cash and bank balances of RMB147.65 million recorded in FY2020 of the Group works out to about 0.61%, which is generally in line with the range above.

SGX Query 3

The KYWJ Group reported trade and other receivables amounting to RMB474.2 million as at 31 December 2020. Please disclose:

- (i) a breakdown and aging of the Group's trade receivables;
- (ii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;
- (iii) whether they are major customer(s) and whether the Company continues to transact with these customer(s);
- (iv) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and
- (v) what were the actions taken to recover the trade and other receivables and the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response

(i) to (iii): The breakdown of the KYWJ Group's Trade and Other Receivables on 31 December 2020 and 31 December 2019 is as below:

	31.12.2020 RMB'000	31.12.2019 RMB'000
Other current assets ⁽¹⁾	27,028	21,266
Prepayments, deposits and other receivables ⁽²⁾	21,992	8,866
Due from non-controlling shareholder ⁽³⁾	1,992	1,992
Due from controlling shareholder ⁽⁴⁾	423,191	534,226
	<u>474,203</u>	<u>566,350</u>

(1): Other current assets represent the incremental costs of obtaining the pre-sales contracts with customers, for example, sales commission. These costs will only be recognised as sales expenses in the income statement when the corresponding pre-sales are recognised as revenue.

(2): Prepayments, deposits and other receivables include, inter alia, prepaid construction costs in relation to property development, refundable security fund deposits and labour inspection deposits.

(3): Amount due from non-controlling shareholder refers to the CIHL Group, and is repayable on demand.

(4): Amount due from controlling shareholder, Beijing Hongkunweiye Property Co. Ltd ("Hongkun"), and is repayable on demand.

(iv) - (v) The Risk Management Committee has reviewed the position of KYWJ's receivables and is of the view that Hongkun remains capable of repaying balances due to the KYWJ Group. It will, however, continue to monitor the situation, and the Company's management will also explore and discuss with Hongkun's management on possible ways to minimise these balances.

SGX Query 4

Please disclose a breakdown of trade and other payables/other payables amounting to RMB172.7 million as at 31 December 2020. For other payables, please disclose the identity of the counterparties, the aging and nature of these other payables.

Company's Response

A breakdown of the "Trade and other payables" as at 31 December 2020 is as below:

	31.12.2020
	RMB'000
Trade payables	47,740
Accruals	13,032
Other payables	
- related parties ⁽¹⁾	1,992
- non-controlling shareholders of subsidiaries ⁽²⁾	18,011
Receipt in advance from	
- Supply of gray water	2,021
- Construction of water pipeline	89,879
Total	172,675

(1) The related company refers to the KYWJ Group, and the amount due is repayable on demand.

(2) The non-controlling shareholder is 天津滨海新区建设投资集团有限公司, and the amount due is in respect of initial shareholder's loans, which are interest-free and repayable on demand. These are managed as a part of the shareholders' capital invested in a subsidiary of the Group.

SGX Query 5

Please provide the reason for the significant borrowings of RMB59.4 million by the Group when the Group recorded a cash and cash equivalent of RMB127.6 million as at 31 December 2020.

Company's Response

The borrowings of RMB59.4 million as at 31 December 2020 represent remaining balances of long term borrowings (of 6 years duration), which the Group had entered into during the financial year ended 31 December 2019. These borrowings are an important resource of the Group to mitigate against any risk of a shortage of liquid funds over one year.

SGX Query 6

Trade receivables and other receivables as at 31 December 2020 amounted to RMB208.13 million. This amounts to 132% of the Group's revenue of RMB158.2 million for the period ended 31 December 2020. Please disclose:

- (i) in relation to "other receivables" outstanding as at 31 December 2020, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- (ii) the ageing profile of the Group's trade and other receivables/trade receivables in bands of 3 months with upper limit clearly disclosed;

- (iii) whether any of these outstanding amounts are owing from related parties. If yes, to provide details and quantify;
- (iv) whether these trade and other debtors are still in operation; and
- (v) the Board's assessment on the recoverability of the Group's trade and other receivables/trade receivables, and the basis for such an assessment.

Company's Response

(i) to (iv) A breakdown of the Group's Trade and Other Receivables on 31 December 2020 and 31 December 2019 is as below:

	Aging	31.12.2020 RMB'000	31.12.2019 RMB'000
Trade receivables ⁽¹⁾	Less than 1 year	122,773	71,504
Due from associates ⁽²⁾	Repayable on demand	72,190	72,145
Due from a non-controlling shareholder ⁽³⁾	Repayable on demand	87	197
Other receivables			
- Prepayments ⁽⁴⁾	Less than 1 year	13,002	7,954
- Refundable deposits	More than 1 year	-	30,000
- Other deposits ⁽⁵⁾	Less than 1 year	73	67
Total		208,125	181,867

(1): Included in trade receivables is an amount of RMB94.15 million due from government bodies which arise from the sales of water purification for the Xinhe project (新河污水处理及再生水厂项目).

(2): These are due from associates, the KYWJ Group (including Yichang Xinshougang). They are unsecured and repayable on demand. Included under due from associates is an initial shareholder loan of RMB121 million to be used for the KYWJ Group's working capital purposes.

(3): The amount due from a non-controlling shareholder is unsecured, interest-free and is repayable on demand.

(4): The prepayments include, *inter alia*, prepaid expenses for VAT and construction materials in relation to water pipelines.

(5): Other deposits include, *inter alia*, refundable rental deposits and electricity deposits.

(v) Trade receivables of RMB122.77 million are mainly due from local government entities. There has been no history of default from such entities. As such, management is confident of the collectability of the remaining receivables and do not expect any credit loss is required as at year end.

SGX Query 7

It is noted that the Company has a net cash outflow from operating activities of RMB24.3 million (from a net operating cash inflow of RMB71.6 million in FY2019) and a net profit of RMB65.9 mil for the financial period ended 31 December 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial period.

Company's Response

As disclosed on the announcement, the outbreak of COVID-19 had caused significant disruptions to the movement of people, goods and services throughout China in 2020. It had also resulted in disruptions to government activity, including to the payment management processes of government entities. As such, revenue on wastewater treatment services provided to the government (which were recognised in FY2020) had not been received in full by the end of FY2020, resulting in a net cash outflow position from operating activities in FY2020.

SGX Query 8

There was no announcement made by the Company on 21 Aug 2020 in relation to the disclosure made on page 14 of the Unaudited FY2020 Financial Statements. Please provide:

- (i) details of the active discussions with the project owner in relation to the deposit of RMB 30 million and why this remains unpaid;
- (ii) identity of the project owner, whether it is still in operations and the size of its operations and financial ability to repay the Company, its date and country of incorporation and principle business, whether it is related to the Company, its former or present directors, substantial shareholders or management;
- (iii) elaborate on the circumstances which gave rise to the Company placing a deposit of RMB30 million;
- (iv) to disclose details on the development properties which the project owner is looking to repay the Company with and whether there would be any valuation commissioned to justify for the valuation of RMB30 million; and
- (v) to explain why did the company not choose to receive a refund of RMB30 million cash instead.

Company's Response

- (i) The Company had discussed with the said project owner, Baoding Zhongshang Real Estate Development Limited (“保定市尚房地产开发有限公司”, “Baoding Zhongshang”) the return of the deposit of RMB30 million on several occasions between 30 June 2020 to 14 December 2020. Management had also inspected the development properties and assessed its sales, payment ability and payment proceeds, as well as the project owner's contingent liabilities position.
- (ii) Baoding Zhongshang was registered and established in Baoding, Hebei Province on June 1, 2011 with a registered capital of RMB200 million. Its core business is in real estate development and management. Its main project is 中尚·泊心湾 (“the project”), which covers a land area of 40,239 square meters and a construction area of 113,871 square meters. The building plan of the project includes ordinary residential, commercial and affordable housing. Save for deposit equity of the Group, none of the directors, management or controlling shareholders of the Group has any interest, direct or indirect, in Baoding Zhongshang.
- (iii) The Group had formed a consortium in 2018 to bid for a piece of land which is now developed by Baoding Zhongshang. Baoding Zhongshang succeeded in securing the project but at a price higher than that what the Group had agreed. The Group therefore requested to withdraw from the project. Baoding Zhongshang agreed to repay the RMB30 million deposit but had not been able to make the repayments due to its internal cashflow problems.

- (iv) The development properties comprise 17 units with a total floor area of approximately 2,425 square meters. The valuation of these units is as per the sales price transacted on or before 14 December 2020.
- (v) The Group reserved the rights to collect the receivables before the development properties are to be completed. Meanwhile the Group has opted to take over the development properties after a careful consideration of the following factors: (a) Baoding Zhongshang had defaulted more than once on its promise to repay the Group in 2020; (b) Baoding Zhongshang has other general and trade creditors with whom the Group has no priority over. The Group believes that it is now in a better position to recover RMB30 million deposit in full.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman
8 March 2021