



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, 3 January 2023, 9 January 2023 and 12 January 2023. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 13 January 2023:

SGX Query 1

In the Company’s response to SGX query 1(b)(i) posted on 12 January 2023, it stated that “Following the signing of the Asset Acquisition Agreement, parties are attending to the necessary steps and procedures to transfer title and complete the transaction. The Asset Acquisition safeguards Hubei Huike Exhibition Service Co., Ltd (“Huike”)’s rights of ownership to the Exhibition Assets.”

Please elaborate on when the application for the transfer of ownership title was submitted to the relevant authority and the identity of the relevant authority who is currently reviewing and who will approve the transfer of legal title to Huike, the conditions set out in the Asset Acquisition Agreement to safeguard Huike’s ownership of the Exhibition Assets should the transfer of title to Huike be rejected and if the Company has filed a caveat on the Exhibition Assets to safeguard the interest of Huike and the Company.

Company’s Response

The local Real Estate Registration Center of Yiling District, Yichang City (“宜昌市夷陵区自然资源和规划局不动产登记中心”) is the registration authority for the Exhibition Assets. Huike had retained legal advisers from the Beijing Xinnuo Law Firm (“北京市鑫诺律师事务所”) to kick-start the process to effect the transfer of the title. Steps have been taken to file application to put in place a caveat (“资产保全”) on the Exhibition Assets to safeguard the interest of Huike and its shareholders. Huike’s follow-up action has been hampered by the a significant shutdown of government’s non-essential services and Huike’s local staff going on medical leave. In the meantime, Huike and the KYWJ Group, the vendor, has completed the handover of possession of the Exhibition Assets on 16 January 2023. We will make prompt announcement when Huike makes further progress in this regard.

The Company is keen to provide a comprehensive account of the steps it has taken to engage the PRC legal advisers who assisted with the transaction to provide legally correct information and responses to SGX’s queries in relation to the ownership and title of the Exhibition Assets. The Company will share the same with SGX once these are available.

SGX Query 2

In the Company's response to SGX query 1(f) posted on 12 January 2023, it noted that the KYWJ Group made cumulative repayments amounting to RMB 194 million to its two shareholders in October 2022 with CIHL (Tianjing) City Development Limited ("CCDL"), the wholly owned subsidiary of the Company and Beijing Mengqi Information Consulting Company Limited ("Beijing Mengqi", ultimately owned by Hongkun) receiving RMB 97 million each. CCDL then injected the said RMB 97 million into Huike and recorded it as its investment in Huike. In the Company's response to query 1(b) &(c) on 9 January 2023 which disclosed in Step 3 that "Huike deployed the funds from the capital injection to purchase the Exhibition Assets from the KYWJ Group valued at RMB194 million".

SGX Query 2 (a)

Please clarify if the RMB 97 million was repaid from KYWJ Group to CCDL in cash, which was then on-lent to special purpose vehicle Huike. If not, to elaborate how the repayment was made and the form of the repayment.

Company's Response

We confirm that the payments in questions were all in cash.

SGX Query 2 (b)

If so, please explain why Huike holds neither cash nor title of the real estate assets.

Company's Response

Although Huike does not have the title to the Exhibition Assets yet, it owns the Exhibition Assets through the Assets Acquisition Agreement. The Asset Acquisition Agreement included several clauses which describe the transfer of title processes, including but not limited to land use right ("土地使用权"), fixed asset rights ("不动产建筑物产权") and spells out KYWJ's obligations to take instructions from Huike on any decisions to deal with the Exhibition Assets in the event the transfer of title is not successful.

The recent unexpected change of government policy regarding COVID-19 has caused disruptions to government services in many parts of the People's Republic of China ("PRC"). The situation in the PRC has only recently returned to some degree of normality. Huike, assisted by its legal advisers has resumed the work regarding the transfer of title of the Exhibition Assets. As it is approaching the Lunar New Year holiday season, we do not expect to make significant progress until after the public holidays are over.

SGX Query 2 (c)

Please confirm the date on which the RMB 97 million was repaid to CCDL and the identity of the registered bank account holder to whom the RMB 97 million was remitted from and the identity of recipient to which the bank remittance was sent and provide information for a proper understanding if the funds were not remitted from KYWJ's bank account to the bank account of the Company, where applicable.

Company's Response

In summary, before 19 October 2022, a total of RMB 97 million had been paid from KYWJ's banks accounts to the bank accounts of CCGL Group in multiple transfers. The Company proposes that the evidence of the payments including details of the sender and recipient bank accounts be provided to the Company's Auditors for their review and verification instead of disclosing these accounts' details to the public.

SGX Query 2 (d)

We note on page 20 of the Company's 1H2022 Results that KYWJ had cash of RMB 26.7 million and RMB 61.15 million as at 30 June 2022 and 31 December 2021 respectively. In relation to the Company's statement "Huike deployed the funds from the capital injection to purchase the Exhibition Assets from the KYWJ Group valued at RMB 194 million", please elaborate where the funds from capital injection was recorded in KYWJ's financial statements.

Company's Response

The cash payments to the shareholders of KYWJ Group were recorded in KYWJ's book as repayment of debt, and were made in multiple payments amounting to a total of RMB 194 million. The cash payments from Huike to KYWJ Group were recorded as payments for the purchase of the Exhibitions Assets, in accordance with Assets Purchase Agreement, also in multiple payments amounting to a total of RMB 194 million.

SGX Query 3

In the Company's response to SGX query 1(e) posted on 12 January 2023 on the total investment amount into the Exhibition Assets by KYWJ Group, the Company stated that the total construction cost in the KYWJ Group's books to-date is approximately RMB 316 million.

SGX Query 3 (a)

Please explain the reasons for the significant difference in the valuation of the Exhibition Assets currently at RMB 194 million and the RMB 316 million KYWJ Group had invested into the construction of the Exhibition Assets.

Company's Response

The difference between valuation and construction cost arose from significant construction delays and cost overruns for the Exhibition Assets. .

Firstly, the construction work took longer than usual to complete. It started before the Company invested in KYWJ Group in 2013 and were only completed recently, spanning a period of over ten years. The delays were caused by several factors, such as (i) a shortage of funds as this property (convention centre) could not be pre-sold like residential properties; (ii) design modifications that were made throughout the construction process as this was a non-standard building with numerous special features. Each of such modifications led to a further delay.

Secondly, the modifications made resulted in cost overruns. The unique design of the Exhibition Assets required additional materials and construction effort than that for a normal commercial building.

Other factors included the change of management of the KYWJ Group (The KYWJ Group saw three managing shareholders in ten years). Furthermore, two floods occurred at the project site in 2017 and 2018, adding to more delays and further costs.

SGX Query 3 (b)

Please disclose the names of the major contractor(s) who were retained for the construction of the Exhibition Assets and a breakdown of the amounts paid to each major contractor and the type of costs incurred. Please explain how the contractors were selected for the development of the Exhibition Assets and whether any of these contractors have any relationship to any substantial shareholders, current or former directors of KYWJ, the Company or Hongkun, the JV partner in KYWJ.

Company's Response

The contractors for each phase of the whole project are as follows:

Phases	Group	Contractors
Phase I	Group 1	Guangsha Hubei No. 6 Construction Company Limited 广厦湖北第六建设工程有限责任公司
Phase I	Group 2	Shandong Ningjian Construction Group Limited 山东宁建建设集团有限公司
Phase II	—	Shandong Ningjian Construction Group Limited 山东宁建建设集团有限公司
Phase III	Convention Centre Block	Guangsha Hubei No. 6 Construction Company Limited (For foundation work) 广厦湖北第六建设工程有限责任公司 (基础部位)
		Chongqing Huasheng Construction Group Limited (For main structure work) 重庆市华升建筑工程(集团)有限公司 (主体)
		Chongqing Hengtong Construction Group Limited (For second structure work) 重庆恒通建设集团有限公司 (二次结构)
Phase IV	Huayu Group, Modle Block	China Construction First Engineering Bureau Co., LTD 中国建筑第一工程局有限公司
	Huayu, Group 1	China Construction Second Engineering Bureau Co., LTD 中国建筑第二工程局有限公司
	Huayu, Group 2	Hubei Xinmin Construction Group Co. LTD 湖北鑫民建筑集团有限公司
	Huayu, Group 3	Hunan Construction Engineering Group Co. LTD 湖南建工集团有限公司
Phase V	Hotel/Apartment Block	Hunan Construction Engineering Group Co. LTD 湖南建工集团有限公司

The Company will disclose the specific amounts paid to each of the contractors in a separate disclosure as the construction spans over ten years and it will take time to collate the relevant information. The selection of contractors is through public tendering. To the best knowledge of the Directors, the contractors have no relationship with any substantial shareholders, current and former directors of KYWJ, the Company, or Hong Kun.

SGX Query 4

In the Company's response to SGX query 2(e) posted on 12 January 2023, the Company stated that it has been "in constant discussion with the government on business plans for the Exhibition Assets since it first invested into the KYWJ Group". The Company also responded that "Approval for construction from the local government had already been obtained before the Group first invested into the KYWJ Group".

SGX Query 4 (a)

Please elaborate on what was agreed with the local government prior to the construction of the Exhibition Assets, and provide specific details what changes in plans are being currently negotiated with the authorities.

Company's Response

We understand that before construction commenced, the local government was heavily involved in the selection of designs and key building standards of the exhibition and convention centre as it would become a public building in the Yiling District and Yichang City. Being a project of public interest, the operation of the convention centre requires government approval and support. Past and current discussions with the local authorities addressed the proportion of space to be devoted to each category of exhibition, convention and general commercial use, and the amount of government support in terms of subsidies and sponsorships in relation to the designated spaces. These parameters are critical factors in formulating a business plan for the convention centre.

However, these pre-construction discussions did not conclude with any clear agreement on the future plans for operating the convention centre. Huike and its shareholders will continue to discuss with the different local government agencies on a comprehensive agreement in the months ahead.

SGX Query 4 (b)

Please also elaborate and provide factors that have resulted in the changes to be made.

Company's Response

Past modifications requested by the government include exterior materials and style change made from urban planning perspective, as well as flood control measures mandated by the flood prevention requirements.

SGX Query 4 (c)

Please disclose what approvals have been obtained to-date and other than the approval to commence construction, what approvals are outstanding from the authorities, the respective stages of approval and how long the approvals are expected to take to be granted and to enable the title deed of the Exhibition Assets to be transferred to Huike.

Company's Response

This convention center is not a typical and standard property development and as such does not follow the usual standard procedure for local government approvals. The issues discussed in 4(a) above related mainly to future operations or the commercial viability of the convention center. They are not expected to impact the title of the property.

SGX Query 4 (d)

Please also disclose when the Exhibition Assets are expected to be operational, as the repayment of Huike's loan to the Company is expected to come from, inter alia, operational cashflow from the convention centre as stated in the Company's response to SGX query 1(d) posted on 12 January 2023.

Company's Response

The Company's management is holding internal discussions with Huike's other shareholder and has yet to formulate a definitive business plan for the convention center as of now. Management will continue to engage the local government agencies and consult with the Board with a view to determining a preliminary overall concept plan in this new financial year.

At this moment, it is not in a position to make a projection of the project cashflow from which the debt owed to the shareholders can be repaid.

SGX Query 5

In the Company's response to SGX query 2(f), it noted that the Company reports on the progress of the convention centre on a regular basis, in its public disclosure documents. For easy reference, please list where the said updates can be found, including the dates and material information in which the Company disclosed such details on SGXNet.

Company's Response

Since 2013, the Company's update on the progress of the convention center appears on the Company's annual reports, and interim reports, as well as presentations at AGM which were published as part of AGM documents. The Company had provided updates in response to investors' questions relating to the Yichang Project and the convention center over the recent years.

The following is a selection of updates which were disclosed to shareholders:

a) A presentation to the AGM held on 27 April 2018 on pages 7 and 8 referred to the Company's disposal of a 5% stake to Hongkun,, and stated that Hongkun will be the new management of the Yichang project.

b) The Company published replies to shareholders' questions on the Yichang project on 29 June 2020, under Query 3.1 to 3,7. In reply 3.7 the Company stated that:

"Construction work on the Yichang Project has resumed. It is expected that Phase 3-1 would be completed by 31 August 2020 and Phase 3-2 by 31 March 2021. The Convention Center is expected to be completed by 30 September 2020 and certified by the authorities by 31 Oct 2020. The hotel and office block are expected to complete by 31 May 2022."

c) The Company's presentation at AGM held on 25 April 2022 on pages 6 to 8 reported the progress of Property Development – Yichang Project, including a paragraph stating that, "The Project is coming to the end of development and is entering into the process of finalizing delivery and stock liquidation in 2022, including the sales of non-residential buildings and spaces." Several photographs of the project were appended in the presentation.

d) To a shareholder's Query 1 published on 25 April 2022 the Company replied that "The KYWJ Group is still in discussion with the local Yichang Government over future plans for the Convention Centre."

SGX Query 6

In the Company's response to query 3 (c), the Company disclosed that valuation of the parking lots were determined based on the developer's catalogue prices, recently transacted prices, and appropriate discounts on group sales etc. Please tabulate and provide to disclose in relation to the 307 parking spaces and the 6 store units and the 7 Properties the date of construction completion by batches for these car park lots, units and properties and for each of these batches, the book value, the catalogue price, the latest transacted prices, the appropriate discounts and the prices used for the purpose of the valuation and the transfer as repayment of loan from KYWJ to the Company.

Company's Response

A summary of the prices for parking spaces, stores and residential units is shown below:

Historical record of sold properties in XSG					Transferred properties				
Available batches	Quantity	Size	Total amount	Average price	Transferred properties	Quantity	Size	Total amount	Average price
	Set/Lot	SQM	RMB'000	RMB/SQM or RMB/Lot		Set/Lot	SQM	RMB'000	RMB/SQM or RMB/Lot
Guobin No. 1 store units sold	27	6,074	50,886	8,378	Store units	6	719	3,595	5,000 ^(a)
Huayu phase 3-2 town house (双拼) units sold	10	2,647	58,119	21,955	Town house (双拼)	2	511	14,000	27,414 ^(b)
Huayu phase 3-3 town house (四联排+六联排) units sold	20	3,745	54,999	14,686	Town house (联排) units	4	731	9,764	13,354 ^(c)
No comparable unit	-	-	-	-	No.1 Business, Sales Office	1	1,085	25,000	23,041 ^(d)
Parking spaces	435	-	21,234	48,813	Parking spaces	307	-	6,635	21,612 ^(e)

- a. The average price per square meter for the 6 stores under the current study is RMB 5,000 per square meter, lower than the historical average prices of RMB 8,378 per square meter from past transactions for stores.
- b. The two units of the detached houses are valued at RMB 27,414 per square meter, which is higher the average price of RMB 21,955 per square meter. This is due to the better location and higher specifications of these two units.
- c. The four town houses in our selection has an average price of RMB 13,354 per square meter, which is lower than the historical average price of RMB 14,686 per square meter for town houses.
- d. The sales office (“花语墅商业 1 号-售楼处”), one of 7 units under category of residential units is a detached house with a unique location and special design, and is currently used as a sales office for the project. It is valued at RMB 36,783 per square meter and there is no comparable unit in this project.
- e. The 307 car parking spaces are valued at RMB 21,612 per lot, significantly lower than the average sales price of RMB 48,813 per lot. This is due to fact that the past sales to stock ratio is quite low.

SGX Query 7

To disclose if the title deeds for all the 307 parking spaces, the 6 store units and the 7 Properties have been registered in the name of the Company. If not, to provide details when the registration commenced and when it will be completed.

Company’s Response

The transfer of all 307 parking spaces is effectively complete as the Yiling District in Yichang does not issue certificates of title for such parking spaces. The titles for the 6 stores have not yet been registered under the Company’s name. We expect it will take 6-12 months to complete the transfer of title for the stores. The title transfer for the 7 residential units (comprising 6 standard units and one sale office) is in progress. In fact, the title for one of them, which is located at Room 010102, Building 0101, Hongkun Huayu Villa No. 3, No.168 Development Avenue, Yiling District, has been issued since our last announcement on 12 January 2023.

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

Shan Chang
Chairman
17 January 2023