

China International Holdings Limited
("Company")
Response to Queries from shareholders and SIAS

Date of Response: 23 April 2021

S/N	Shareholders' Queries	Company's Responses
1.	<i>Board Composition</i>	
	<p>Principle 2 of the Code of Corporate Governance 2018 requires the board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company. In addition, Provision 2.2 provides that independent directors [emphasis added] make up a majority of the board where the chairman is not independent. On page 13, the company has stated the following:</p> <p>During FY2020, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors. As the Chairman is not an Independent Director, the NC also reviewed the composition of Independent Directors on the Board and was satisfied that the Non-Executive Directors made up to at least half of the Board [emphasis added].</p> <p>The nominating committee (NC) comprises three directors, namely Mr Chee Teck Kwong Patrick (chairman), Mr Teo Woon Keng John and Mr Shan Chang.</p>	
1.1	<p>Can the NC, especially the NC chairman, help shareholders understand if the company has complied with Provision 2.2 of the CG Code 2018 which requires <u>independent directors</u> to make up a majority of the board when the chairman is not independent?</p> <p>Can the board, especially NC members with legal/corporate governance expertise, help shareholders understand the company's statement that <u>Non-Executive Directors</u> made up at least half of the board [emphasis added]?</p> <p>Is the board, especially the independent directors, familiar with the 2018 Code of Corporate Governance, the Companies Act and the rules and regulations</p>	<p>The Board is aware of the relevant Rules and the Code, and plans to comply with the Code of Corporate Governance 2018 by 1 Jan 2022.</p>

	<p>applicable to a public listed company in Singapore?</p> <p>What are the Board's current plans to adjust the number of independent directors to form the majority of the Board by 1 Jan 2022 (or earlier) so as to comply with the Code of Corporate Governance 2018?</p>	
2.	<i>3 Cents Dividend and Dividend Policy</i>	
2.1	<p>As to comply with Code of Corporate Governance 2018 by 1 Jan 2022, has our Company finished formulating the dividend policy?</p> <p>Kindly share on the Board's thought process for distributing the 3 cents dividends in the context of timing and quantum.</p>	<p>The Board discussed the dividend policy in general and the dividend plan for FY2020 in particular at its board meeting on 19 February 2021. The Board has not come to a conclusion on the long term dividend policy. As for FY2020's dividend plan, the Board took the decision based on the considerations of the company's business and the cash flow situation, our near term capital requirements and the shareholders' desire for a cash return.</p>
3.	<i>Yichang Property Project</i>	
3.1	<p>I refer to Section 3.1 Yichang Project from last AGM's Response to Shareholders' Queries.</p> <p>The Board did not follow through on the promise to provide more graphic information on the Yichang Project. Can the Board provide this information in the coming AGM?</p> <p>I refer to the total saleable land for the Yichang project as disclosed in 1H FY2020 and FY2020 Final Results:</p> <p>2H 2020 - 546,331 SQM 1H 2020 - 462,348 SQM</p> <p>Why is there an 18.16% increase in the total saleable area? Which Phase is this increase from?</p> <p>As of mid-April 2021, what is the total presales value</p>	<p>For graphic information on the project, please refer to Company's Presentation to be presented on 23 April 2021.</p> <p>The increase in the total saleable area is mainly due to the saleable serviced apartments and units of phase 3-3 which were approved in the second half of 2020.</p> <p>As of mid April 2021, pre-sales for Phase 3-2 amounted to RMB695 million, while Phase 3-3 presales amounted to RMB330 million. Pre-sales for the serviced apartments was about RMB75 million.</p> <p>Phase 3-2 has achieved completion on 20 January 2021 and is in the process of handing over to buyers.</p> <p>The total saleable areas for Phase 3-2 and 3-3 are 74,864 SQM and 44,976 SQM respectively. The total saleable areas for serviced apartments are 31,038 SQM.</p> <p>Convention Centre: KYWJ has not concluded the business plan for the Convention Centre. The current focus is to achieve the construction completion around the second half of 2021 as agreed by the shareholders and the local government. KYWJ</p>

<p>achieved for Phase 3-2, 3-3 and Service Apartments respectively?</p> <p>When will Phase 3-2 be completed and handed over to the buyers?</p> <p>Can the Company provide the total Gross Floor Area Planned, Gross Floor Area sold and Range of Transacted Prices (RMB per SQM) of the Phase 3-2, 3-3 and Service Apartments respectively?</p> <p>Is the Convention Centre open for business? Who is responsible for the marketing of exhibitions/conventions for the Convention Centre?</p> <p>What is the current plan for the proposed hotel in the Yichang Project? Has the hotel management company been appointed?</p> <p>As the Yichang Project is in its final phases, when will our Company expect to see RMB 121m shareholder's loan repayment and profit distributions from the project company (KYWJ)? What is the expected amount due to our Company based on the current presales transacted?</p>	<p>is in discussions with the local Yichang Government over the future plan for the Convention Centre.</p> <p>Hotel: While the hotel is under construction, KYWJ is seeking an external operator to manage the hotel. The hotel's interior decoration plan will depend on the outcome of the selection process.</p> <p>The Yichang project is expected to be wound up by around end 2022. The shareholders' capital investment, including shareholders' loan and registered capital, can be expected to be returned by that time. Surplus cash may be returned to KYWJ's shareholders in the form of short term cash advances from the Yichang project before final winding up of the Project. Please see Question 5 below for the information on possible distribution of cash from the project company.</p>	
<p>4.</p>	<p><i>Water Treatment Business</i></p>	
<p>4.1</p>	<p>Tianjin re-pressurization project</p> <p>What is the expected payback period for this expansion project?</p>	<p>According to the feasibility study undertaken in 2020 by Tianjin Huamiao Water Supply and Discharging Design and Research Company Ltd, the Lingang Expansion Project has a payback period of around 14.5 years.</p>
<p>4.2</p>	<p>Tianjin Gangbin Water Co., Ltd</p> <p>I refer to the FY 2020 Final Results Annc.</p> <p>Does this company have any water projects currently?</p>	<p>There has been no significant progress for this project recently.</p>

	Has this company participated in any tender for any water project?	
4.3	<p>Xinhe project Trade Receivables</p> <p>I refer to the Reply to SGX Query dated 8 March 2021, Pg4.</p> <p>Has the RMB94.15 million receivables been collected from the government bodies?</p>	Subsequent to 31 December 2020, RMB3 million out of the receivables has been collected from the local government entities.
4.4	<p>Tendering of Construction Projects</p> <p>Can the Company elaborate on the tendering process for construction of water treatment projects? For the Xinhe project, was there an open tender?</p>	Water treatment projects, like most public works in China, are awarded through public tenders. The Xinhe project was put to a public tendering process in June 2018 by Tianjin Jianbin Engineering Consulting Co. Ltd on behalf of the local government.
4.5	Can management provide a holistic overview of the group's core operations in water supply services to help shareholders better understand the group? This should cover the group's pipeline, gray water and wastewater treatment services in China.	<p>In terms of physical assets, our water business has two main parts, ie, water treatment plant and pipeline. There are two water treatment plants, ie, in Xinhe and Beitang, and 447.55 km of pipelines connecting the treatment plants to customers.</p> <p>Beitang treats raw water from reservoir to the standard of non-drinking water, with a daily average capacity of 100 thousand tons in 2020. Treated water is sold to its customers through the pipelines the Group owns at various tariffs. Xinhe has two treatment processes. The first process treats the water discharged from a nearby sewage plant to a dischargeable standard for which we receive a treatment fee from the local government for the service. In 2020, Xinhe achieved a daily average capacity of 70 thousand tons with this first process.</p> <p>The second process treats the dischargeable water from the first process into saleable water with an average capacity of 50 thousand tons per day, and the water from this process are sold to the customers through our network of pipelines. Currently we sell water from both Beitang Plant and Xinhe Plant.</p> <p>We also have a joint venture, Lingang Water, with a local government entity, which purifies and pressurizes water from our pipeline and then on-sell the water to local customers. This construction of the project has commenced and is expected to complete around the end of 2021.</p>

5.	<i>KYWJ Joint Venture Partnership</i>	
5.1	<p>I refer to the Reply to SGX Query dated 8 March 2021, Pg 1, SGX Query 1.</p> <p>When is this "next shareholders' meeting" with KYWJ controlling shareholder expected to be held?</p> <p>How often do such shareholders meetings (with HongKun on KYWJ affairs) take place each year?</p> <p>Were we consulted on the "no distributions by KYWJ for FY2020" decision? If so, what is the rationale for this decision for not distributing the capital/profit or repaying shareholder loan?</p> <p>How is our Company updated on the financial affairs of KYWJ? How often is this update?</p> <p>What are internal controls in place to ensure that the cash at KYWJ are safeguarded, especially when the project development currently at the final stages and with the expected large inflow of cash.</p>	<p>The management has had some initial discussion with Hongkun regarding the distribution of cash and capital from KYWJ group to its shareholders and is expected to reach a resolution at KYWJ's forthcoming shareholders meeting which is to be held on or before the end of June 2021. We aim to get back about half of the shareholder loans to KYWJ no later than 30 September 2021, as the first step of return of capital investment in the Yichang project.</p>
5.2	<p>The KYWJ Group generated more than RMB1 billion in revenue in FY2020 despite the pandemic. KYWJ carries out real estate development in Yichang City, Hubei Province, PRC. As at 31 December 2020, KYWJ proceeded to develop the "new" Phase 3-2, the "new" Phase 3-3 and service apartments. The 50% associate contributed RMB 40 million in profit.</p> <p>What is the level of influence, oversight and control over the KYWJ Group? The group has outstanding amounts due from KYWJ Group amounting to RMB72.2 million. What were the efforts by management to collect the</p>	<p>KYWJ Group is focused on the operation of Yichang project. The project's cash proceeds from pre-sales are under supervision of the local government, to ensure that sales proceeds are used to pay for construction as the first priority use. The uses of funds at the project level are also subject to internal approval process which consists of approvals at project level, Hongkun's regional and group levels depending on the amounts involved and purposes of funds. CIHL's representative does participate in the approval processes and the CIHL's board representative is aware of all significant transactions of the KYWJ Group based on the priorities for various financial decisions.</p>

	outstanding amount of RMB72.2 million to de-risk the group?	
6.	<i>LiuHe Country YuKun Mining Co. Ltd</i>	
6.1	<p>As shown in Note 17(ii) (pages 96 to 98), the company’s investment into LiuHe amounting to RMB44 million and RMB10 million due from LiuHe have been fully impaired.</p> <p>What is the current situation on the ground? What were the activities, if any, at the mining site? In addition, the summarised statement of financial position of LiuHe (as an associate of the company) is shown on pages 97 and 98.</p> <p>The balance sheet items are identical in FY2019 and in FY2020. For instance, cash and cash equivalents have remained at exactly RMB482,000 in FY2019 and FY2020.</p> <p>Can the audit committee (AC) confirm that the summarized statement of financial position of LiuHe has been updated and gives a true and fair view of LiuHe? What is the level of involvement by the AC in the preparation of the financial statement?</p>	<p>Liuhe ceased to operate as a going concern but has not been wound up yet. The management has reported the status of Liuhe to the Board and the Audit Committee.</p> <p>The CIHL Group is not involved in the preparation of Liuhe’s financial statements. As the latter is an associated company, the CIHL Group only accounts for its share of the profit or losses of the associate. The Group receives information from Liuhe project company regularly.</p> <p>Management last visited the site at end October 2019, together with the presence of external auditors. From the visit, Management has reported that there is no activity or any operations at the site.</p>
7.	<i>Trade and Other Receivables</i>	
	<p>For the financial year ended 31 December 2020, the group recognised RMB30 million in (non-current) other receivables. This relates to the group’s deposit with Baoding Zhongshang Real Estate Development Limited (“Baoding”) in a proposed joint investment opportunity which subsequently did not materialise.</p> <p>As disclosed in Note 21 (page 110 – Trade and other receivable), the group and Baoding entered into an agreement with the latter to “return” the deposit in kind by transferring development properties valued at approximately RMB30 million to the Group. Under the agreement, the group reserves the rights to collect the full outstanding sum of RMB30 million in cash before the development properties are completed. As such, the group had reclassified the RMB30 million from current to non-current in the statement of financial position.</p>	

	The group also wrote off RMB4.1 million due from a non-related party relating to the Men Tou Gou project.	
7.1	<p>As this is not an isolated event, would the board/independent directors be reviewing the group's approval process, approval limits and internal controls to further safeguard shareholders' interests?</p> <p>Did the board approve the group's dealings with Baoding?</p> <p>What was the level of due diligence carried out prior to the transfer of RMB30 million to Baoding? How was Baoding identified as a potential joint venture partner?</p> <p>Has the group assessed when it can expect to recover the said amount?</p> <p>Did the group consider taking legal actions to safeguard shareholders' interest? Did the joint venture agreement allow for the group to impose penalties on the late refund of its monies?</p>	<p>The Group's participation was initiated and approved by CIHL (Tianjin) City Development Co., the Group's fully owned subsidiary for property and non-water investments. It observed the controls and procedures sets by the Group. The fully-owned subsidiary company sets its own conditions for participation at a public tender for a property development project in Yixian, near the Xiongan Development Zone, a state-level development area in Baoding. This area has experienced significant development opportunities. The partner in the joint bidding won the bid with a bid price exceeding our limit. The project itself has been going quite well despite the fact that the partner of the project has experienced some unexpected difficulties.</p> <p>The bidding for such a project is an ordinary business decision of the subsidiary and does not require board approval at the CIHL group level. Since CIHL (Tianjin) failed to receive the repayment of bid fund in time, the CIHL Board was alerted to the matter. Management has discussed with the CIHL Board on various means to recover funds from the partner. The preference is to get refund in full in cash which the project partner had agreed to. However, the project partner failed to refinance the land acquisition in time. The Group had contemplated taking legal action in order to recover the funds, but decided to hold back legal action as doing so would impede the development of the project and therefore reduce our chances of, obtaining full refund. Management makes regular visits to the project site and has found the project is in smooth progress. The pre-sales proceeds of the units are mostly used to pay for construction costs. Our view is that the completion of the project and the handover of units to buyers and/or creditors (such as CIHL Group) are in the best interests of the Group.</p>
7.2	Has the board ensured that there is proper accountability within the group?	The Group has in place a system of control and risk management. The Group engages an internal auditor to review the current system and recommend measures to strengthen the control and risk management system.
7.3	<p>I refer to the Reply to SGX Query dated 8 March 2021, Pg 7.</p> <p>For 17 units of development property in the Baoding project, what type of properties are they?</p>	The average price of the 17 units under the agreement is RMB14,947 PSM, which is higher than the average price of the Baoding project. Note that the total value of the 17 units at this average price exceeds RMB 30 million. The higher average price for these 17 units is due to the fact that most of the units the Company took are special ground floor duplex units(下跃户型) which come with usable basement floor spaces that are not reflected in the floor areas (SQM) in the property certificates. The

	<p>If we divide RMB 30m with 2,425 SQM total floor area for 17 units, the average PSM for the compensation property will be RMB 12,371 PSM.</p> <p>From the PRC property listing websites below, the average current selling price is RMB 8,600-8,800 PSM. Is there any reason for the discrepancy between compensation price and the current market selling price?</p> <p>https://bd.fang.anjuke.com/loupan/466616.html</p> <p>https://bd.newhouse.fang.com/loupan/1313196507.htm</p> <p>Has our Company sold any of these units?</p>	<p>basement space for a ground floor unit is equivalent in size and configuration as the ground floor space itself. Therefore, a ground floor duplex unit(下跃户型) is worth more in PSM price than a normal unit.</p> <p>The Company has not resold any of the 17 units. Although it is possible to resell the units before the completion of the project, Management expects to resell the units when the project achieves its completion and the units are legally handed over to us. The expected completion date is set at October 2022.</p>
8.	AGM	
8.1	<p>Would the board/management give a presentation of the overview of the group's operations to shareholders at the AGM to be held on 23 April 2021?</p>	<p>Please refer to group's presentation dated 23 April 2021 via SGX link.</p>