

CHINA GREAT LAND HOLDINGS LTD.
(Company Registration No. 200312792W)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SGX-ST ON THE COMPANY'S FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2015 (THE "FY2015 FINANCIAL STATEMENTS ANNOUNCEMENT")

The Board of Directors (the "**Board**") of China Great Land Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**"), would like to provide the following information in response to queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the FY2015 Financial Statements Announcement.

Query 1 of SGX-ST:

In paragraph 8 the Company's 2015 full year results ("FY2015 Results"), it was mentioned that decrease in revenue was mainly due to the slowed down in property market as well as stiffness competition in the industry. Please provide details on:-

- a) *The properties sold by the Company;*
- b) *The remaining business of the Company; and*
- c) *What contributed to the revenue amounting to RMB1.2mil recorded in the 2nd half of the year.*

The Company's response:

- a) The Company has not sold any properties as it is not in the business of property development. However, as the Company is engaged in the building engineering related business, the current downturn of China property market has affected the performance of the Group;
- b) The Company's remaining business is its building engineering related business from continuing operations; and
- c) In the second half of FY 2015, Hainan Pearl River Foundation Engineering Co., Ltd ("**HPRFE**"), the operating subsidiary of the Company, secured an engineering contract with Jiujiang City First Construction Co., Ltd (九江市第一建筑工程公司) with a contract value of RMB 1.21 million to provide on-site management service for the Hainan Pearl Project (海上明珠). This project commenced in August 2015 and was completed in December 2015.

Query 2 of SGX-ST:

In the Income Statement, "General and administrative expenses" amounted to RMB3.39mil. Please provide a breakdown and the reasons for the significant expenses of RMB3.39mil which exceed revenue of RMB1.36mil.

The Company's response:

The breakdown of general and administrative expenses from continuing operation amounted to RMB 3.39 million as follows:-

	RMB'000
Salary and related costs#	1,026
External audit fee	750
Director fees	515
Redundancy expenses	296
Professional fees	260
Travel and entertainment	119
Printing and annual report	101
SGX subscription fees	152
Rental expenses	67
Office expenses	40
Insurance	40
Depreciation	22
Total	3,388

#: Salary and related costs mainly comprise of (i) the corporate office's one key management personnel and one staff with totalling salary and related costs amounting to RMB 737,000 (ii) HPRFE's seven staff with totalling salary and related costs amounting to RMB 289,000

Query 3 of SGX-ST:

In the Income Statement, "Other operating expenses" amounted to RMB1.43mil. Other operating expenses increased as a result of an increase in provision of impairment loss on Trade and other receivables of RMB2.0mil. Please provide:-

- a) A breakdown of this impairment loss;
- b) The nature of the underlying transaction;
- c) Reasons on why there is a need for this impairment; and
- d) Details on what actions have been taken by the Company to recover the amount and why the amount is more than the revenue of RMB1.36mil.

The Company's response:

- a) The breakdown of impairment loss as follows:-

Customer Name	Project name	RMB'000
三亚和泓房地产开发有限公司 Sanya HeHong Property Development Co., Ltd	"三亚和泓四季"一期 Sanya HeHong Four Seasons Phase 1	248
海南博鳌亚洲风情广场有限公司 Hainan BoAo Asia Tropical Co., Ltd	博鳌中信三江口项目 (一期) BoAo Zhong Xin San Jiang Kou Project Phase 1	237
儋州恒大滨海投资有限公司 Dan Zhou HengDa Bin Hai investment Co., Ltd	儋州恒大.金碧天下 Dan Zhou Heng Da Jin Bi Tian Xia	193
海南盈滨岛置业有限公司 Hainan Yin Bin Island Property Co., Ltd	鲁能海蓝福源三区一标 LuNeng Hai Lan Fu Yuen District 3 Stage 1	1,313
Others		33
Total		2,024

- b) The receivables comprise invoices issued to customers for completed work pursuant to contractual agreements signed by both parties.

- c) Management assessed the recoverability of the trade receivables, based on the objective evidence that the receivables were impaired in accordance with FRS39 – *Financial Instruments Recognition & Measurements*. These include (i) significant financial difficulty; or (ii) breach in principal payments.
- d) The Company is engaging a legal advisor to commence formal legal action to recover these receivables. The amount impaired was higher than the revenue because the outstanding amount also comprises of billings which incurred before FY2015.

Query 4 of SGX-ST:

In the Balance Sheet, the Company announced a negative equity. With the Company's revenue of only RMB1.36mil, working capital deficit of RMB20.9mil and negative cashflow from operating activity of RMB2.0mil, how is the Company able to continue to operate as a going concern and to meet its short term obligations as and when they fall due? Please elaborate with details of sources of fund available to the Company.

The Company's response:

On 24 March 2016, the Company entered into a loan agreement with a director cum major shareholder whereby the latter agrees to provide the Company with an interest-free loan of RMB 10 million (equivalent to approximately S\$2,096,490), repayable within two years from the date of the agreement. The loan will be disbursed in 2 tranches as follows:

- (i) the 1st Tranche of not less than RMB 4 million to be disbursed on or before 30 April 2016; and
- (ii) the balance amount is to be disbursed on or before 31 December 2016.

The Group's subsidiary – HPRFE, is also in the midst of bidding for building engineering projects in Hainan as well as other provinces in PRC.

Query 5 of SGX-ST:

"General and Admin expenses" for the Company's Discontinued Operation amounted to RMB4.7mil in FY2015. Please provide a breakdown of this amount and reasons for each of the material costs noting that the Company had zero revenue from this Discontinued Operation.

The Company's response:

The breakdown of general and admin expenses from discontinued operations amounting to RMB 4.7 million is as follows:-

Description	RMB'000
Salary and related costs (Note 1)	1,394
Consultancy fees (Note 2)	1,120
Professional fees (Note 3)	427
Other receivables written off	517
Travelling and entertainment expenses	363
Miscellaneous tax expenses	335
Office expenses	211
Rental expenses	108
Maintenance expenses	96
Utilities	83
Others	49
Total	4,703

Note 1: Salary and related costs mainly include:

- (i) two key management personnel and 8 staff of Hainan Pearl River Pile Co., Ltd. (“**HPRP**”), a subsidiary of the Group, with an aggregate amount of RMB 1,016,000
- (ii) one key management personnel and 4 staff of Sanya Pearl River Pile Co., Ltd (“**SPRP**”), a subsidiary of the Group, with an aggregate amount of RMB 378,000.

Note 2: Consultancy fees mainly relate to guarantee fees paid to a third party for loans from non-financial institutions.

Note 3: The professional fees mainly relate to the valuation, audit fees and legal fees for the transfer the legal ownership to Lionview Global Investments (the “**Purchaser**”) and the legal actions against the overdue customers.

Query 6 of SGX-ST:

In paragraph 8 of the FY2015 Results, it was mentioned that the “obligation of the amounts due to the minority shareholder – Hainan Pearl River Holdings Co., Ltd (“Hainan Pearl River”) RMB 30.0 million has been transferred to the purchaser - LionView per S&P agreement entered with LionView previously and, subsequently, the loans RMB21.2 million and interest and other payables RMB3.8 million from continuing operation and loans RMB5 million from discontinued operation have been offset against the deposit placed with a third party – 北京圆融通资产管理有 限公司 (“圆融通”) of RMB30.0 million in connection with proceeds received previously from Hainan Pearl River”. Please:-

- a) *Explain why would a loan that would be borne by the purchaser be offset against a deposit placed with a third party;*
- b) *Provide details on who placed the deposit;*
- c) *Provide details on how would the “offset” arrangement affect the financials of the Company; and*
- d) *Provide details on who received the proceeds received previously from Hainan Pearl River. Please explain the relationships and the transactions involved.*

The Company’s response:

- a) In FY2015, following the disposal of SPRP and Hainan Huadi Building Material Co., Ltd (“**HHBM**”) to the Purchaser on 31 December 2015, as the Purchaser has taken over the obligations to repay Hainan Pearl River, the deposit (which was provided by Hainan Pearl River) no longer needed to be repaid to Hainan Pearl River, and the Company was free to use the deposit at its discretion. The Company thus instructed its escrow agent “Yuan Rong Tong” (圆融通) to apply the deposit to settle outstanding financial liabilities owed by the Group, including accrued interest, amounting to RMB 25.0 million (from continuing operations) owed by HPRFE and RMB 5 million (from discontinued operations) owed by HPRP, respectively.
- c) The “offset” arrangement has improved the Company’s financial position since the Purchaser was willing to undertake the Company’s liabilities as set out above.
- b;d) On 23 August 2013, management announced that they had entered into a sale & purchase agreement with Hainan Pearl River where the Company agreed to dispose off its entire shareholding interest in SPRP (amounting to 80% of the capital of SPRP) to Hainan Pearl for a consideration of RMB 50 million. As at 31 December 2013, the Group, through HPRP, received RMB 30 million from Hainan Pearl River and the amount was placed in an escrow account with a third party -“Yuan Rong Tong” (圆融通) as assigned by Hainan Pearl River.

Query 7 of SGX-ST:

Please provide details of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Company's response:

The construction industry continues to be gloomy with local authorities tightening controls on construction of residential property in view of adequate supply in the local province. Unless the local authorities relax these rules, the outlook for this industry is unlikely to be promising. The Group will concurrently to seek opportunities in other provinces in which it can tap its expertise to manage its risk.

Query 8 of SGX-ST:

Please also provide details on the progress of the Company's property developments including milestones to completion, sales to date, sold to date price trend etc. of its property projects.

The Company's response:

The Company has not acquired any development properties. As stated in the Company's announcement dated 27 July 2015, the Company has, on 26 July 2015, signed a non-binding memorandum of understanding with ZhongHe Investment Co. Limited (众和投资有限公司). (the "Vendor") to acquire the Vendor's stake in a property project in Kunming City, Fuxianhu, Yunnan Province, PRC.. As at the date of this announcement, the Company is still in negotiations with the Vendor for the execution of a definitive sale and purchase agreement. The Company will make the relevant announcements if there are any material developments.

Query 9 of SGX-ST:

In paragraph 10 of the FY2015 Results, it was announced that the Board and Management are of the opinion that the Group's operations can be and will be continued as a going concern. Please provide the Board and Management's basis for this statement.

The Company's response:

The Board and Management opined that Group operations can be and will be continued as a going concern was based on the following factors:

- a) On 24 March 2016, the Company entered into a loan agreement with a director cum major shareholder whereby the latter agrees to provide the Company with an interest-free loan of RMB 10 million (equivalent to approximately S\$2,096,490), repayable within two years from the date of the agreement. The loan will be disbursed in 2 tranches as follows:
 - (i) the 1st Tranche of not less than RMB 4 million to be disbursed on or before 30 April 2016;
and
 - (ii) the balance amount is to be disbursed on or before 31 December 2016.
- b) The director cum major shareholder has confirmed that she will not be demanding repayment of non-trade advances due to her amounting to RMB 3.85 million;
- c) The Company has also received a letter of financial support from the director cum major shareholder that she will provide continuing financial support to the Group and the Company as and when its liabilities fall due; and

d) The Company has, on 26 July 2015, entered into a non-binding memorandum of understanding with the Vendor to acquire the Vendor's stake in a property project in Kunming City, Fuxianhu, Yunnan Province, PRC.

BY ORDER OF THE BOARD

Li Zhangjiang De Malca
Executive Chairman and Managing Director

30 March 2016