

CHINA YUANBANG PROPERTY HOLDINGS LIMITED

(Incorporated in Bermuda)

(Co. Reg. No.: 39247)

RESPONSES TO QUERIES FROM SGX-ST

The Board of Directors of China Yuanbang Property Holdings Limited (the "**Company**" or together with its subsidiaries, the "**Group**") refers to Company's Annual Report ("**FY2020 AR**") for its financial year ended 30 June 2020 announcement released to SGX-ST on 15 October 2020.

The following information is in response to the SGX-ST's queries dated 23 October 2020 on the Company's FY2020 AR.

Query 1

We refer to the Consolidated Statement of Cash Flows in the FY2020 Annual Report. We note that there are significant differences compared to the Full Yearly Results announced by the Company on 28 August 2020. As per Listing Rule 704(6), please set out a comparative table to show the differences between the Consolidated Statement of Cash Flows in the FY2020 Annual Report and the Full Yearly Results and explain the material adjustments made.

Reply: Please refer to the follow explanations of material adjustments

Abstract of material variance in cashflow statements

	Group Year ended		Notes
	30/6/2020 RMB'000 Audited	30/6/2020 RMB'000 Unaudited*	
Cash flows from operating activities			
Decrease/ (Increase) in properties held under development	(290,956)	7,671	1
Decrease in properties held for sale	335,834	105,197	1
Increase in accruals, deposits received and other payables	(185,427)	(127,057)	1
Income taxes paid	(8,157)	(70,583)	1
Interest received	276	16,277	2
Cash flows from an investing activity			
Repayment/ (increase) in loan receivables	90,814	72,480	2
Cash flows from financing activities			
Proceeds from bank and other borrowings	329,077	131,911	3
Repayments of bank and other borrowings	(434,383)	(236,889)	3

*As disclosed in the Group's Results Announcement released to SGX-ST on 28 August 2020 (the "**Results Announcement**")

Notes:

1. The variances were mainly due to the errors identified during the audit process. These errors were rectified in the Group's audited financial statements for the year ended 30 June 2020.
2. Interest received was partially re-classified as repayment of principal of loan receivables in the audited financial statements for the year ended 30 June 2020.
3. Certain renewed borrowings were initially presented as non-cash item in the Results Announcement. However, as the Group had settled certain bank loans with cash and obtained new loans disbursement from certain banks during the renewal process, the Group therefore presented such cash movement in the audited financial statement for the year ended 30 June 2020.

Query 2

We refer to the IPT table in the Corporate Governance Report in the FY2020 Annual Report. We note that the IPT amount with Kaiping Qingshi represents approximately 2.9% of the FY2020 Net Tangible Assets of RMB 1,004,684,000.

(a) Please disclose the breakdown of the RMB 29,406,000 value at risk.

Reply: The IPT amount with Kaiping Qingshi Auto Parts Co., Ltd. ("**Kaiping Qingshi**") comprises principal amount of RMB 23.5 million and accrued interests of RMB5.9 million.

(b) When was the loan extended and has it been approved by the Audit Committee?

The loan was extended in February 2020 after the Audit Committee ("**AC**") and Board gave Management the in-principle approval for Management to negotiate the terms with Kaiping Qingshi on the loan extension. The AC had been kept informed about the loan status during each quarterly AC meeting.

(c) What is the interest rate charged and how was it determined?

Reply: The interest rate was charged at 16% p.a.. The interest rate was determined after negotiation with the Kaping Qingshi and taking reference to the Group's average borrowing costs of approximately 11%.

(d) Please demonstrate how the interest rate charged is considered arms-length by comparing it to the interest rates charged by other banks on loans to Kaiping Qingshi.

Reply: Kaiping Qingshi does not have any bank borrowings and as such the Group did not use other bank's interest rate as reference to determine the loan's interest rate. The interest rate of 16% p.a. on loan to Kaiping Qingshi was determined after negotiation with the borrower and making reference to the Group's average borrowing costs of approximately 11%.

Query 3

We refer to Note 16 Loan Receivable in the Notes to the Financial Statements. We noted a fixed-rate loan receivable to a related party of RMB 29,406,000 (2019: 28,712,000), and an allowance for impairment of a related party loan receivable of RMB 8,952,000 (2019: RMB 2,565,000).

(a) Please provide a breakdown of all related party loan receivables and its corresponding allowance for impairment for both FY2020 and FY2019. Please also include the following:

- i. The identities of the related party(s), its shareholders and directors;
- ii. The reasons for extending the loans; and
- iii. The loan repayment date.

Reply: The Group only had one related party loan receivable which is the loan made to Kaiping Qingshi. Please refer to the following tables for details.

Kaiping Qingshi's loan balance as at 30 June 2020

Principal Amount RMB'000	Interest rate	Borrowing date	Repayment date	Repayment amount RMB'000
23,500	16% p.a.	9/2/2020	8/2/2021	23,500
			Add: accrued interest	5,906
			Less: Provision for impairment	(8,951)
				<u>20,455</u>

Kaiping Qingshi's loan balance as at 30 June 2019

Principal Amount RMB'000	Interest rate	Borrowing date	Repayment date	Repayment amount RMB'000
23,500	16% p.a.	9/2/2018	9/2/2019	4,700
			8/8/2019	18,800
				<u>23,500</u>
			Add: accrued interest	5,212
			Less: Provision for impairment	(2,565)
				<u>26,147</u>

- i) Mr Zhou Jiangtao (“**Mr Zhou**”), an Executive Director of the Company, holds an effective 28.6% equity interest in Kaiping Qingshi. The remaining equity interest is held by independent third parties. There are three directors in Kaiping Qingshi, namely Mr Zhou, Mr Li Xiao Ming and Mr Li Zhi Jiang. Mr Li Xiao Ming and Mr Li Zhi Jiang are independent third parties to the Group
- ii) The reason for extending the loan was due to the delay in pre-sale of the Kaiping Qingshi's property development projects. Kaiping Qingshi had initially planned to launch

its pre-sale of Phase 1 of its property development project in January 2020. However, due to the COVID-19 situation, the pre-sale was delayed till May 2020.

Management had considered the following factors when renewing the loan with Kaiping Qingshi : 1) Kaiping Qingshi's project status and its financial position; 2) the pre-sales proceeds from the Phase 1 of Kaiping Qingshi's property development project were pledged against the Group's borrowing; 3) The Group will be able to participate in the Phase 2 of Kaiping Qingshi's property development project.

iii) Repayment date under the renewed loan agreement is 8 February 2021.

(b) What is the current financial and operational condition of the related party(s) and what led to the recognition of the allowance for impairment?

Reply: Kaiping Qingshi has one property development project in Kaiping City, Guangdong province. Pre-sale of Phase 1 of the property development project had started in May 2020. The Group will participate in the Phase 2 of the project, and the construction work is expected to commence in early 2021. As of 30 September 2020, Kaiping Qingshi had pre-sold approximately RMB44 million from Phase 1 of its property development project.

As required under International Financial Reporting Standard (“IFRS”) 9 which adopted by the Group on FY2019, an Excepted Credit Loss (“ECL”) assessment has to be made and hence the recognition of the allowance for impairment in FY2020.

(c) Is this related party considered an interested person as defined under Chapter 9 of the Listing Manual?

Reply: Kaiping Qingshi is considered an interest person during the financial year ended 30 June 2020 as defined under Chapter 9 of the Listing Manual. Disclosure of the IPT for the financial year ended 30 June 2020 was made in the Page 47 of the annual report.

(d) We further noted that the related party's legal representative is the executive director of the Company and that the Group renegotiated the repayment term and the loan is repayable in February 2021. Please clarify the follow:

i. Please disclose the identity of this related party and the executive director.

Reply: Please refer to reply of Question 3a(i) above.

ii. Why is the executive director a legal representative of this related party?

Reply: Mr Zhou Jiangtao is appointed as the legal representative of Kaiping Qingshi to have control over Kaiping Qingshi's cash disbursement/payment from Kaiping Qingshi's bank account.

iii. Is the executive director a shareholder of the related party and if not, who is the shareholder(s) and how is he related to the executive director?

Reply: Mr Zhou Jiangtao, Executive Director, holds an effective 28.6% equity interest in Kaiping Qingshi from April 2020. Prior to that, Mr Zhou was holding an effective interest of 30.6% in Kaiping Qingshi.

iv. How confident is the Board that this related party loan will be repaid by February 2021? Please ensure that the status of the repayment of the loan will be promptly announced by the Board on SGXNet.

Reply: Barring unforeseen circumstances, the Board is confident that the loan will be repaid by February 2021 given that Kaiping Qingshi has pre-sold approximately RMB44 million from Phase 1 of property development project as at 30 September 2020. The sales proceeds of the property development project are pledged against the Group's loan.

Mr Zhou has been monitoring Kaiping Qingshi's operational and financial performance closely. The Board will make necessary announcement to update shareholders on the status of the repayment on SGXNet.

Query 4

We refer to Note 19 Accounts Receivables in the Notes to the Financial Statements. We noted an impairment loss of RMB 6,134,000 recognised for both FY2020 and FY2019.

(a) Please disclose a breakdown of the impairment loss amount, the period of the transaction, as well as the identities of the entities and beneficial shareholders.

Reply: The impairment loss was solely attributable to the non-payment of outstanding purchase consideration by Jiangxi Haocheng Hotel Co., Ltd (江西豪城大酒店有限公司), a purchaser of a property in Aqua Lake Grand City sold by the Group in 2012 (the "Purchaser"). The beneficial shareholder of the Purchaser is Zhu Huhu (朱琥琥), an independent third party.

As previously disclosed in the FY2018 and FY2019 annual reports, the Group was in a legal proceeding against the Purchaser for the outstanding balance of consideration of approximately RMB32,730,000 in June 2018. The Group is still in the process of seeking payment from the Purchaser.

(b) Please explain why the amounts have to be impaired and whether the Company continues to deal with these entities.

Reply: The Group wishes to clarify that the Group did not provide any additional provision of impairment loss in FY2020. The impairment loss of RMB 6,134,000 was carried forward from FY2019.

The impairment was calculated based on the expected credit loss model as required under the IFRS 9. and as explained in above reply 3(b).
The Group no longer deals with the Purchaser.

Query 5

We refer to the Company's responses to our queries announced on 23 April 2020 regarding Mr Chen's appointment as a director and legal representative of GDYB and GZYB, of which, GZYB is considered principal subsidiary of the Group.

(a) In the Company's response to query 6, we noted that Mr Chen was appointed as legal representative for GDYB and GZYB to facilitate the Group's efforts in negotiating a RMB 100 million bank loan and that the Company is currently in contact with Bohai International Trust Co., Ltd, Guangdong Huaxing Bank Co., Ltd, and China Guangfa Bank for the loan. Please disclose whether there has been any such loan extended to the Group and if not, please explain why.

Reply: A new loan of RMB 100 million was granted to the Group on 26 August 2020 by Guangdong Huaxing Bank Co., Ltd. The new loan will be due on 25 August 2023.

(b) In the Company's response to query 2, we noted the Nominating Committee and Board's views that Mr Chen remained suitable to act as the executive director and legal representative of the Group's subsidiaries despite his incarceration as a result of providing monetary favors. Please elaborate on what procedures are currently in place to mitigate the risks of corruption practices and ensure that good corporate governance will be upheld within the Group.

Reply: The Company's Executive Directors, Mr Zhou Jiangtao and Mr Ouyang Sheng ("**Mr Ouyang**") were also appointed to the respective subsidiaries' Boards together with Mr Chen. The decision making in these subsidiaries will be by way of a majority of votes as governed by their respective constitution.

In addition, for the financial year ended 30 June 2020, the Group's internal auditor, Mazars CPA Ltd, has also completed its internal audit covering the operating subsidiaries where Mr Chen is the legal representative, namely Guangdong Yuanbang Real Estate Development Co., Ltd. and Guangzhou Yuanbang Real Estate Development Co., Ltd. Mazars CPA Ltd has confirmed that it did not notice any non-compliance or lapses during their audit.

BY ORDER OF THE BOARD

Huang Tak Wai

Chief Financial Officer / Company Secretary

Date: 27 October 2020