

CHINA YUANBANG PROPERTY HOLDINGS LIMITED

(Incorporated in Bermuda)

(Co.Reg. No.: 39247)

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 full year results announcement for the year ended 30 June 2021 released to SGX-ST on 27 August 2021.

The following information is in response to the SGX RegCo's queries dated 7 September 2021:

- (1) **We note the non-current loan receivables from Kaiping Qingshi of RMB 24.2 million, which is net of provision for impairment of RMB 9.0 million. Please explain what the Group considered in its evaluation of its possible investment into Kaiping Qingshi which led to its intention to proceed with the investment into Kaiping Qingshi. In the explanation, please also include the status of Kaiping Qingshi's operations in the second half of FY2021 and whether they are able to repay the loan by December 2022.**

Response:

The Group had considered, amongst others, the following key factors when evaluating its investment into Kaiping Qingshi:-

- i. The viability of Kaiping Qingshi Project

Kaiping Qingshi Project has a total gross development value (“**GDV**”) and gross development costs (“**GDC**”) of approximately RMB588.7 million and RMB450.5 million, respectively. The estimated GDV and GDC for the two phases are as follows:

	Gross floor area (sq. m.)	Gross development value (RMB'000)	Gross development cost (RMB'000)	Units available for sale	Pre-sale units
Phase 1					
Residential units	14,000	85,400	68,320	156	94
Commercial units	9,083	163,494	118,079	N/A ⁽¹⁾	N/A
Sub-Total		248,894	186,399		
Phase 2					
Residential units	39,956	239,736	191,788	460	N/A
Commercial units	5,559	100,062	72,267	N/A ⁽¹⁾	N/A
Sub-Total		339,798	264,055		
Total (Phase 1 and 2)		588,692	450,454		

Note:

- (1) The number of commercial units available for sale is pending approval of the relevant government authority.

- ii. The sale performance of Phase 1 of Kaiping Qingshi

As at 30 June 2021, Kaiping Qingshi has pre-sold 94 units of its residential units and received deposits for another 36 residential units, representing an aggregate of approximately 83.3% of the number of residential units available for sale under Phase 1.

iii. Other considerations

The acquisition of land parcels directly in an auction organised by the relevant government authorities in China requires a large amount of funds upfront. Hence, as an alternative, the Group co-operates with other property developers via loan and/or equity participation to relieve the funding pressure encountered in a normal land bidding process and at the same time, enable itself to acquire land at a lower cost. Accordingly, the participation in Kaiping Qingshi Project allows the Group to replenish its land bank at a more cost effective manner.

Having assessed the sales progress of Kaiping Qingshi Project Phase 1, Management is of the view that that, barring unforeseen circumstances, Kaiping Qingshi should be able to repay its loan and interest of RMB33.2 million to the Group when it is due by end of December 2022. Notwithstanding the above, the Group is currently negotiating the terms and condition with Kaiping Qingshi regarding capitalising the loan from the Group into equity and thus the repayment of loan receivable would not be an issue when the investment capitalisation is materialised.

For avoidance of doubt, Kaiping Qingshi's operations in the second half of FY2021 described above are meant to be the same as Group's financial period from January to June 2021.

- (2) **Please provide the breakdown of the material prepayments, deposits paid and other receivables of RMB 495.8 million. In the breakdown, please disclose the nature, aging and the date in which the Group expects to receive these prepayments, deposits paid and other receivables.**

Response:

The breakdown and aging analysis of prepayments, deposits paid and other receivables are as follows

	Note	Total RMB'000	Current RMB'000	>30-120 days RMB'000	>120-180 days RMB'000	>270 days RMB'000	> 1 year RMB'000
Amount due from non-controlling interest	(i)	241,029	-	-	-	-	241,029
Deposit paid to Subcontractor	(ii)	114,871	37,522	45,631	27,623	4,095	-
Construction cost for Tonghua project	(iii)	59,481	-	-	-	-	59,481
Prepaid resettlement cost	(iv)	37,308	-	-	-	-	37,308
House maintenance fund	(v)	31,655	4,365	8,186	4,037	5,131	9,936
Others		11,433	10,076	1,357	-	-	-
		<u>495,777</u>	<u>51,963</u>	<u>55,174</u>	<u>31,660</u>	<u>9,226</u>	<u>347,754</u>

Note:

- (i) The amount was due from the minority shareholders of New Zhong Yuan (Nanchang) Real Estate Co Ltd ("New Zhong Yuan"). New Zhong Yuan is a real estate project in Nanchang City whereby the Group owns 51% equity stake. The amount which arose in the past due to the Group's investment contribution to the New Zhong Yuan project, is interest-free, repayable on demand and secured by the equity interest in New Zhong Yuan held by these minority shareholders. The said amount will be repaid after the New Zhong Yuan project is fully completed and the project accounts of New Zhong Yuan are finalized.
- (ii) 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, Shan Qing Shui Xui, Hou De Zen Wu and Ren Jie Di Ling.
- (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 will be refunded to the Group's subsidiary, Tonghua Litong Real Estate

Development Co., Ltd ("Tonghua Litong") by the local government authority after the work is completed. The project is expected to complete in 2023.

- (iv) The amount represented the re-settlement costs for a local school. Pursuant to the agreement entered into between Tonghua local government and Tonghua Litong, Tonghua Litong will re-develop a new school campus and the original land occupied by the school will be transferred to the Group through a bidding process. Upon completion of the re-development, the incurred re-settlement cost would be fully refunded to the Group or it could be used to offset the cost of acquiring the land. The new school campus is currently in construction and expected to complete in 2022.
- (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. The maintenance fund will be used to settle the repair and maintenance cost incurred by the projects.

(3) Please elaborate on the Group's plan to finance the repayment of the current loans of RMB 417.5 million given its current cash and bank balance of RMB 81.5 million and negative working capital.

Response:

The Group's major current loans breakdown and the re-finance plan is as follows:

Loan balance (RMB'000)	Repayment date	Notes
200,000	2021/8/22	(i)
136,000	2021/12/20	(ii)
20,100	2021/10/7	(iii)
18,000	2022/6/30	(iv)

Note:

- (i) The Group has renewed the loan agreement with the bank in the PRC in August 2021. The new repayment date is 22 August 2022.
- (ii) The loan is secured by certain commercial, residential units and car parks of the Group's Tonghua Project. The Group is planning to negotiate with the lender to renew the loan. As the loan is secured against the property units of Tonghua Project, Management is confident that the loan could be renewed.
- (iii) The loan is secured by certain residential units of Ren Jie Di Ling project in Rushan, Shandong Province. The Group is currently negotiating with the lender to renew the loan. Management is confident that the loan could be renewed.
- (iv) The loan is secured by a land parcel in Huizhou, Guangdong Province. Management is confident of renewing the loan considering that the loan is secured and the Group has a good repayment history.

Besides the refinancing plan above, Management believes that the Group is able to meet its short-term liabilities and fulfil its significant payment obligations in the next 12 months given that:

- 1) as at 30 June 2021, the Group has contract liabilities of approximately RMB399.3 million, which will be recognised as revenue when the property units are handed over to buyers. The Group envisages that it will receive approximately RMB200 million when the pre-sale units of its property development projects are handed over to buyers.
- 2) as at 30 June 2021, the Group has approximately RM1,178.3 million worth of properties held for sale and that the Group will continue its marketing efforts to expedite the sales of its property development projects;

- 3) expected repayment of loan receivables with accrued interest of approximately RMB55.0 million from Jiadi Xindu by the end of 2021;
 - 4) accounts payable amounting to RMB348.0 million will be partially offset by the deposit and prepayment made to subcontractors. Further, based on the Group's strong long-term relationship with its subcontractors, Management is of the view that the subcontractors would not request for immediate payment of the outstanding balance; and
 - 5) income tax payable amounting to RMB234.7 million which comprises mainly provision of land appreciation tax ("LAT") payables and accrued Enterprise Income Tax. The provision of LAT is only payable when the Group's property development projects are completed.
- (4) Please elaborate on why there is a significant increase in income taxes paid in FY2021 of RMB 54.2 million as compared to RMB 8.2 million in FY2020.**

Response:

Due to the COVID-19 situation in FY2020, the local tax authority had allowed the Group's subsidiaries to delay tax payment. As a result, the tax payment was significantly lower in FY2020.

BY ORDER OF THE BOARD

Huang Tak Wai
Chief Financial Officer / Company Secretary
Date: 9 September 2021