

# CHINA YUANBANG PROPERTY HOLDINGS LIMITED

Registration Number 39247

(Incorporated in Bermuda)

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## PROPOSED CAPITAL REORGANISATION

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### 1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of China Yuanbang Property Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a reorganisation of its share capital to, *inter alia*, reduce the par value of each ordinary share in the capital of the Company (each, a “**Share**” and collectively, the “**Shares**”) from HK\$2.00 to HK\$0.10 (the “**Proposed Capital Reorganisation**”). As at the date of this announcement, the authorised share capital of the Company is HK\$600,000,000 divided into 300,000,000 Shares with a par value of HK\$2.00 each, of which 69,400,000 Shares have been issued and are fully paid up.
- 1.2 The Proposed Capital Reorganisation is subject to, *inter alia*, the approval of the shareholders of the Company (the “**Shareholders**”), which will be sought at a special general meeting of the Company (“**SGM**”) to be convened. A circular to the Shareholders containing further information on the Proposed Capital Reorganisation and, together with the notice of the SGM will be despatched to the Shareholders in due course.

### 2. OVERVIEW OF THE PROPOSED CAPITAL REORGANISATION

- 2.1 Under the laws of Bermuda, shares of a Bermuda company may not be issued at a price which is lower than the par value of the shares. As at the date hereof, the authorised share capital of the Company is HK\$600,000,000 divided into 300,000,000 Shares with a par value of HK\$2.00 each, of which 69,400,000 Shares have been issued and are fully paid-up.
- 2.2 The Directors are convening the SGM to seek Shareholders’ approval for the Proposed Capital Reorganisation to reduce the par value of each Share from HK\$2.00 to HK\$0.10.

### 3. RATIONALE FOR THE PROPOSED CAPITAL REORGANISATION

- 3.1 The closing prices of the Shares ranged between S\$0.260 (equivalent to approximately HK\$1.470 based on an exchange rate of S\$1: HK\$5.6533 as at 30 August 2019) and S\$0.390 (equivalent to approximately HK\$2.205) during the three (3) months prior to the date hereof, with a volume weighted average price during of approximately S\$0.273 (equivalent to approximately HK\$1.543), which is below the existing par value of its Shares of HK\$2.00.
- 3.2 The concept of par value is applicable to the Company as it is a company incorporated in Bermuda, which (unlike certain other jurisdictions such as Singapore) have yet to abolish this concept. Under the laws of Bermuda, shares of a Bermuda company may not be issued at a price which is lower than the par value of the shares. The Proposed Capital Reorganisation will provide the Company with greater flexibility to issue new Shares with a par value of HK\$0.10 each at an issue price closer to its volume weighted average price in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares, such as a rights issue or placement.

- 3.3 The amount of credit arising from the Capital Reduction (as defined below) will be transferred to the contributed surplus account of the Company. Any credit balance in the contributed surplus account of the Company may, as long as the Company is solvent, be applied in such manner as the Directors may determine in accordance with the bye-laws of the Company (“**Bye-laws**”) and all applicable laws. The credit balance will provide the Company with greater flexibility in relation to future distributions, if any, out of contributed surplus. Shareholders should note that whether or not the Company will make a distribution out of contributed surplus and the timing and amount of any distribution to be paid will depend on the Company’s earnings, financial position including cash flow position, future capital requirements, future plans and other relevant factors. Shareholders should note that as at the date hereof, there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.
- 3.4 The Directors are therefore of the view that the Proposed Capital Reorganisation will mitigate the limitations generally associated with the concept of par value, allow for more meaningful financial reporting and provide the Company with greater flexibility on its future capital structure to enable the Company to take advantage of opportunities as and when they arise.

#### 4. **DETAILS OF THE PROPOSED CAPITAL REORGANISATION**

- 4.1 The Proposed Capital Reorganisation will involve the following:
- (a) the reduction of the issued and paid-up share capital of the Company (the “**Capital Reduction**”) from HK\$138,800,000 divided into 69,400,000 Shares with a par value of HK\$2.00 each, to HK\$6,940,000 divided into 69,400,000 Shares with a par value of HK\$0.10 each, by the cancellation of the paid-up share capital of the Company to the extent of HK\$1.90 on each of the Shares with a par value of HK\$2.00 in issue on the effective date of the Proposed Capital Reorganisation (the “**Effective Date**”) so that each issued Share with a par value of HK\$2.00 shall be treated as one (1) fully paid Share with a par value of HK\$0.10 as at the Effective Date, and any liability of the holder of such Shares to make any further contribution to the share capital of the Company on each such Share shall be treated as satisfied. As at the date hereof, all issued Shares in the capital of the Company have been fully paid-up;
  - (b) subject to and forthwith upon the Capital Reduction taking effect, the cancellation of all of the authorised but unissued Shares with a par value of HK\$2.00 each in the share capital of the Company (which shall include, without limitation, the authorised but unissued Shares resulting from the Capital Reduction) and the diminution of the authorised share capital of the Company of HK\$600,000,000 by HK\$461,200,000 representing the amount of Shares so cancelled (the “**Authorised Capital Diminution**”), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased from HK\$6,940,000 to HK\$60,000,000 by the creation of 530,600,000 Shares with a par value of HK\$0.10 each as shall represent the difference between 600,000,000 Shares with a par value of HK\$0.10 each and the number of Shares with a par value of HK\$0.10 each in issue after the Capital Reduction;
  - (c) subject to and forthwith upon the Capital Reduction taking effect, the amount of credit arising from the Capital Reduction in the sum of HK\$131,860,000 (equivalent to RMB127,188,000 based on a historical exchange rate of HK\$1: RMB0.964568 as at the date the Shares were issued) being credited to the contributed surplus account of the Company; and

- (d) the authorisation of the Directors to utilise any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws and all applicable laws.

## **5. EFFECTS OF THE PROPOSED CAPITAL REORGANISATION**

5.1 Upon the Proposed Capital Reorganisation taking effect on the Effective Date:

- (a) the par value of each issued and unissued Share will be reduced from HK\$2.00 to HK\$0.10;
- (b) the authorised share capital will be reduced from HK\$600,000,000, divided into 300,000,000 Shares with a par value of HK\$2.00 each, to HK\$60,000,000, divided into 600,000,000 Shares with a par value of HK\$0.10 each;
- (c) the issued and paid-up share capital (based on the number of issued Shares as at the date hereof) will be reduced from HK\$138,800,000 divided into 69,400,000 Shares with a par value of HK\$2.00 each to HK\$6,940,000 divided into 69,400,000 Shares with a par value of HK\$0.10 each and the number of issued Shares will remain unchanged at 69,400,000 Shares; and
- (d) the contributed surplus account of the Company will be increased from HK\$38,532,000 to HK\$170,392,000.

5.2 Upon the Proposed Capital Reorganisation becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of, each Shareholder or depositor as a result of the Proposed Capital Reorganisation. The Shares with a par value of HK\$0.10 each will rank *pari passu* in all respects with each other. Other than the costs and expenses incurred in relation to the Proposed Capital Reorganisation which are not expected to have any material effect on the financial position of the Group, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

5.3 The Proposed Capital Reorganisation will not involve the diminution of any liability in respect of any unpaid capital and will also not result in a return of capital or cash to Shareholders. The amount of credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

## **6. CONDITIONS OF THE PROPOSED CAPITAL REORGANISATION**

6.1 The implementation of the Proposed Capital Reorganisation is subject to, *inter alia*, the following:

- (a) the approval by the Shareholders of the Proposed Capital Reorganisation by way of a special resolution (as defined in the Bye-laws) at the SGM i.e. the Proposed Capital Reorganisation has to be approved by a resolution passed by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, present and voting at the SGM (either voting in person or by duly authorised corporate representative or by proxy);
- (b) compliance with the relevant legal procedures and requirements under Bermuda laws to effect the Proposed Capital Reorganisation, including but not limited to the following:

- (i) the publication of a notice in an appointed newspaper in Bermuda at a date not more than thirty (30) days and not less than fifteen (15) days before the Effective Date as required under Section 46(2)(a) of the Bermuda Companies Act; and
- (ii) the filing of the following documents with the Registrar of Companies in Bermuda within 30 days of the Effective Date:
  - (A) a memorandum of reduction of share capital;
  - (B) a certified true copy of the special resolution passed in respect of the Capital Reduction; and
  - (C) a copy of the notice referred to in (i) above published in an appointed newspaper in Bermuda; and
- (c) the receipt of all necessary approvals (if any) from the regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

6.2 Section 46(2)(b) of the Bermuda Companies Act provides that no company shall reduce the amount of its share capital if, on the date the reduction is to be effected, there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.

## 7. FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REORGANISATION

The *pro forma* financial effects of the Proposed Capital Reorganisation on share capital of the Company, Shareholders' funds and reserves, NAV, earnings and gearing of the Group are set out below. The *pro forma* financial effects have been prepared based on the audited financial statements of the Group for FY2019. The *pro forma* financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual results of the Company and/or the Group, and do not reflect the actual future financial situation of the Group after the completion of the Proposed Capital Reorganisation.

### 7.1 Share capital

The effects of the Proposed Capital Reorganisation on the share capital of the Company as at the date hereof are as follows:

	<b>Before Proposed Capital Reorganisation</b>	<b>After Proposed Capital Reorganisation</b>
<b><u>Authorised share capital</u></b>		
Number of Shares	300,000,000	600,000,000
Par value (HK\$)	2.00	0.10
<b>Total (HK\$)</b>	<b>600,000,000</b>	<b>60,000,000</b>
<b><u>Issued and paid-up share capital</u></b>		
Number of Shares	69,400,000	69,400,000
Par value (HK\$)	2.00	0.10
<b>Total (HK\$)</b>	<b>138,800,000</b>	<b>6,940,000</b>

## 7.2 Shareholders' funds and reserves

The Shareholders' funds and reserves of the Group before and after the Proposed Capital Reorganisation are as follows:

<b>RMB ('000)</b>	<b>Before Proposed Capital Reorganisation<sup>(1)</sup></b>	<b>After Proposed Capital Reorganisation<sup>(1)</sup></b>
Share capital	133,882	6,694
Share premium	302,585	302,585
Treasury shares	-	-
Other reserves	139,039	139,039
Contributed surplus <sup>(2)</sup>	-	127,188
Retained profits	111,269	111,269
<b>Total</b>	<b>686,775</b>	<b>686,775</b>

**Note:**

(1) Based on the historical exchange rate of HK\$1: RMB0.964568 as at the date the Shares were issued.

(2) The increase in contributed surplus occurs as the reduction in par value of the Shares will not result in any return of capital to Shareholders. Accordingly, the capital remained intact but it has been presented with a reduced share capital and a corresponding increase in contributed surplus.

## 7.3 NAV, earnings and gearing

The implementation of the Proposed Capital Reorganisation is not expected to have any material effects on the NAV, earnings and gearing of the Group. No capital will be returned to Shareholders and there will be no change in the number of Shares held by the Shareholders immediately after the Proposed Capital Reorganisation.

## 8. EFFECTIVE DATE OF THE CAPITAL REORGANISATION

Subject to the approval of the Shareholders for the Proposed Capital Reorganisation by way of a special resolution being duly passed at the SGM as mentioned above, an announcement will be made by the Company to confirm the Effective Date.

## 9. SGX-ST WATCH-LIST

The Company was placed on the SGX-ST watch-list under the minimum trading price entry criteria with effect from 5 June 2018. Pursuant to Rule 1311(2) of the listing manual of the SGX-ST, the SGX-ST will place an issuer on the watch-list if it recorded a volume-weighted average price of less than S\$0.20 and an average daily market capitalisation of less than S\$40 million over the last 6 months under review.

## 10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors of the Directors has any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company). To the best of the knowledge of the Directors, none of the substantial Shareholders has any interest, direct or indirect, in the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company).

## **11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Capital Reorganisation and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

### **BY ORDER OF THE BOARD**

Huang Tak Wai  
Chief Financial Officer / Company Secretary  
Date: 3 September 2019