CHINA YUANBANG PROPERTY HOLDINGS LIMITED
(Incorporated in Bermuda)
(Co. Reg. No.: 39247)

RESPONSE TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors ("**the Board**") of China Yuanbang Property Holdings Limited ("**the Company**" or together with its subsidiaries, "**the Group**") wishes to announce the following in response to the queries raised by Securities Investors Association (Singapore) ("**SIAS**") on 23 October 2023.

Q1. Management has indicated its expectation of a "persistent weakness in the residential property sector" and is considering the development of tourism property projects as a strategic response to the current challenges.

(i) Could management offer shareholders a thorough analysis of the current sentiments on the ground and provide deeper insights into the prevailing situation in Guangdong and in China? Does management perceive any positive developments or silver linings during this challenging period?

Reply: Based on the current situation in China's property market, Management wishes to highlight the following aspects to offer shareholders an insight on the prevailing situation in China:

The current property market in China is seeing caution exercised by homebuyers due to the uncertain economic outlook. Although there was a brief increase in sales in some major cities like Shenzhen, this uptick has not been sustained. Government support measures have yet to significantly boost buyers' confidence.

The National Bureau of Statistics of China reported that new home prices fell for the third consecutive month in September 2023, declining by 0.2% from August 2023. Furthermore, property sales and investment continued to decline by 19.8% and 18.7% respectively. These figures indicate ongoing economic challenges in the China real estate sector.

The Chinese government has recently accelerated its policy stimulus efforts by easing lending regulations and removing restrictions on home purchases in selected cities, including certain areas in Guangzhou. These measures are sought to rejuvenate buyers' sentiment.

Shareholders should conduct their own research and/or monitor further developments given the market's volatility in China.

(ii) What proactive measures has management undertaken to ensure the group's resilience during this downturn? What is the group's competitive advantage in Guangdong? How compelling are the group's developments, and what sets them apart in comparison to projects by other developers?

Reply: The Group enhances its resilience during this downturn through diversifying its portfolios, managing costs, staying updated on market trends, and ensuring access to funding. This multifaceted approach helps mitigate risks and sustain the continuation of projects during uncertain economic conditions.

The Group enjoys a distinct competitive advantage in Guangdong province through its deep understanding of the local real estate market dynamics and regulations. A highly experienced management team spearheads its operations, while a strong reputation for delivering top-quality property projects solidifies its competitive advantage in the region, attracting both customers and investors.

(iii) In FY2023, the group's gross profit margin slipped from 35.9% to 28.0% as the group offered "substantial sales discounts to buyers" to boost sales and generate cash flow. Can management clarify if it will continue with this "aggressive discounting strategy" going forward? Does the price cut only apply to Weihai City/Shandong province, or does it also extend to the group's major projects, like the Shan

Qing Shui Xiu (山清水秀) project in Guangzhou City? How likely will this strategy develop into a "race to the bottom" as more and more developers become increasingly desperate to generate cash flow?

Reply: In response to questions about the Group's declining gross profit margin and aggressive discounting strategy in FY2023, it is crucial to consider existing market conditions and government stimulus policies. Whether the Group will continue with its “aggressive discounting strategy”, this would depend on a complex interplay of factors, including regional dynamics and the competitive environment. Assessing the likelihood of a "race to the bottom" scenario is challenging, primarily because the Group is unable to predict the strategies of other developers. The China real estate market is highly intricate, making it difficult to foresee the ripple effects of such pricing decisions.

(iv) How many units from Phase III of Shan Qing Shui Xiu, which was completed in 2018, are still unsold or have not been handed over to buyers? Is the ongoing construction of Shan Qing Shui Xiu considered Phase IV, and how many of the 462 units in this phase have been sold?

Reply: All residential units from Phase III had been sold and handed over. The Group has pre-sold 20 residential units in Phase IV as of 30 June 2023.

(v) Could management provide clarification regarding the status of the 2,035 residential unit project, Hou De Zai Wu? Has this project been entirely sold? How many pre-sale units, valued at RMB 546.7 million, are yet to be transferred to the buyers, and are the buyers facing difficulties in completing these sales? What is the group's strategy to resolve this challenge?

Reply: Hou De Zai Wu has not yet completed its sale processes. The pre-sale units included 25 commercial units, 20 car parks, and 232 residential units, amounting to RMB546.7 million. In general, buyers are progressing smoothly in completing their transactions. The Group will also progressively hand over the pre-sale units to the buyers.

(vi) Can the board help shareholders better understand the risks associated with the group’s shift towards tourism? What is the management's prior experience and track record in managing tourism projects? How successful is the group’s Batai Mountain project and what strategies does the group plan to employ to acquire new projects in this sector? How will the group be funding any new projects?

Reply: The Group is currently in the exploratory phase of shifting towards tourism property projects. Given the novelty of this option, the Group is still assessing the risks associated with it. The Board is committed to conduct a thorough evaluation of both the potential risks and rewards before making any concrete decisions.

The Group will make the necessary announcements in the event of any material developments.

(vii) As at 30 June 2023, the group has cash and cash equivalents of RMB27.9 million while its net debt amounted to RMB1.02 billion. Given a net debt to equity ratio exceeding 150%, is there a need to recapitalise the group?

Reply: The Group maintained its financial stability without the need for recapitalisation. By demonstrating a robust commitment to reducing leverage and accelerating inventory sales, the Group has achieved a substantial reduction in bank and other borrowings, lowering them from RMB 700.9 million in FY2022 to RMB 514.0 million in FY2023.

Q2. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(i) Tonghua Litong: Has the board assessed the group's legal rights, and does the group plan to file an appeal against the judgment? Will the audit committee (AC) conduct a review to investigate any potential procedural lapses or weaknesses in the risk management framework concerning the agreement with the Tonghua local government, which initially mandated the construction of a new school campus, and the group’s subsequent decision to abandon the land acquisition?

Reply: The Group is still evaluating the possibility of filing the appeal against the judgement with its lawyer. This decision to collaborate with the Tonghua local government dated back to 2012 when the

Chinese real estate market was booming, making it difficult to foresee the market downturn that occurred in 2022. The ultimate decision to abandon the land acquisition was a direct response to the unexpected market downturn in 2022. Further, the risks associated with the partnership with the Tonghua local government were deemed as relatively low in 2012, and our risk management framework at the material time may not have been designed to identify potential risks that would emerge in the future. In view of these circumstances, the Group intends to assess its risk management framework on a more regular basis going forward.

(ii) Income tax expense: Can the AC offer shareholders a more detailed explanation regarding the under provision of RMB 44.0 million in taxes from previous year(s)?

Reply: The income tax expenses were associated with the tax prepayment made for the Tonghua project in the previous years. Once the local tax authority officially approved these expenses, the Group credited the tax prepayment and recognised it as income tax expenses in FY2023. Since these tax expenses are related to previous years, they are classified as under provision in the income tax expenses account.

(iii) Kaiping Qingshi: Does the potential equity investment in Kaiping Qingshi align with the group's long-term strategic growth plans? What is the reasoning behind extending the repayment of the outstanding loan amount (RMB 35.9 million) from Kaiping Qingshi? Did the board grant approval for this extension, and will interest be applied to the outstanding amounts?

Reply: The equity investment plan in Kaiping Qingshi is aligned with the Group's long term strategic growth plan. Management had considered the following factors when granting the extension of repayment of the outstanding loan with Kaiping Qingshi: 1) Kaiping Qingshi's project status and its financial position; 2) the pre-sales proceeds from Phase 1 of Kaiping Qingshi's property development project were pledged to secure the Group's borrowings; and 3) The Group will be able to participate in Phase 2 of Kaiping Qingshi's property development project. Further, interest will be applied to the outstanding amount.

(iv) Impairment loss: The group recognised a total net impairment loss of RMB 65.3 million in other receivables (FY2022: RMB 45.3 million). The gross amount of other receivables amounted to RMB 586.7 million. As at 30 June 2023, other receivables included amounts of approximately RMB 282.4 million (FY2022: RMB 282.4 million) due from certain companies associated with the non-controlling equity owners of New Zhong Yuan. Can the board provide shareholders with the background of the amounts owed by the non-controlling equity owners of New Zhong Yuan? Based on publicly available information, can management furnish an update on the financial status of these non- controlling equity owners? Additionally, when does the group anticipate being able to collect the outstanding other receivables?

Reply: The amount was due from the minority shareholders of New Zhong Yuan (Nanchang) Real Estate Co Ltd ("**New Zhong Yuan**"), an investment holding entity for a real estate project in Nanchang City where the Group owns 51% equity stake ("**New Zhong Yuan Project**"). The development of New Zhong Yuan Project commenced in 2012 and was completed in 2019. The amount arose as a result of the partial distribution of the investment returns to the minority shareholders of New Zhong Yuan in 2017. The amount is interest-free and secured against the equity interest in New Zhong Yuan held by these minority shareholders. The aforesaid amount shall be settled after the New Zhong Yuan Project is completed and the project accounts of New Zhong Yuan are finalised and settled. Barring unforeseen circumstances, Management envisaged that the aforesaid amount due from non-controlling interests to be settled in FY2024.

The Group is unable to disclose the financial status of the non-controlling equity owners.

Q3. At the annual general meeting scheduled to be held on 30 October 2023, the company is proposing to re-elect Mr Chong Eng Wee who is retiring under Bye-law 85(6) of the company.
The biography of Mr Chong Eng Wee can be found on page 23 of the annual report. Mr Chong Eng Wee joined the board on 11 September 2023 and is the chairman of the nominating committee, a member of the audit committee and the remuneration committee.
Additional information on directors seeking re-election pursuant to SGX Listing Rule 720(6) can be found on pages 24 to 30.

(i) Would the board, particularly the nominating committee, elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the appointment of Mr Chong Eng Wee, as required in the SGX template?

Reply: The appointment of Mr Chong Eng Wee (“**Mr Chong**”) involves the following key considerations.

<u>Rationale for Appointing an Independent Director:</u>
Our former Non-Executive and Independent Director, Mr Chong Soo Hoon Sean ("**Mr. Sean Chong**"), completed his tenure as Non-Executive & Independent Director on September 11, 2023, having dutifully served in this capacity for over eight years. The appointment of Mr Chong was intended to succeed Mr Sean Chong’s role as Non-Executive & Independent Director.

<u>Selection Criteria:</u>
A candidate must first meet the independence criteria. Next, he or she should possess expertise relevant to the company's industry and its specific challenges, bringing valuable insights to the board. Previous experience in board positions or senior management roles is essential, ensuring he or she can contribute effectively. Additionally, this candidate must uphold high ethical and professional standards.

<u>Board Diversity Considerations:</u>
Considerations for diversity may include gender, ethnicity, age, professional qualifications and experience.

<u>Search and Nomination Process:</u>
The nominations committee solicits input from senior management and board members to identify prospective candidates. Candidates who are shortlisted undergo interviews and evaluations, focusing on their professional qualifications, experience, and alignment with the board's culture. The nomination committee then proposes its recommendation of Mr Chong Eng Wee, in view of his legal qualifications and experience which will further diversity the board composition and expertise of the board, and the board further discussed and approved Mr Chong’s appointment.

(ii) It is noted that Mr Chong Eng Wee is the managing director of Chevalier Law LLC, a partner of Nixon Peabody CWL and independent director of four listed companies, including two as lead independent director.
Can the director help shareholders better understand how he is able to afford sufficient time, energy and attention to the matters of the company given his current commitments?

Reply: The Company understands from Mr. Chong the following:

“My main commitments include my practice of Singapore law at Chevalier Law LLC (“**CLL**”) and practice of Hong Kong law at Nixon Peabody CWL (“**NPCWL**”). These primarily involve undertaking business development/origination activities and management duties at CLL and business development activities at NPCWL. Being based in Singapore, I typically attend to more Singapore law matters (as opposed to Hong Kong law matters). I also receive substantial support from other lawyers at CLL and NPCWL primarily responsible for the execution of the Singapore and Hong Kong legal work respectively.

As I can plan my business development and origination activities for CLL and/or NPCWL to accommodate the scheduled meetings and/or time to be incurred or arising in connection with my aforesaid duties as an independent and non-executive (“**INED**”) and with my familiarity with the listing rules and applicable laws in both Singapore and Hong Kong and my prior experience as an INED of both Singapore and Hong Kong listed companies, I am confident that I can effectively discharge my duties as an INED of the Company and as the chairman and/or member of the various committees which have been established by the Board.”

Having considered the foregoing, and owing to his experience as and familiarity with the role of INED of other companies listed on the SGX-ST, the Nomination Committee of the Company (“**NC**”) and the Board were of the view that despite Mr Chong’s concurrent appointments, he will be able to effectively discharge his duties as an INED of the Company and chairman and/or member of the various committees of the Board.

The NC and the Board further noted that as part of his law practice, Mr Chong has advised, and continues to render advice to Singapore and Hong Kong listed companies on various capital markets, regulatory compliance and corporate governance matters. The above, coupled with Mr Chong's ability to communicate in both English and Chinese, enables him to be efficient and effective in communicating with Management and other Board members. Accordingly, the NC and the Board deemed Mr Chong suitable to be appointed as an INED of the Company.

(iii) If re-elected, how can the director contribute to the board and its overall effectiveness? What level of experience does the director possess in the real estate industry, and how well-acquainted is he with the Chinese real estate and tourism sectors?

Reply: Please refer to our reply to item (ii) pertaining to Mr Chong above. The Company further notes that Mr Chong was (i) previously part of the in-house legal department of an established and reputable real estate conglomerate listed on the SGX-ST where he was a key member of the legal team which handled the conglomerate's first acquisition of a office building in China, and (ii) has previously advised on various real estate transactions in Singapore including the acquisition, disposal and sale and leaseback of JTC land and/or buildings.

(iv) Given that the director was recently appointed to the board, what was the level of due diligence carried out by the director prior to his appointment to the board? Did the director visit the company's website and notice that the website is "Not secure" and has not been regularly updated?

Reply: The director's due diligence process included a review of the company's recent announcements, annual reports, and direct communication with the existing board of directors during the interview. This allowed the director to gain insights into the Company's recent developments, financial performance and strategic vision. However, the director's due diligence did not specifically cover the security or update status of the Company's website, as in the director's view, the focus of such due diligence will be primarily on operational aspects where such website-related concerns should typically fall under the duties of the Group's IT or web management team.

(v) What is the director's view on the share price of the company and the total shareholder return over the past 10 years?

Reply: Mr Chong, being a newly appointed independent and non-executive director, neither thinks it is appropriate nor wish to comment on the Company's share price and shareholder returns over the past 10 years.

By Order of the Board

Huang Tak Wai
Chief Financial Officer / Company Secretary
27 October 2023