



RESPONSE TO SGX QUERIES ON THE DISPOSAL OF 50% INTEREST IN BEIJING KAIYUAN WANJIA MANAGEMENT CONSULTING COMPANY LIMITED

The Board of Directors of China International Holdings Limited (the “Company”), and together with its subsidiaries (the “Group”), refers to the Company’s announcements in relation to the disposal of 50% interests (“Proposed Disposal”) in Beijing Kaiyuanwanjia Management Consulting Company Limited (“Target Company”) released to Singapore Exchange Securities Trading Limited (“SGX-ST”) on 21 December 2022, 27 December 2022 and 3 January 2023. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 4 January 2023:

SGX Query 1

In the Company’s response to Query 1(a) in its announcement on 3 January 2023, the Company noted that of the RMB 124.79 million due from the KYWJ Group, RMB 107.5 million has been repaid. However, RMB 97 million was repaid in the form of the Company’s share of interest in the company holding Exhibition Assets, Hubei Huike International Exhibition Service Co., Ltd (“Huike”). Please disclose the following:

- a) Details of the paid-up capital of Huike, details of the ultimate individual shareholders of Beijing Mengqi Information Consulting Co., Ltd (“Beijing Mengqi”), which holds the other 50% interest in Huike, the value of investment in Huike to-date by the ultimate shareholders of Beijing Mengqi and the valuation of Huike at the dates of their investment;
- b) The background of when and how much KYWJ Group invested in the 50% interest in Huike which was used for the repayment of loan from the Company to KYWJ Group;
- c) Whose names the Company’s shares in Huike are registered, the registered company name of Huike and the details of its incorporation;
- d) The NAV of Huike, the state of Huike’s major real estate assets and the state of development of such assets;
- e) Specific details of the properties owned by Huike, including sizes, age, LUR details, registration details, costs of construction, the current tenants of the properties, the addresses of the properties, conditions of the properties owned by Huike and details of the registered owners of the properties;
- f) How the value of RM 97 million was determined in the repayment and whether a valuation was undertaken in determining such value. To provide details of the valuation report, methodology, valuer(s) and their accreditation, and the name of the professional valuer who had performed the valuation. If no valuation was undertaken, the Board to explain how they had determined the value of the Huike shares which they had received for repayment of amounts owing by KYWJ Group which is represented to be worth RMB 97 million;
- g) The Company’s plans with respect to their holding of shares in Huike, whether and how the shares would be converted to cash, benefits of the Company holding on to the shares in Huike and how the Company would realise the value of RMB 97 million from these shares;
- h) The outlook of Huike, whether there are any loans or borrowings that are due to repayments within the next two years and how these would be financed; and

i) The projects and orderbook of Huike and how these would support the valuation of RMB97 million for the Company's 50% interest in Huike.

Company's Response

a) A statement of the financial position and the paid-up capital as at 5 December 2022 for Huike is as follows:

	5 December 2022
	RMB'000
NON-CURRENT ASSETS	
Investment property - the convention centre	194,000
	<u>194,000</u>
NON-CURRENT LIABILITIES	
Long term payables	
- to the Company	92,000
- to Beijing Mengqi	92,000
	<u>184,000</u>
Net Assets	<u>10,000</u>
Equity	
Paid up capital	
- by the Company	5,000
- by Beijing Mengqi	5,000
	<u>10,000</u>

Beijing Mengqi was established in 2021 in the People's Republic of China with a paid up capital of RMB500,000. From the latest publicly available records, the shareholders of Beijing Mengqi are Hu Yi Ni ("胡懿妮") and Chen Shan ("陈珊"), holding a 70% interest and 30% interest respectively. We understand that both of them are nominees of Beijing HongkunWeiye Property Development Co. Ltd ("Hongkun").

The value of investments in Huike from its shareholders to-date is set out below:

	The value of investment		
	The Company	Beijing Mengqi	Total
	RMB'000	RMB'000	RMB'000
Share Capital	5,000	5,000	10,000
Long term debt investment	92,000	92,000	184,000
Total investment	<u>97,000</u>	<u>97,000</u>	<u>194,000</u>

The valuation of Huike, in terms of debt and equity is therefore RMB194 million, equal to the value of the Exhibition of Assets injected.

b) and c) Huike was established on 8 September 2022 in the People's Republic of China with an authorised capital of RMB10,000,000. The shareholders of Huike are CIHL (Tianjin) City Development Limited (“天津新中城市实业发展有限公司”), a wholly-owned subsidiary of the Company, who holds a 50% interest in Huike, and Beijing Mengqi, who holds the remaining 50% interest. The registered company name of Huike is Hubei Huike International Exhibition Service Co., Ltd (“湖北会科国际展览服务有限公司”). The Board of Directors of Huike comprises of 3 members, two of whom are nominated by the Company.

Huike was set up as a special purpose vehicle for the Group to hold its 50% interest in the convention centre, through the following steps:

Step 1: The KYWJ Group made cumulative repayments amounting to RMB194 million to its two shareholders in October 2022. The Company and Hongkun received RMB97 million each. The purpose of the repayment of the RMB97 million was meant to be re-injected to enable the shareholders to acquire a 50% interest each in Huike.

Step 2: The Company injected the said RMB97 million into Huike through its wholly-owned subsidiary, CIHL (Tianjin) City Development Limited (“天津新中城市实业发展有限公司”). Hongkun did the same on behalf of Beijing Mengqi.

Step 3: Huike deployed the funds from the capital injection to purchase the Exhibition Assets from the KYWJ Group valued at RMB194 million.

The above repayments, funds injection and settlement of the purchase price for the Exhibition Assets were completed before 19 October 2022. The purpose of this process was to enable the transfer of ownership of the Exhibition of Assets from KYWJ Group to its two shareholders via the special purpose vehicle (Huike).

d) Please refer to our reply to Query 1a for the NAV of Huike. Please refer to our reply to Query 1e below for the state of Huike's real estate assets and the state of its development.

e) As at 5 December 2022, the only asset owned by Huike are the Exhibition Assets (which is the convention centre), located at Meiziya Reservoir Block on the Development Road of Yiling District, Yichang City. The useable land area is 12,972.16 square meters and is for a lease period till 28 December 2046. The total building area is 61,576.24 square meters with a plot ratio of 1.6, with 4 floors above ground and 2 floors underground. From the KYWJ Group's records, as of 30 September 2022, the total construction cost of Exhibition Assets is approximately RMB316 million.

The title of the Exhibition Assets has not yet been transferred to Huike and Huike has not commenced operations. The property has not been leased out. The main construction works of the Exhibition Assets has been completed and has been certified by the government authorities. The transfer of title from the developer to Huike is expected to take between 6-12 months.

f) As stated in this Response 1 b), the Company's interests in Huike comprise share capital of RMB5 million and a debt investment of RMB92 million via its injection, which is equivalent to 50% of the value of the Exhibition Assets.

The purchase price of the Exhibition Assets at RMB194 million was agreed to by both parties based on a valuation performed by Hubei Huarui Assets Real Estate Appraisal Co., Ltd ("Huari") as set out in its report dated 30 June 2022. Huari holds a real estate price appraisal agency qualification certificate approved by the Yichang Housing and Urban-Rural Development Bureau with the number of "E Jianfang Appraisal Certificate No. 32". Huari's valuation was conducted by employing one or more of the following valuation approaches, where applicable, the Cost-Based Approach, and the Income-Based Approach.

g) The shareholders of the Huike will discuss the business plan of the Exhibition Assets with the local government. The Company does not foresee any significant activities to take place in the near future. The Company is open to any options as regard the Exhibition Assets, whether to monetize its investment in Huike through a trade sale or to operate the Exhibition Assets as a profitable business.

h) Huike is currently funded by shareholders' equity and loans (please refer to the reply to Query 1a above). The shareholders' loans in Huike were agreed to be managed as capital investment, are interest free and are repayable on demand.

Huike has no immediate repayment requirements. Any future funding requirements will depend on the business plan which has yet to be finalized. We expect that the future funding may come from shareholders as well as external sources.

i) Save and except for the Exhibition Assets, Huike does not have any other projects. Huike does not have any order book. The valuation of the Company's 50% interest in Huike was solely based on the valuation of the Exhibition Assets, being its only asset.

SGX Query 2

With reference to the loan repayment in kind to the Company by KYWJ Group as broken down in the Company's response on 3 January 2023, please provide the following details:

a) The exact locations, size and occupancy rate of the RMB 10.2 million worth of 307 parking spaces and 6 store units, the revenue and profits generated from these in the past two years, whether the 6 store units are tenanted and the rentals have been collectible to-date;

b) The names of the properties, the dates of completion, the exact location, type, number and size of units and occupancy rates of the completed property units transferred to the Group worth RMB 48.8 million. Please also disclose the date of completion of the projects, the take-up rates of the project to-date, whether the completed properties are tenanted and whether the rentals have been collectible to-date;

c) The names of the professional(s) and valuation firm(s) of all the assets transferred to the Group and whether the market valuation is in line with the amount of repayment represented. If no valuation was undertaken, please disclose how the Board is satisfied that the valuation of the assets received as repayment for the significant loans is non-prejudicial to the interests of the Company and its shareholders as a whole;

d) Please disclose if the registered ownership of all of the 307 parking spaces, 6 store units and the completed properties have been transferred to the name of the Company. Otherwise, please disclose when these would be transferred and how the Company intends to exercise ownership over these assets and its intention with regards to these assets; and

e) Whether the directors and its substantial shareholders have any interests (direct or indirect) in the transactions and repayments from KYWJ Group to the Company. If so, please disclose details accordingly.

Company's Response

a) The 307 parking spaces and the 6 store units are properties from the KYWJ Group's property development project in Yichang. Details of the 307 parking spaces and 6 store units are as follows:

No.	Location	Quantity	Size M ²	Amount RMB'000
1	Underground parking spaces of Hongkun Huayu phases III, No.2 Group, Yiling District, Yichang City.	170	#	4,250
2	Underground parking spaces of Group 8, Guobin Phase 2, Yiling District, Yichang City	66	#	1,320
3	Underground parking spaces of Guobin phases 1-3, Yiling District, Yichang City	71	#	1,065
		307		6,635
4	Guobin phases 1-3 store units, Yiling District, Yichang City	6	718.94	3,595
				10,230

The floor area of a parking space is approximately 12.5 square metres.

The parking spaces and store units are currently vacant. No revenue has been generated therefrom in the past 2 years. The Company will make plans to monetise the parking spaces and store units with an aim to exit in the next two years or so.

b) The 7 properties are from the KYWJ Group's property development project in Yichang. Details of these properties are as follows:

No.	Location	Date of Completion	Type	Quantity	Size M ²	Amount RMB'000
1	"New" Phase 3-3, Hongkun Huayu Phases, Yiling District, Yichang City	31.08.2022	Townhouse (双拼别墅)	2	510.68	14,000
2	"New" Phase 3-3, Hongkun Huayu Phases, Yiling District, Yichang City	31.08.2022	Townhouse (联排别墅)	4	731.19	9,764
3	"New" Phase 3-3, Hongkun Huayu Phases, Yiling District, Yichang City	31.08.2022	Sales Office	1	1085.00	25,000
				7	2,326.87	48,764

c) No independent valuation was undertaken. The valuations of the other transferred properties were determined based on the developer's catalog prices, recently transacted prices, and appropriate discounts on group sales etc. These were agreed to after arm's length negotiations undertaken between Hongkun and the Company.

d) The 307 parking spaces, 6 store units and the completed properties are at different stages of title transfer. At present, Yiling District does not issue titles on parking spaces, and ownership of parking space is based on the sales and purchase agreement with the developers. The transfer agreement on the 6 store units have been signed, and the developer and the Company are working with Yiling District on transferring title to the store units. At this point we are unable to project when the transfer process in respect of the store units will likely be completed. The sales and purchase agreements for the 7 other transferred properties have been signed and application for the transfer of title is in process and is expected to take place in 2023.

e) None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the transactions and repayments from KYWJ Group to the Company (other than through their shareholding in the Company).

SGX Query 3

Please disclose when the provision of loss of RMB 22.18 million was made by the Company and the reason for the provision being made.

Company's Response

As disclosed in the Annual Report for the financial year ended 31 December 2021 and subsequent announcements, the provision of loss of RMB22.18 million was made by the Company at the end of the financial year ended 31 December 2021. The Company had assessed that the credit risk of the KYWJ Group had risen after taking into account the KYWJ Group's financial performance. The net tangible asset value shown in KYWJ Group was approximately negative net assets of RMB44.35 million at 31 December 2021.

SGX Query 4

We note that the Company was asked to disclose a breakdown of the total value of investment and loans to-date in the KYWJ Group by the Company. In its response on 3 January 2023, the Company provided the breakdown of its investment cost in the KYWJ Group following the disposal of its 5% equity interest on 1 June 2017.

- a) Please disclose the value of investment in the KYWJ Group prior to 1 June 2017;
- b) Please explain why the Board is of view that the Group had not invested any amount in the KYWJ Group since its investment in KYWJ Group prior to 2017 and to-date, including the extension of loans of only RMB 17.29 million; and
- c) Please also confirm the Board's representation that the Group had never invested any funds or paid any amount for its shares in KYWJ Group to-date, as noted in its response on 3 January 2023, is not false and misleading. If so, please explain how the Company obtained its shares in the KYWJ Group without making any investments in the KYWJ Group to-date for those shares. Otherwise, please disclose how much the Company has injected into the KYWJ Group to-date.

Company's Response

a) to c) To clarify, the Group had only invested funds in the KYWJ Group for the period between the acquisition of 55% interest in 2013 and the disposal of 5% in 2017, as the Group during that time was responsible for the funding and operation of the KYWJ Group. Since the disposal of 5% in 2017, Hongkun has taken over the responsibility for the funding and operation of the KYWJ Group and accordingly, the Group has since not made any further investments into the KYWJ Group.

We would like to also clarify that our response to Query 3(a) in the 3 January 2023 announcement referred to the carrying book value of the Group's investment in the KYWJ Group which is stated as Nil after adjusting for the Group's share of profits and losses and dividends up to 18 December 2022. The loans amount of RMB17.29 million as disclosed in Query 3(a) of the same announcement refers to the remaining amount due to the Company from the KYWJ Group.

A summary of the cash injections and repayments in respect of the Group's investment in the KYWJ Group since September 2013 to date is shown below (note that this table reflects movements relating to only the CIHL Group):

	The Group RMB'000
Initial investment cost for purchasing a 55% interest (including 55% shareholder's loan) in KYWJ on 16 September 2013	(440,100)
Further Funds injected in 2013	(20,000)
Further Funds injected in 2014	(110,500)
Further Funds injected in 2015	(38,800)
Funds repaid in 2016	75,300
Amount realised from the disposal of 5% interest (including 5% shareholder's loan) in 2017	27,000
Funds repaid in 2017	61,900
Funds repaid in 2018	168,980
Funds repaid in 2019	70,180
Funds repaid in 2021	53,000
Total assets transferred to the Company during FY2022	167,000
Consideration for disposal of 50% interest in December 2022	2,000
Net balance	<u>15,960</u>

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman
9 January 2023