

**Issuer:** China International Holdings Limited

**Security:** China International Holdings Limited

**Meeting details:**

Date: 28 April 2017

Time: 09:30H

Venue: Queen Room Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632

**Company Description**

China International Holdings Limited, an investment holding company, engages in the energy and natural resources, water supply services, and land and real estate property development activities primarily in the People's Republic of China. Its Water Supply Services segment is involved in the construction of water pipeline and supply of gray water. The company's Land Development segment offers engineering and land leveling services for preliminary land development projects. Its Property Development segment develops and sells properties. The company also invests in properties, as well as provides real estate management services. China International Holdings Limited is based in Beijing, the People's Republic of China.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BEH](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BEH))

**Q1.** In the Chairman’s statement (page 2 of the annual report), it was briefly mentioned that the group will continue to focus on the water business. Based on Note 31 (page 129 – Segment information), the water supply services segment (which includes construction of water pipeline and supply of gray water) contributed RMB92.3 million in revenue and RMB63.1 million in segment profits. This was the only segment in the group that was profitable in 2016.

- a) **Can management tell shareholders the key drivers of the group’s water pipeline and gray water business? Who are the key customers and how much more can the water supply services segment grow?**
- b) **What is the current capacity and utilisation of the water plant?**
- c) **How does the group gain new business in the water pipeline segment?**

**Q2.** The group holds a 20.1% interest in Liuhe County Yukun Mining Co Ltd (“Liuhe”), a gold exploration and mining company in Jilin province, China (page 3). Other than the gold production certificate, this associate company has received all licenses required for commercial operation. The company further disclosed that:

*Under the current and forecast market conditions for gold price, this mining project is unlikely to generate sufficient cash flow to repay the outstanding shareholder’s loan that the Group has extended to it or to recover the Group’s investment. In view of this, we have made full impairment on the Liuhe project as follows: RMB9.97 million for the shareholder’s loan to – Liuhe and RMB44.28 million for the carrying amount of the investment.*

When the investment into Liuhe was made in 2011, the price of gold was about \$1,400 an ounce. The price of gold since 2017 has ranged from \$1,150 an ounce to \$1,300 an ounce.

- a) **What is the price of gold that would make the mine financially viable to operate (i.e. positive cash flow after deducting all additional variable costs to mine)?**

As it has been described, the decision to impair the carrying value of Liuhe was based on the sufficiency the projection of cash flow to repay the outstanding shareholder’s loan that the Group has extended to it or the recovery of the group’s investment in Liuhe.

However, the decision to operate is separate from the decision to impair the carrying value of Liuhe.

- b) **Can there be a situation in the near future that mining will commence at Liuhe?**
- c) **How much influence does the group have on Liuhe?**
- d) **How much additional capital expenditure is required to start the mining operations at Liuhe?**
- e) **What are Liuhe’s plans when the mining right license and the exploration right license expire in 2017?**

**Q3.** With regard to the group’s investment in Future Trillion Group which indirectly holds the oil exploration interests in Papua New Guinea, can shareholders understand if there are still ongoing exploration activities? Does MKS Limited, the associate company operating in Papua New Guinea, have enough financial resources to continue its exploration in the Tumuli structure? What are management’s estimates of the exploration costs?