

**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 its full year results ended 30 June 2019 announcement released to SGX-ST on 29 August 2019.

The following information is in response to the SGX-ST's queries dated 5 September 2019.

1) We refer to the Company's financial statements ended 30 June 2019 announced on 29 August 2019. "Loan receivables" under Non-current assets amounts to RMB40.1mil and "Loan receivable" under Current assets amounts to RMB109.3mil. Please:-

i) provide the payment schedules for these loan receivables;

Company's Reply: The repayment schedules for the loan receivables made to Guangzhou Jiadi Xindu Development Co., Ltd ("Jiadi Xindu") and Kaiping Qingshi Auto Parts Co., Limited ("Kaiping Qingshi") are as follows :-

<b>a) Jiadi Xindu</b>							
<b>Principal Amount</b>	<b>Borrowing date</b>	<b>Interest rate</b>	<b>Repayment date</b>	<b>Installment</b>	<b>Repayment</b>	<b>Outstanding balance</b>	
<b>RMB'000</b>				<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	
36,000	26/10/2018	16% p.a.	25/10/2019	7,200	-	7,200	
			25/4/2020	10,800	-	10,800	
			25/10/2020	18,000	-	18,000	
			<b>Subtotal</b>	36,000	-	36,000	
52,000	9/7/2018	16% p.a.	8/7/2019	10,400	(10,400)	-	
			8/1/2020	15,600	-	15,600	
			8/7/2020	26,000	-	26,000	
			<b>Subtotal</b>	52,000	(10,400)	41,600	
60,600	9/2/2018	16% p.a.	8/2/2019	12,120	(12,120)	-	
			8/8/2019	18,180	(12,480)	5,700	
			8/2/2020	30,300	-	30,300	
			<b>Subtotal</b>	60,600	(24,600)	36,000	
<b>148,600</b>			<b>Total</b>	<b>148,600</b>	<b>(35,000)</b>	<b>113,600</b>	
					Add: accrued interest	21,676	
					Less: provision for impairment	(12,084)	
						<b>123,192</b>	

**b) Kaiping Qingshi**

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

**c) Recap of current and non-current receivables**

	<b>Principal Amount RMB'000</b>	<b>Provision of impairment RMB'000</b>	<b>Accrued interest RMB'000</b>	<b>Outstanding balance RMB'000</b>
<b>Current receivables</b>				
<i>Jiadi Xindu</i>	69,600	(8,154)	21,676	83,122
<i>Kaiping Qingshi</i>	23,500	(2,565)	5,212	26,147
	<u>93,100</u>	<u>(10,719)</u>	<u>26,888</u>	<u>109,269</u>
<b>Non-current receivable</b>				
<i>Jiadi Xindu</i>	44,000	(3,930)	-	40,070
<b>Total</b>	<u>137,100</u>	<u>(14,649)</u>	<u>26,888</u>	<u>149,339</u>

- ii) identify who are the borrowers and disclose the reasons for lending the loans to these borrowers;

Company's Reply: As disclosed in result announcement dated 29 August 2019 ("Results Announcement"), The borrowers are Jiadi Xindu and Kaiping Qingshi. (collectively, referred as "the Borrowers"). Jiadi is an independent third party. The Company's Executive Director, Mr Zhou Jiangtao, holds an effective 30.6% equity interest in Kaiping Qingshi.

The purpose of these loans was to eventually participate in the Borrowers' property development projects. Bidding for land parcels directly in an auction organised by the relevant government authorities in China requires a large amount of fund upfront and also, there is keen competition from other property developers. Hence, as an alternative, the Group cooperates with other property developers to relieve funding pressure encountered in a normal land bidding process and at the same time, enable itself to acquire land at a lower cost. Management has assessed the credentials and financial positions of the Borrowers and performed due diligence on the Borrower's property development projects before extending the loans to the Borrowers.

- iii) disclose when these loans were made; and

Company's Reply: Please refer to the table in item 1i) above.

iv) disclose why RMB40.1mil worth of loan receivables are disclosed as "Non-current assets".  
Company's Reply: The RMB40.1 million worth of loan receivables is due after 1 year from the Company's yearend, therefore the amount was classified as "Non-current assets".

2) "Prepayment, deposits paid and other receivables" amounts to RMB570.2mil. Please provide a breakdown and elaborate on the nature of material items.

Company's Reply: The breakdown for "Prepayment, deposits paid and other receivables" is as follows:

	<b>Notes</b>	<b>RMB'000</b>
Amount due from non-controlling interest	i	256,577
Deposit paid to Subcontractor	ii	78,240
Construction cost for Tonghua project	iii	66,942
Prepaid resettlement cost	iv	37,513
House maintenance fund	v	11,323
Prepayment	vi	39,448
Others		80,203
		570,246
		570,246

**Notes**

- i. The amount was related to the non-controlling equity owners of New Zhong Yuan (Nanchang) Real Estate Co Ltd ("New Zhong Yuan"). The amount due is interest-free, repayable on demand and secured by the equity interest in New Zhong Yuan held by the non-controlling equity owners.
- ii. The amount represented advances made to subcontractors for purchase of construction materials.
- iii. The amount represented prepaid construction cost (for land preparation) to the local government authority as a pre-requisite prior to obtaining a land parcel in Tonghua. The amount would be refunded to Tonghua Litong by the local government authority after the work is completed.
- iv. The amount represented the resettlement costs for a local school. Pursuant to the agreement entered into between Tonghua local government and Tonghua Litong, Tonghua Litong shall redevelop a new campus for the school and the original land occupied by the school would be transferred to the Company through a bidding process. Upon completion of the redevelopment, the incurred resettlement cost would be fully refunded to the Company or it would be used to offset the cost of the acquiring the land.
- v. The amount represented maintenance fund required for those residential projects with elevators previously sold by the Group. The fund was set up as mandated by the local Guangzhou government.
- vi. Prepayment includes prepaid material cost and prepaid construction cost.

3) It was disclosed that "interest income amounting to RMB 26.0 million derived from the loan made to Guangzhou Jiadi Xindu Development Co., Ltd and Kaiping Qingshi Auto Parts Co., Limited".

i) Is this in the ordinary course of the Company's business?

Company's Reply: The Directors of the Company consider the loans and interest income arising from the loans made to Jiadi Xindu and Kaiping Qingshi as its ordinary course of business in view that the purpose is for the Group to participate in the Borrowers' property projects development.

As disclosed in the Company's results announcement for the year ended 30 June 2019, the loan made to Jiadi Xindu was to secure the rights for the Group to participate jointly with Jiadi Xindu in its property development projects in Zhongshan Guangdong and tourist projects in Beidaihe Province, Liaoning Province and Hainan Province.

The loan made to Kaping Qingshi was to fund the initial re-development of a parcel of land in Kaiping City of Guangdong Province held by Kaiping Qingshi. The Group will eventually participate in the re-development of the project.

ii) Was shareholders' approval obtained for this loan?

Company's Reply: There was no shareholders' approval obtained for the said loans.

The IPT loan to Kaiping Qingshi did not cross the threshold limits under Chapter 9 of the Listing Manual and no announcement nor shareholders' approval is required. The Directors regard the loan to Jiadi Xindu was to allow the Group to acquire new property development projects, hence it is within the Group's ordinary course of business and would not require shareholders' approval.

iii) Please provide details on "Guangzhou Jiadi Xindu Development Co., Ltd" and "Kaiping Qingshi Auto Parts Co., Limited". Why is it in the interest of the Company to lend to these borrowers;

Company's Reply: Jiadi Xindu was incorporated on 7 October 1994 and engaged in property development business. The Guangdong Province has been the principal operation base of Jiadi Xindu. Jiadi Xindu Phases 1 and 2 (佳地新都小区一, 二期) were its key residential projects in recent year.

Kaiping Qingshi was incorporated on 18 May 2007. It was originally engaged in the manufacturing and trading of auto parts. Kaiping Qingshi holds an industrial land in Kaiping, Guangdong Province. In 2016, Kaiping Qingshi applied to local government to convert its industrial land to residential use and ceased its auto parts trading business.

Purpose of the said loans has been provided in item 1i) above.

iv) Has the Audit Committee been informed of the loan?

Company's Reply: Yes

v) What is the credit risk and financial positions of the borrowers?

Company's Reply: The Group has obtained financial statements of the borrowers and did not notice any capital deficiency of the Borrowers. Further, the loans were secured by the Borrower's proceeds from the pre-sales of their property development projects. Management has assessed the value of the property development projects and consider them sufficient to cover the loans made to the Borrowers.

vi) Has there been any problems with the repayment of the loans? Have the borrowers been able to service the repayment

Company's Reply: The Group did not expect any repayment issues by Jiadi Xindu and Kaiping Qingshi. Jiadi Xindu has repaid the loan according to the repayment schedule.

The payment for Kaiping Qingshi loan is currently overdue and Management is negotiating a renewal of the loan with Kaiping Qingshi. The properties owned by Kaiping Qingshi in Kaiping ("Kaiping Project) were intended to sell in December 2018; however, approval from relevant government authorities was only obtained in March 2019 and the sales of project was kicked-off in April 2019. The Group is closely monitoring the sales status of the Kaping project.

vii) Please provide details on: -

a) the due dates of the loans;

Company's Reply: Refer to the table in item 1i) above.

b) whether the borrowers have given any security for the loans. if not, how is repayment secured?

viii) Please quantify the loan to each of the borrowers;

Company's Reply: The loan made to Kaiping Qingshi was secured by the proceeds of its property projects in Kaiping city. The gross proceeds from the sale of property projects were estimated to be approximately RMB 300 million. The sales of property project were started in April 2019. As of 4 September 2019, 28 residential units were sold and recorded RMB15.3 million pre-sales revenue.

The loan made to Jiadi Xindu was secured by the proceeds of its property projects in Guangzhou City. The gross proceeds from the sale of property projects were estimated to be approximately RMB 700 million. The said property project is still pending for local government authorities' approval and the sales of properties is expected in October 2019.

ix) Please also disclose the purpose of the loans and the terms of the loans.

Company's Reply: Please refer to item 1i) above.

4) It was disclosed that the increase in Administrative expenses "was mainly due to a one-off compensation amounting to RMB 27.7 million paid to the buyers of the 394 residential unit buyers of Ming Yue Shui An and Shan Qing Shui Xiu. The compensation was due to delay in completing the interior renovation works, which led to a delay in the handover of the said units". Please disclose: -

i) whether this is covered by insurance; and

Company's Reply: The aforesaid compensation was not covered by any insurance. The said compensation claim was an exceptional case. So far, only a few claims had been made in the past. The Group will closely monitor the progress of its subcontractor's work and consider purchasing insurance if needed.

ii) the factors that caused the delay.

Company's Reply: The delay was due to unsatisfactory interior renovation works which resulted in a delay in the issuance of occupation certificates for the residential units from the relevant government authority. The occupation certificates were issued, and the residential units were handed over after the completion of ratification works.

5) It was disclosed that "an impairment loss of account, loan and other receivables amounting to RMB 23.1 million (FY2018: RMB 2.4 million). The impairment loss of account, loan and other receivables was resulted from the application of IFRS 9 at the beginning of the financial year. The Group has recognised an impairment loss based on results of the Expected Credit Loss model". Please provide details on: -

i) these account receivables, loan and other receivables;

Company's Reply: The breakdown of impairment loss of account receivables, loan and other receivables is as follows:

	<b>RMB'000</b>
Account receivables	477
Loan receivables	6,496
Other receivables	16,159
	<u>23,132</u>

ii) the quantum of these loans and receivables, when were these made, the reasons allowing these loans and receivables as well as the usage of these loan and receivables.

Company's Reply: The impairment loss on account receivables was related to the receivables amounting to RMB 32.7 million due from the purchaser of a property in Aqua Lake Grand City. The Group has commenced legal proceedings and received a judgement ruled in favor of the Group that the property purchaser should settle the RMB 32.7 million. The calculation of the impairment was based on the expected credit loss model as required under the International Financial Reporting Standard ("IFRS") 9. The IFRS 9 which was effective from 1 January 2018, requires entities to recognise expected credit losses for all financial assets carried at amortised cost. As explained in the Results Announcement, the Group will now be required to consider historic, current and forward-looking information (including macro-economic data). This will result in the earlier recognition of credit losses

as it will no longer be appropriate for the Group to wait for an incurred loss event to have occurred before credit losses are recognized.

<u>Breakdown of impairment of other receivables</u>	<b>RMB'000</b>
Advance to subcontractors	5,989
Rental income receivables	7,507
Amount due to non-controlling interest	2,663
	<u>16,159</u>

The Group had applied a simplified approach on assessing provision of impairment on loan and other receivables. The provision of impairment was established based on its historical credit loss experience, adjusted as appropriate for current conditions and taking into account forward-looking factors specific to the debtors and the economic environment.

ii) how much of these loans and receivables are outstanding;

Company's Reply: Please refer to the follow table:

	<b>Outstanding amount</b>
	<b>RMB'000</b>
Account receivables	59,157
Loan receivables	149,339
Other receivables	285,720

iii) the Audit Committee's views on whether they had approved these loans and to explain why approvals have been provided; and

Company's Reply: The Audit Committee ("AC") had been informed of the loans but their approval was not sought prior to extending the loans as Management was of the view that these loans were part of operational matters under the purview of Management.

iv) how many entities and borrowers have the Company lent to so far.

Company's Reply: Except for Kaiping Qinshi and Jiadi Xindu, there are no other borrowers with material amount.

6) Please provide the first half and second half year's breakdown of sales.

Company's Reply: Please find the follow table:

	<b>1st half of FY2019</b>	<b>2nd half of FY2019</b>	<b>Full year</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Sale of property</u>			
<i>Ming Yue Shui an</i>	269,800	9,359	279,159
<i>Hou De Zai Wu</i>	80,538	791,084	871,622
<i>Shan Qing Shui Xiu</i>	488,557	233,118	721,675
<i>Aqualake City</i>	64,973	-	64,973
<u>Contract revenue</u>	1,569	4,705	6,274
	<u>905,437</u>	<u>1,038,266</u>	<u>1,943,703</u>

**BY ORDER OF THE BOARD**

Huang Tak Wai  
Chief Financial Officer / Company Secretary  
Date: 9 September 2019