



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)

ADDITIONAL INFORMATION TO THE FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of China International Holdings Limited (the “Company”, or together with its subsidiaries the “Group”) refers to the Group’s full year financial results released on the SGXNet on 24 February 2015. The Company would like to provide the following additional information in response to the queries received from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 10 March 2015:-

SGX Query 1

Please provide a breakdown for the significant 53.7% increase in ‘Administrative expenses’ from RMB 13.8M to RMB 21.3M and disclose the reasons for the increase in expenses despite the decrease in ‘Revenue’ by 29.9%.

Company’s response

The significant increase in “Administrative expenses” is mainly due to:

Administrative expenses:

	12 months ended			
	31.12.2014	31.12.2013	Increase/ (Decrease)	%
	RMB’000’	RMB ’000’		
Legal and professional fee (1)	8,192	4,274	3,918	91.7
Employee's share option scheme expenses (2)	4,249	298	3,951	1,325.8
Other *	8,848	9,275	(427)	(4.6)
	21,289	13,847	7,442	53.7

1-1 The increase in the legal and professional fee is mainly due to the consultancy fee paid to a third party. During the financial year, CIHL engaged a consultant to conduct a research and provide a report on operational strategy to operate a convention centre. The proposed convention centre will be operated by Yichang Xinshougang Property Development Company Limited.

1-2 The amount of RMB4.24M represents the fair value expenses arising from the 54M share options granted on 10 March 2014. This is in line with IFRS 2 – Share based payments.

* Comprises of individual immaterial expenses with fluctuation less than RMB200, 000.

SGX Query 2

On page 3 of the Financial Statements, it is stated that 'Loss incurred as guarantor' amounted to RMB 4.9M while 'Penalty on breach of contract' amounted to RMB 3.4M.

Please elaborate on the background of and reasons for the loss and penalty and disclose the names of the relevant contractual parties who are involved in the transactions.

Company's response

2-1 Yichang Xinshougang Property Development Company Limited ("YPDC"), a subsidiary of the Group, provides guarantees to local government authority and certain financial institutions in connection with the buyers' borrowing of mortgage loans to finance their purchase of the properties.

During the financial year, a financial institution filed a court case against the said subsidiary for a mortgage loan of a defaulted buyer. Based on the verdict, the said subsidiary is obliged to repay the financial institutions for an estimated amount of RMB4.9M. The Company is currently appealing against the verdict.

2-2 Under the Sales and Purchase Agreement ("SPA") signed between YPDC and its property buyer, YPDC is required to transfer title of the property within a stipulated timeframe. Due to the delay of the transfer, YPDC is required to pay a penalty as per the SPA. The total penalty/ "breach of contract" amounted to RMB 3.4M.

SGX Query 3

Please provide background to the impairment losses of trade receivables amounting to RMB 8.6M.

Company's response

Under the Group accounting policy, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Management has made an assessment on long outstanding trade receivables and is of the view that the outstanding receivables may not be recovered. Thus, allowance for impairment has been made as at 31 December 2014. This is in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

SGX Query 4

Please provide a breakdown of 'Prepayments, deposits and other receivables' and the reasons for the significant increase from RMB 137M to RMB 213M. Further, please elaborate on the nature of the transactions that relate to 'Prepayments, deposits and other receivables'.

Company's response:

A breakdown of 'Prepayments, deposits and other receivables' is as below:

prepayments, deposits and other receivables:	2014.12	2013.12
	RMB '000	RMB '000
Deposits	837	833
Prepayments	11,970	11,777
Other receivables	200,077	124,087
	212,884	136,697

Other receivables increased from RMB124.09 M as at 31 December 2013 to RMB 200.08M as at 31 December 2014, mainly due to the further funding of RMB 73M paid to a local government agency for the resettlement housing project in Beijing Shijilongquan Real Estate Co., Ltd, totalling to RMB 173M as at 31 December 2014.

SGX Query 5

Please elaborate on the reasons for the significant 29.9% decline in revenue which was attributed to Yichang Xinshougang Property Development Company Limited.

Company's response

The current significant slowdown of the PRC property market and the tightening of credit market have adversely impacted the sales of many property projects in the PRC, including the real estate development project of YPDC.

SGX Query 6

It is stated that included in the cost of services provided "is a write-down of properties for development in Yichang Xinshougang Property Development Company Limited in FY2014 of RMB51.07 M to its net realizable value" and that the net realizable value has declined because of the decrease of cost of properties in Yichang Xinshougang Property Development Company Limited.

a) Please provide details relating to the write-down of properties.

Company's response

The details relating the 'write-down of properties' is as below:

Yichang Xinshougang Property Development Company Limited

Write-down of properties (inventory) for development as at 31 December 2014

Category of Write-down properties

	Size (SQM)	Carrying value RMB'000	Lower of costs and net realisable value RMB'000	Write-down amount RMB'000	Percentage of write-down %
Phase 1-1 –Latoon villa	10,718.71	81,152	51,097	(30,055)	(37)
Phase 1-1 –Die Pin	3,843.53	29,100	23,522	(5,578)	(19)
Phase 1-1 - Garden villa	353.39	2,676	1,979	(697)	(26)
Phase 1-3- Residential	2,632.19	10,791	6,725	(4,066)	(38)
Show houses	-	25,703	15,027	(10,676)	(42)
	17,547.82	149,422	98,350	(51,072)	(34)

The Group makes a write down of its development properties after taking into account the Group's recent experience in estimating net realisable values of completed units and properties under development by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may have to be written down in future periods. This is in accordance with IAS 2 – Inventories.

b) Please disclose the size of the projects and the take-up rate of the properties under Yichang Xinshougang Property Development Company Limited.

Company's response:

The total development area of the project is 553,782.48 square metres, while the write-down affecting the properties in inventory with a total area of 17,547.82 square metres, which accounted for 3% of the development properties in Yichang Xinshougang Property Development Company Limited.

c) Please disclose the trend of average selling prices of the properties under Yichang Xinshougang Property Development Company Limited.

Company's response:

There is a declining trend of average prices of the properties under Yichang Xinshougang Property Development Company Limited. The trend is difficult to quantify due to low volume.

d) Please provide the reasons for the significant fall in selling prices.

Company's response:

The selling prices of the properties under Yichang Xinshougang Property Development Company Limited have decreased mainly due to the slowdown of the property market and the tightened credit market in the PRC.

e) What is the percentage of the write-down with respect to the cost of development?

Company's response:

The anticipated total development costs of the write-down properties is RMB 174.35M, of which RMB143.97M has incurred. The amount of the write-down of properties amounted to RMB 51.07M, which accounted for 29% of the estimated developed costs.

f) Please explain if the decline is in line with the general industry trends. If not, please provide reasons for the significant deviation from the industry trends.

Company's response:

The significant slowdown in the sales of properties under Yichang Xinshougang Property Development Company Limited is a consequence resulting primarily from the change in property industry policy in the PRC and the prevailing unfavourable property market conditions in the PRC. It is therefore in line with the industry trends in the PRC.

BY ORDER OF THE BOARD
CHINA INTERNATIONAL HOLDINGS LIMITED

Shan Chang
Chairman

11 March 2015