



# 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)

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## RESPONSE TO SGX QUERIES ON THE HALF YEAR RESULTS FOR PERIOD ENDED 30 JUNE 2021

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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 half year results for period ended 30 June 2021 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 13 August 2021. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 20 August 2021:-

### SGX Query 1

Please provide a breakdown of the administrative and other operating expenses incurred for 1H 2021. To explain the reasons for the specific expenses that resulted in the material increase in these expenses despite a lower revenue recorded for 1H 2021.

### Company’s Response

(i) A breakdown of administrative expenses for the Group is as follow:

	6 months ended		Increase / (decrease) RMB'000'
	30.06.2021 RMB'000'	30.06.2020 RMB'000'	
Expenses of share options and share awards <sup>(1)</sup>	2,103	-	2,103
Directors’ remuneration <sup>(2)</sup>	1,578	1,300	278
Others <sup>(3)</sup>	3,517	3,603	(86)
	<u>7,198</u>	<u>4,903</u>	<u>2,295</u>

(1) Expenses of share options and share awards for 1H 2021 of RMB2.10 million represent expenses recognised in vesting periods for share options and share awards granted on 3 July 2020 and 31 May 2021 pursuant to the CIHL Employee Share Option Scheme and the CIHL Performance Share Plan.

(2) The increase in directors’ remuneration of RMB278,000 in 1H 2021 was mainly due to bonus paid to executive directors for their contributions to the Group’s performance.

(3) Others comprise of audit expenses, professional service expenses and other executive expenses.

(ii) A breakdown of other operating expenses for the Group is as follow:

	6 months ended		Increase / (decrease) RMB'000'
	30.06.2021	30.06.2020	
	RMB'000'	RMB'000'	
Legal and professional expenses <sup>(1)</sup>	2,751	569	2,182
Others <sup>(2)</sup>	8,453	9,040	(587)
	<u>11,204</u>	<u>9,609</u>	<u>1,595</u>

(1) Additional costs were incurred to undertake certain environmental project research relating to the group's water supply business in Tianjin.

(2) Others expenses comprise depreciation of buildings, staff costs, management expenses and office expenses.

## **SGX Query 2**

On 1 June 2017, the Company completed the disposal of its 5% equity interest and debt interest in Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries (the "KYWJ Group"), which resulted in a loss of control in the KYWJ Group. Even though the Group has lost its control in the KYWJ Group, it still remains a significant influence by virtue of its remaining 50% equity interest and its board representation on the KYWJ Group. The Group has deconsolidated the KYWJ Group and reclassified the investment as associates, which would be accounted for using the equity method. Please explain why the Company had omitted disclosure of the financial performance of KYWJ Group. Please disclose accordingly.

## **Company's Response**

(i) The summary results of the KYWJ Group for 1H 2021 and 1H 2020 are as follow:

	6 months ended		Increase / (decrease) %
	30.06.2021 RMB'000	30.06.2020 RMB'000	
Revenue *	668,937	34,022	1,866.2
Cost of sales and services provided *	<u>(603,232)</u>	<u>(30,809)</u>	1,858.0
Gross profit	65,705	3,213	1,945.0
Other income - net	832	318	161.6
Other operating expenses	(5,698)	(6,342)	(10.2)
Selling and marketing expenses *	<u>(19,552)</u>	<u>(3,716)</u>	426.2
Profit / (loss) before income tax	41,287	(6,527)	732.6
Income tax (expenses) / credit	<u>(17,134)</u>	<u>1,211</u>	1,514.9
Profit / (loss) for the financial period	<u>24,153</u>	<u>(5,316)</u>	554.3

\* On 20 January 2021, the KYWJ Group completed the development properties of "new" Phase 3-2. Accordingly, cumulative pre-sales of RMB635.37 million for the "new" Phase 3-2 and their related costs were re-classified from receipt in advance and property for development in the balance sheet to revenue and cost respectively in the income statements on 20 January 2021. This mainly resulted in the loss of RMB5.32 million in 1H 2020 to a profit of RMB24.15 million in 1H 2021.

(ii) Statement of Financial Position as at 30 June 2021 for the KYWJ Group is as follows:

	30.06.2021 RMB'000	31.12.2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,842	5,077
	<u>4,842</u>	<u>5,077</u>
CURRENT ASSETS		
Property for development	730,890	1,190,097
Trade and other receivables	427,433	474,203
Cash and bank balances	71,559	127,039
	<u>1,229,882</u>	<u>1,791,339</u>
CURRENT LIABILITIES		
Borrowing	2,875	2,875
Trade and other payables	875,046	1,463,545
Tax payables	37,343	26,762
	<u>915,264</u>	<u>1,493,182</u>
Net Current Assets	<u>314,618</u>	<u>298,157</u>
Total assets less current liabilities	<u>319,460</u>	<u>303,234</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	18,784	26,710
	<u>18,784</u>	<u>26,710</u>
Net Assets	<u>300,676</u>	<u>276,524</u>
Equity		
Share capital	4,444	4,444
Reserves	140,817	140,817
Accumulated profit	155,415	131,263
	<u>300,676</u>	<u>276,524</u>

(iii) The development properties in the Yichang Project comprise of units in completed Phase 1, Phase 2, "new" Phase 3 (formerly named Phases 3 and 4) and Service Apartments ("SA"):

a. The total saleable area for the Phase 1, Phase 2, "new" Phase 3-1, "new" Phase 3-2, "new" Phase 3-3 and SA is approximately 584,698 square meters. As at 30 June 2021, the take-up rates for Phase 1-1, Phase 1-2, Phase 1-3, Phase 2, "new" Phase 3-1, "new" Phase 3-2, "new" Phase 3-3 and SA are 95.05%, 100%, 91.26%, 93.44%, 96.78%, 98.84%, 49.11% and 36.57% respectively.

b. Cumulative revenue recognised in the income statement up to the current period is approximately RMB3,402 million. Cumulative sales and pre-sales amounted to approximately RMB3,780 million, of which approximately RMB378 million recognised as pre-sales revenue will only be recognised in the income statement in a later period upon completion.

c. The "new" Phase 3-1 was completed during Q3 2020 and the "new" Phase 3-2 was completed in January 2021. The "new" Phases 3-3 and SA are still in the process of construction, with 35% and 30% of work remaining to be completed respectively. The KYWJ Group expects to complete the development of "new" Phases 3-3 and SA by Q2 of 2022.

### **SGX Query 3**

Revenue for 1H2021 amounted to only RMB82.1 million whereas trade and other receivables amounted to RMB206.7 million as at 30 June 2021.

- a. Please provide a breakdown of trade and other receivables and an aging analysis in bands of 3 months of the trade and other receivables, indicating also the financial year in which these debts were incurred.
- b. Please explain the reasons for the significant balances of RMB206.7 million, which exceeds 1H2021 revenue of RMB82.1 million.
- c. Please disclose the nature and details of the underlying transactions for “other receivables”, and provide the reasons for the significant balances where applicable.
- d. Please disclose the Company’s credit and collection policies and what the Board of Directors has done to ensure that sales to customers are collectible and whether the Company is still doing business with these customers who have outstanding debts to the Company.

### **Company’s Response**

a. to c.: A breakdown of the Group’s Trade and Other Receivables on 30 June 2021 and 31 December 2020 are as follow:

		30.06.2021	31.12.2020
		RMB’000	RMB’000
Aging			
Trade receivables			
- Contract assets <sup>(1)</sup>	Not applicable	111,179	94,154
- Other trade receivables <sup>(2)</sup>	Less than 1 year	25,181	26,092
Due from associates <sup>(3)</sup>	Repayable on demand	49,190	72,190
Due from non-controlling shareholder <sup>(4)</sup>	Repayable on demand	45	87
Other receivables			
- Prepayments <sup>(5)</sup>	Less than 1 year	17,484	13,002
- Other deposits <sup>(6)</sup>	Less than 1 year	3,651	2,600
<b>Total</b>		<b>206,730</b>	<b>208,125</b>

(1) Contract assets increased from RMB94.15 million as at 31 December 2020 to RMB111.18 million as at 30 June 2021, mainly from higher amounts due from government bodies in respect of the wastewater treatment services provided by CIHL (Tianjin) Water Development Company Limited. As disclosed on 13 August 2021, management believes that the amounts past due are collectible based on historical payment behaviour and our assessment of the credit-worthiness of the customers.

(2) Included in trade receivables on 30 June 2021 are bill receivables of RMB10.15 million which represent banker’s acceptance bills.

(3) Due from associates, refers to the KYWJ Group (including Yichang Xinshougang), is unsecured and repayable on demand. There was a decrease of RMB23 million in 1H 2021 as the KYWJ Group repaid certain outstanding sums.

(4) Receivables due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(5) The prepayments include prepaid expenses for VAT and construction materials in relation to water pipelines.

(6) Other deposits include refundable rental deposits and electricity deposits.

d: The Group's practice has been to collect advances from its customers before commencement of work. In instances where advances have not been collected from the customer, typically up to 90 days credit terms are offered. The group seeks to maintain strict control over its outstanding receivables through regular reviews on overdue balances by reference to the Group's historical observed default rates, customers' ability to pay adjusted with forward-looking information in estimating the expected credit loss of each class of financial assets. All trade and other receivables disclosed above are assessed to remain collectible, based on historical payment behaviors and the assessed credit-worthiness of the customers.

#### **SGX Query 4**

Please provide the reasons for the significant trade and other payables of RMB142.2 million when the Group recorded a cash and cash equivalent of RMB110.5 million as at 30 June 2021. Please also disclose the aging schedule of these trade and other payables in bands of 3 months and also the financial year in which these liabilities were incurred. In relation to other payables, to quantify and disclose the nature of the underlying transactions under which these payables arose.

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

A breakdown of the "Trade and other payables" as at 30 June 2021 is as follow:

	<b>30.06.2021</b>
	<b>RMB'000</b>
Trade payables	33,930
Accruals	9,228
Other payables	
- related parties <sup>(1)</sup>	1,992
- non-controlling shareholders of subsidiaries <sup>(2)</sup>	18,011
Receipt in advance from	
- Supply of gray water	717
- Construction of water pipeline	78,287
<b>Total</b>	<b>142,165</b>

(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 loan, which are interest-free and repayable on demand.

#### **SGX Query 5**

The Company's contract assets increased to RMB111.18 million from RMB94.15 million as at 30 June 2021, please provide details of the underlying projects which gave rise to the contract assets and the period of these contracts.

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

As disclosed on 13 August 2021, contract assets increased to RMB111.18 million from RMB94.15 million on 31 December 2020 mainly in the form of balances derived from revenue from wastewater treatment services and income from temporary water treatment services (before 1 January 2020). Contract assets will be transferred to trade receivables when the relevant government entity completes its payment management processes and the right to consideration in exchange for services the Group has performed for the customer became unconditional.

#### **SGX Query 6**

Share of profit from associated companies in 1H 2021 was RMB12.08 million compared to a loss of RMB2.66 million recorded in 1H 2020 where the profit was attributed to the KYWJ Group. Please disclose reason and factors that resulted in the change in loss of RMB2.66 million to the profit of RMB12.08 million attributable to the KYWJ Group.

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

Please refer to the response provided in Query 2.

#### **SGX Query 7**

The Group has commenced on Lingang Project which is an expansion project to provide re-pressurize water from Tianjin Water's pipeline network for supply to local users. Please elaborate how significant will be the increase in service capacity upon completion of Lingang Project.

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

The increase in service capacity arising from Lingang Project will be reflected by the following:

- (i) New capacity in producing high quality water of 10,000 tons per day, which is different from our current treated and reclaimed water;
- (ii) The Linggang area is more than 30 kilometres away from our water plant. With completion of the the Lingang Project works, the pressure of water supply in the pipeline network in this area will increase from nearly 0 Megapascal at present to 0.3 Megapascal.

#### **SGX Query 8**

The Group has made full impairment in relation to the Liuhe Gold project in Q4 FY2015 and has not dispose of the investment till today. Please disclose the efforts undertaken to-date in seeking for opportunity to dispose of the Liuhe Gold project and the monthly expenses incurred for the maintenance of the project.

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

Liuhe is still in dispute with certain suppliers/creditors and it is impossible to identify any buyers who can take over the project at this juncture. The project will meanwhile remain under care.

#### **SGX Query 9**

The Company disclosed that it worked with local partners in Papua New Guinea and secured a new exploration license covering and plans to bring in new partners to advance the Group's project in Papua New Guinea which has been fully impaired since Q4 FY2015. Please provide further details on the exploration license and the identities of the local partners whom the Company is working with. Please disclose when the Company will commence exploration works and the project milestone.

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

The newly license PPL 666 covers roughly the same areas of interests covered by PPL 294, which expired in 2020. The Company needs to bring in a new partner who has both financial resources as

well as petroleum industry expertise to help advance this project. This effort is still ongoing, albeit at a slower pace in view of the COVID-19 situation. We are not able to confirm the identity of the local partner at this point in time.

**By Order Of The Board**  
**China International Holdings Limited**

Shan Chang  
Chairman  
24 August 2021