

RESPONSE TO SGX QUERIES ON THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors of China International Holdings Limited (the “**Company**”), and together with its subsidiaries (the “**Group**”), refers to the Company’s condensed interim financial statements for the six months ended 30 June 2023 released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 14 August 2023 and 13 September 2023. The Company would like to provide the following additional information in reply to the queries raised by SGX-ST on 14 September 2023.

SGX Query 1

In response to query 1 on the Group’s efforts to collect the RMB 30 million deposit owed from Baoding Zhongshang Real Estate Development Limited (“**Baoding Zhongshang**”), the Group disclosed that it "has on 12 September 2023 completed procedures for taking over the first batch of 15 completed units in accordance with the agreement entered into between the Company and Baoding Zhongshang of 14 December 2020". However, it also disclosed that "It is estimated that it will take six to twelve months for the certificates of title to be issued by the local housing authority to the Company".

Please disclose how the Group has taken over the 15 completed units when the certificates have not been issued. To disclose how the Group will be able to disposed of the acquired properties if the certificates have not been issued and whether it is the industry norm for the local housing authority to take six to twelve months to issue the certificates of title. To also disclose the identity of the local housing authority.

Company’s Response

It is normal practice in the People’s Republic of China that owners take over property units first and obtain certificates of title later. The time required for the certificates of title to be issued varies from city to city. Our estimate of between six to twelve months is based on our enquiries of the local property market, and is consistent with the indications given by the developer. The Company received the notice of taking over the properties from the developer on 18 August 2023, and completed the procedures for taking over the properties under the agreement on 12 September 2023.

The authority for issuing certificate of titles in Baoding Yixian County is the Yixian County Housing and Urban-rural Development Bureau (“**易县住房和城乡建设局**”).

SGX Query 2

In response to query 2 on the loss of RMB 1.11 million incurred by the Group's associated company Hubei Huike International Exhibition Service Co., Ltd ("Huike") which holds the Exhibition Assets, the Group disclosed that the loss incurred was "mainly due to legal and professional fees paid by Huike in 1H 2023 in connection with the legal suit and to obtain the certificate of title of the Exhibition Assets". To quantify the breakdown of the fees paid for the legal suit and the expenses related to obtaining the certificate of title of the Exhibition Assets. Please also disclose the status of the application and further steps that will be required to complete the issuance of the title certificate and their estimated time period required to complete the registration of the titles to Huike.

Company's Response

A breakdown of legal expenses recorded in the Huike is set out below:

	<u>1H 2023</u> <u>RMB'000</u>
Court Deposit (诉讼受理费)	1,012
Court fees relating to the injunction placed on the Exhibition Centre Assets	5
Lawyers' fees	94
	<u><u>1,111</u></u>

A court deposit is required to be paid to initiate the case but may be refunded if Huike wins the case. As disclosed in the Company's announcement released to the SGXT-ST on 17 January 2023 and 4 July 2023, the Beijing No.1 Intermediate Court has recently circulated the evidence submitted by both the Defendant and Huike. Huike and its legal advisers are making preparations for the coming court hearing. The date for this first court hearing has not yet been announced. The Group will update the shareholders by making further announcements via SGXNet as and when there are any material developments on this matter.

SGX Query 3

In response to query 3 on the contract assets of RMB 190.99 million as at 31 December 2022 which will be transferred to trade receivables when the customer completes its payment processes, the Group responded that the customer, the local water bureau ("Bureau"), a government agency in Tianjin owes the Company RMB190.99 million for unpaid services provided to the bureau for "temporary wastewater treatment services before 1 Jan 2020 to the formal operation thereafter".

It also disclosed "customer has delayed the process of executing formal service contracts with its multiple service providers (of which the Group is one) due to certain local government administrative and financial reasons".

(i) Please disclose the nature of these temporary wastewater treatments required by the Bureau and why they have not set out any payment management process for these temporary wastewater treatments. Please provide details as to what are the payment management process required to be set up before the Bureau can pay for the RMB190.99 million of unpaid services owed;

(ii) Please disclose why the local government Bureau has financial reasons for the non-payment to the Company and whether they are in financial difficulties. If so, please provide relevant links to these financial problems faced by the Bureau that accounts for their difficulties in repaying the RMB 190.99 million amount owing to the Group; and

(iii) The Group referred to services provided "before 1 January 2020 to the formal operation thereafter". Please elaborate on the date when "the formal operation thereafter" commenced. To elaborate whether this reference means that new contracts were subsequently signed with the Group after formal operation commenced and to disclose if receipts from new sales contract have been paid by the Bureau to-date. If not, please quantify the amounts of receivables owed by the Bureau to the Company.

Company's Response

The Group's timeline for providing water treatment services to the Tianjin Binhai New Area Water Bureau ("Water Bureau" or "天津市滨海新区水务局") can be divided into two phases. The first phase, temporary wastewater treatment services, refers to the period prior to 31 March 2020 when operations at the Xinhe Plant was still under trial. During this phase, treatment services provided to the Water Bureau was made under the instructions from the Water Bureau.

The second phase, formal operations, started on 31 March 2020 when the Xinhe Plant commenced commercial operations.

According to normal government procurement practices covering the payment management process, services provided to government authorities are subject to audit by auditors appointed by the government and governed by formal service contracts. However, government procurement administration work at the Water Bureau was severely disrupted during the Covid-19 pandemic. Without a formal service contract, the Group still continued to provide water treatment services under instructions of the local government authority. Despite the absence of a formal service contract, the Group continued to receive interim payments from the Water Bureau from time to time. Although the interim payments were not sufficient to cover the costs incurred to provide the service, it has always been hoped that the formal service contract could be signed soon. Smaller interim payments have recently been made by the Water Bureau, which could be an indication of some difficulties with funding. The last interim payment the Group received was on 10 August 2023 for an amount of RMB 2 million. The Group has learned that the Water Bureau has initiated the process of appointing an independent auditor to perform an audit on the treatment services provided, which is a step closer to signing of a formal service contract.

It is noteworthy that the Group is not the only service provider to the Water Bureau which is still awaiting the completion of contract signing with the Water Bureau. Apart from frequent reminders to the Water Bureau of the urgency of settling payment for our services, the Group is working with several other service providers who face a similar situation to communicate with the relevant government agencies in the Tianjin New District to seek a suitable solution to the issue.

No new treatment services contracts have been signed with the Group after formal operations commenced in the Xinhe Plant. For treatment services provided to the Water Bureau which have not been paid as of the accounting date, the Group has accounted these as contract assets at costs.

SGX Query 4

In response to query 4 on the related party transactions by the Group which took place during the first 6 months of 2023, the Group disclosed that it had provided a loan of RMB 1.127 million to its associated company Huike. Please disclose the terms of the loan and the date when the loan was extended to Huike. To also disclose the use of proceeds from the loan of RMB 1.127 million made to Huike.

Company's Response

A breakdown of the loans extended to Huike in 1H 2023 is set out below:

Date	Description	The Company
		1H 2023 RMB'000
10.01.2023	Loan paid to Huike	200
26.04.2023	Repayment of loan from Huike	(173)
25.06.2023	Loan paid to Huike	1,100
	Total	1,127

The loans to Huike are unsecured, interest-free and repayable on demand. The proceeds from the above loans were mainly used to pay legal and professional fees by Huike. Please refer to details in the response to Query 2 of this announcement.

By Order Of The Board
China International Holdings Limited

Shan Chang
Chairman
18 September 2023