

CHINA YUANBANG PROPERTY HOLDINGS LIMITED

Registration Number 39247

(Incorporated in Bermuda)

RESPONSES TO QUERIES FROM SGX REGCO

The Board of Directors of China Yuanbang Property Holdings Limited (the "**Company**" or together with its subsidiaries, the "**Group**") refers to its half year results announcement for the six months ended 31 December 2022 released to SGX-ST on 10 February 2023 and our responses to SGX RegCo's queries dated 27 February 2023. The following information is in response to the SGX RegCo's queries dated 16 March 2023:

1. **With respect to the Company's response to query 1(i) Note (a), please clarify the following:-**

(i) **the reason for the advances relating to the partial distribution of the RMB 240.9 million for investment return to the minority shareholders of New Zhong Yuan in 2017. Please disclose whether the Company also received partial distribution of investment for their pro rata investment? If not, please explain the rationale for the Company not receiving it.**

Reply: The New Zhong Yuan Project was completed in 2019. However, the profits from the New Zhong Yuan Project can only be distributed to its shareholders after project accounts of New Zhong Yuan are finalised and settled. The settlement and finalisation of project accounts can take a longer time due to the extended duration required by local tax authorities to conclude the tax position, accordingly both the Company and minority shareholder agreed to distribute cash to the shareholders of New Zhong Yuan as advances. The said amount shall be offset against the dividends distribution of New Zhong Yuan Project after project accounts of New Zhong Yuan are finalised.

The Company had also received its partial investment distribution of RMB251 million as advances, representing its equity interests of 51% in New Zhong Yuan Project.

(ii) **as the development had commenced in 2012 and been completed in 2019, please disclose the status of distribution to-date of investment returns from the New Zhong Yuan Project to the Company and to the minority shareholders upon completion.**

Reply: Up to the date of this announcement, the Company and the minority shareholder had received advances of RMB251 million and RMB 241 million respectively.

(iii) **in relation to the statement that the Management envisaged that the aforesaid amount due from non-controlling interests can be settled in FY2024, please elaborate why the advances have to be repaid after the completion of the project if its relates to distribution relating to its share of pro-rata of investment.**

Reply: As disclosed in our response to query 1(i) above, the advances will be settled by offsetting against the dividend distribution after the project account of New Zhong Yuan is finalised and settled.

2. **The Company had disclosed in Note (ii) of its response to query 1(a) that "The amount represented deposits made to subcontractors for purchase of construction materials. Such deposits will be used to offset against the construction cost of the Group's on-going properties development projects...".**

Please disclose what is normally the amount of deposit/downpayment or % of the contracted sum that the Company must make for its purchases of construction material and how far in advance (in number of months) must such prepayments be made before delivery. Please provide the breakdown of the ageing for the amount of RMB 213,750,000

of prepayments and to also indicate the expected delivery date for these construction materials and whether the period of prepayment that the Company is in line with the industry norm and required by all suppliers of construction materials.

Reply: The Group typically places deposits to subcontractors from the range of 40% to 50% of the estimated total costs of a property development project. The Management has confirmed that this practice is consistent with the industry norm.

The following table shows the deposit aging for each property development project.

Name of project	RMB'000	Aging				Notes
		0-180 days	181-365 days	Over 1 year	Over 2 years	
Shan Qing Shui Xiu	87,469	51,186	20,946	10,450	4,887	Note 1
Hou De Zai Wu	65,568	29,127	20,806	11,789	3,846	Note 2
Ren Jie Di Ling	40,479	11,354	17,378	8,450	3,297	Note 3
Others	20,234	-	-	-	20,234	Note 4
	<u>213,750</u>	<u>91,667</u>	<u>59,130</u>	<u>30,689</u>	<u>32,264</u>	

Notes:

1. The Shan Qing Shui Xiu Project is expected to be completed in 2025, and the construction materials are expected to be utilised by end of the project.
2. The Hou De Zai Wu Project is expected to be completed in 2024, and the construction materials are expected to be utilised by end of the project.

The Ren Jie Di Ling Project is expected to be completed in 2025, and the construction materials are expected to be utilised by end of the project.

3. The amount paid represents retainers sum for future repair and maintenance work on previously completed projects.

3. **The Company had disclosed in its response to query 3(iv) that “The Group did not obtain shareholders’ approval as the Company considers that the loans were granted with a view to participate in the Borrowers’ property development projects, which is in the ordinary course of business of the Group”**

Please elaborate how did the loans entitle the Company to participate in the Borrower's property development projects and what is the profit sharing arrangement on the projects available to the Company for these property development projects which the Company has made loans to.

Reply: As a lender to finance the property development projects, the Group's interests are aligned with the success of the property development projects. The Group is able to participate in the property development projects in the following ways :

- (a) Provide insights about the emerging trends in the property market and approve the development plans of the property development projects;
- (b) Advise and monitor the construction status of the property development projects;
- (c) If required, attend project meetings to resolve issues encountered during the property development phases to ensure the successful completion of the property development projects; and
- (d) Advise on the marketing strategies and if necessary, assist in the selling of the property units.

The return from the above participation is derived by way of fixed interests repayment of 16.0% per annual from the property development projects. This is determined after arm's length negotiation with the borrower and after taking into consideration of the Group's average gross project of each project which ranges between 10% to 20%.

4. **With respect to the Company’s response to query 3(v), please clarify how is it in the interest of the Company to extend the loan, noting that the borrower is not able to repay? What are the safeguards put in place by the board to ensure that the extension of the loan will not result in the borrowers being unable to repay their debts after the extension. Please provide specific details to substantiate that the directors have exercised their fiduciary to safeguard the interest of the Company and its shareholders. Please disclose the status of sales of these developments and the % of completion of all their projects and how will they be able to meet their payment obligations based on the status of their projects.**

Reply: Notwithstanding that the borrowers have delayed their respective repayment, the Management believes that it is in the interests of the Company to extend these loans after taking into consideration of (a) the delay in repayment was caused by the temporarily market downturn which was substantially affected by the COVID-19 situation in 2022. The Management remains optimistic about the success of the project development projects having monitored closely on the progress of the property development projects and (b) by extending the loan to assist the borrowers to overcome their current challenges, the Group has fostered strong business relations with the borrowers and the Management believes that it will path way for future business opportunities.

To safeguard the interests of the Company and its shareholders, the Board has taken the following steps to discharge its fiduciary duties:

- (a) Understanding the rationale for the delay in repayment and reasons for extending the loan;
- (b) Instructed the Management to put in place safeguards mechanism (see below) to minimise potential loss; and
- (c) Advised the Management to closely monitor the repayment status of the borrowers on a regular basis; and
- (d) Request for update on the loan status on a periodic basis.

The Management has also put in place the following safeguards:

1. **Assessment:** The Management has assessed the reasons for the delay in repayment and the borrowers’ current financial position before granting the loan extension to determine if they can realistically afford the new repayment terms.
2. **Collateral:** The Management would require the borrowers to provide adequate collateral to secure the loans. This collateral could be seized if the borrower defaults on their payments, which reduces the Company’s risk of financial loss.
3. **Monitoring and Reporting:** The Management would regularly monitor the borrowers’ repayment progress and financial position after the loan extension is granted. This could include reviewing monthly financial statements or requesting periodic updates from the borrowers. By monitoring the borrowers’ property project’s progress, the Company can quickly identify any issues that may arise and take appropriate action to prevent default.

The following table shows the percentage of completion for Jiadi Xindu and Kaiping Qingshi’s property development projects.

	Kaiping Qingshi	Jiadi Xindu
Total residential units for sale	156	155
Units sold	124	126
Units handed over to buyers	30	60
Sales contract amount (RMB'000)	62,287	361,969

Based on the above table, Kaiping Qingshi and Jiadi Xindu are in a good financial position as they have made significant progress on their property development projects. The Management

believe that they have generated sufficient cash flow to meet their financial obligations. Based on these factors, the Management envisages that they will be able to repay the loans.

The Management will continue to closely monitor the borrowers' projects progress and assess their financial position to ensure that they can continue to repay the loan in full and on time.

- 5. With respect to the Company's response to query 4, please elaborate how did Kaiping Qingshi cease to be an interested person from FY2021 onwards and what happened to the Interested persons and whether that former interested person remains in control of Kaiping Qingshi.**

Reply: As disclosed in FY2021 annual report, Kaiping Qingshi has ceased to be an interested person of the Company after Mr. Zhou Jiangtao, an executive director of the Company, divested all his equity interest in Kaiping Qingshi and stepped down from his position as a director of Kaiping Qingshi.

By Order of the Board

Huang Tak Wai
Chief Financial Officer / Company Secretary
20 March 2023