

CHINA YUANBANG PROPERTY HOLDINGS LIMITED

Registration Number 39247

(Incorporated in Bermuda)

RESPONSES TO FURTHER QUERIES FROM SGX REGCO

The Board of Directors (the “**Board**”) of China Yuanbang Property Holdings Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to the Company’s announcements released via SGXNet on 6 April 2021 and 12 April 2021 in relation to Update on Status Update of Loan Receivables of the Group and Responses to Queries from SGX RegCo respectively.

The Board would like to provide the following information in response to further queries from SGX RegCo on the aforesaid announcements :

1) We note that the Company has responded that Chapter 9 of the Listing Rules is not applicable to the loan to Kaiping Qingshi. The Company previously treated the same loan made to Kaiping Qingshi as an interested party transaction in the Company's response to SGX queries dated 9 Sep 2019, as well as the Annual Reports from 2018 onwards.

(i) Please explain why the Company has now changed its opinion that Chapter 9 of the Listing Rules is not applicable.

Response:

We wish to clarify that as Mr Zhou Jiangtao’s effective equity in Kaiping Qingshi has decreased from 30.6% to 28.6% since April 2020, Kaiping Qingshi is no longer considered an associate of Mr Zhou Jiangtao. Accordingly, the Company will not treat Kaiping Qingshi Loan as an interested person transaction from this financial year (i.e. 1 July 2020) onwards.

(ii) What were the Audit Committee's considerations when initially reviewing this loan as an interested person transaction?

Response:

The Audit Committee has considered, amongst others, the (i) commercial rationale of Kaiping Qingshi Loan, (ii) economic substance of the loan, and (iii) the relationship of Kaiping Qingshi with the Company when assessing this transaction. The Audit Committee considered that the Kaiping Qingshi Loan then was an interested person transaction because Kaiping Qingshi was considered as an associate of Mr Zhou Jiangtao as Mr Zhou’s effective equity interest in Kaiping Qingshi was more than 30% at that time.

- (iii) **Notwithstanding that the effective equity interest of Mr Zhou Jiangtao of 28.6% in Kaiping Qingshi is less than the 30% threshold for associates as defined in the Listing Manual, has the economic and commercial substance of the loan changed such that the Audit Committee is now of the view that this loan is not an interested person transaction?**

Response:

The economic and commercial substance of the loan has not changed. The Company will not treat Kaiping Qingshi Loan as an interested person transaction from FY2021 onwards as Kaiping Qingshi is no longer considered an associate of Mr Zhou Jiangtao when Mr Zhou Jiangtao's effective equity in Kaiping Qingshi has decreased from 30.6% to 28.6%.

- 2) **What is the total receivables from the Kaiping Qingshi loan after including the principal amount and the total accrued interest up to 31 Dec 2022?**

Response:

The total receivables (including the principal of RMB 23.5 million and accrued interests) from Kaiping Qingshi Loan is expected to be approximately RMB 38.8 million upon maturity, i.e. 31 December 2022.

- 3) **If the total loan amount including total accrued interest up to 31 Dec 2022 exceeds 3% of the Net Tangible Asset as at 30 June 2020, please disclose the details under Listing Rule 917, as well as the Audit Committee's views as to whether the transaction is on normal commercial terms and the extension of the repayment for the loan is not prejudicial to the interest of the Company and its minority shareholders.**

Response:

The disclosures under SGX Listing Rule 917 are as follows-

Background

Kaiping Qingshi Auto Parts Co., Limited ("**Kaiping Qingshi**") is a company incorporated in People's Republic of China, and it 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. The land was intended to be redeveloped into a mixed development project via two phases ("**Kaiping Qingshi Project**"). The directors of Kaiping Qingshi are Mr. Zhou Jiangtao and Mr. Li Zhi Jiang. The shareholders of Kaiping Qingshi are Mr. Jiao Haisong and Mr. Zhou Jiangtao. Mr. Zhou Jiangtao holds an effective equity interest of 28.6% and Mr Jiao Haisong holds the remaining effective equity interest in Kaiping Qingshi. Save for Mr Zhou Jiangtao, who is the Executive Director of the Company, none of its directors, substantial shareholders or key management or their respective associates are related to Kaiping Qingshi.

Description of the transaction

The Company has entered into a loan extension agreement dated 31 March 2021 with Kaiping Qingshi, pursuant to which the Company has agreed to extend the loan repayment tenure of a loan previously granted to Kaiping Qingshi till 31 December 2022 (“**New Maturity Date**”). The loan is intended to partly finance Phase 2 development of a property development project in Kaiping, Guangdong Province (“**Phase 2 Kaiping Qingshi Project**”). The loan shall continue to carry an interest rate of 16% per annum and is secured against the sale proceeds of Phase 1 Kaiping Qingshi Project. The interest rate is determined after negotiation with the Kaiping Qingshi and taking reference to the Group’s average borrowing costs of approximately 11%. In addition, Kaiping Qingshi has also granted the Group a three-month exclusivity till 30 June 2021 to conduct an evaluation of its Phase 2 Kaiping Qingshi Project, so that the Group can decide whether to participate as a co-developer of the said project.

The aggregate value of transaction (including the principal loan of RMB 23.5 million and accrued interests till the New Maturity Date) is approximately RMB 38.8 million, representing approximately 3.83% of the Group’s latest audited net tangible assets as at 30 June 2020. As the aggregate value of the transaction exceeds 3% but does not exceed 5% of the Group’s NTA, the Company is not required to seek shareholder approval for the transaction under Rule 906(1) of the Listing Manual. This announcement is being made pursuant to Rule 905(2) of the Listing Manual.

Rationale for the Interested Person Transactions and benefits to the Group

The purpose of extending this loan is to participate in Phase 2 Kaiping Qingshi Project. The Group decided to structure its involvement in the Kaiping Qingshi Project via loan arrangement after taking into consideration of the followings:

- (i) Bidding for new 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 or land owner to relieve funding pressure encountered in a normal land bidding process and at the same time, enable itself to participate in the property development project at a lower cost;
- (ii) The Group is able to better manage its risk exposure as the Group can derive a guaranteed return of 16.0% and the principal and returns are secured against the sale proceeds of Kaiping Qingshi Project; and
- (iii) Such arrangement will help to strengthen the business relationship between the Group and Kaiping Qingshi, which the Group believes will pathway for more established cooperation with Kaiping Qingshi.

Audit Committee’s Statement

After taking into consideration the Group’s cost of funds, the rationale and benefits of the transactions and the terms offered to other similar transaction with independent third party (such as Jiadi Xindu Loan), the Audit Committee of the Company is of the view that the transaction had been transacted on normal commercial terms and on arm’s length basis and are not prejudicial to the interests of the Company and its minority shareholders.

Interest of Directors and Controlling Shareholders

Save as disclosed above, none of the Directors or Controlling Shareholders of the Company or their respective associates has any interest, direct or indirect in the transaction.

- 4) **Kaiping Qingshi missed repayments on 29 Sep 2020 and 28 Mar 2021 amounting to RMB 23.5 million and interest of RMB 8.7 million. However on 6 Apr 2021, the company disclosed that "Till date, Phase 1 Kaiping Qingshi Project has recorded pre-sold units of approximately RMB 48 million and approximately RMB 39 million revenue was recognized."**

- (i) **Please advise why the full loan to the Company of RMB 23.5 million was not paid even though the pre-sales of RMB 39 mil had already been recognised.**

Response:

The proceeds from the pre-sales was originally earmarked for partial payment of construction cost and partial repayment of the Kaiping Qingshi Loan on 28 March 2021. However, with the impending commencement of Phase 2 Kaiping Qingshi Project, Kaiping Qingshi and the Company agreed that the funds that were earmarked for repayment shall be rolled over for Phase 2 development to continue to participate in the project.

- (ii) **Please elaborate on what is the take up rate of Phase 1 Kaiping Qingshi Project that is represented by the RMB 48 mill pre-sales recorded.**

Response:

Phase 1 Kaiping Qingshi Project comprises 156 residential units and 231 commercial units. As at 31 March 2021, Kaiping Qingshi has pre-sold 92 residential units and has collected deposit for another 40 residential units. Kaiping Qingshi has not commenced pre-sale of the commercial units.

- 5) **It was disclosed that the project was delayed due to the Covid-19 situation. Please elaborate on the delay and how it has performed after the opening up post-covid in the PRC and in Guangdong.**

Response:

The pre-sale of Phase 1 Kaiping Qingshi Project was delayed till October 2020 mainly due to (i) longer time required to obtain pre-sale approval from local authorities as a result of backlog accumulated during Covid-19 situation; and (ii) delay in construction approval as more preventive measures have to be implemented before the approval is granted.

The Company believes that sales of Phase 1 Kaiping Qingshi Project has normalised as it observed that the Chinese government has since gradually lifted the Covid-19 preventive measures and that Kaiping Qingshi has pre-sold 92 residential units and collected deposit for another 40 residential units since October 2020.

6) In view of the statement that "Both parties have agreed to extend the repayment dates to 31 December 2022" please elaborate on the following:

(i) What would be deemed the principal amount of this loan that is extended to 31 Dec 2022;

Response:

The principal amount of the loan to be extended is RMB 23.5 million.

(ii) "Due to positive demand for the project, Kaiping Qingshi has decided to commence Phase 2 development of its project ("Phase 2 Development") by June 2021." Please elaborate on the basis for the view of the positive demand for the project; and

Response:

Since the commencement of the pre-sale of residential units in October 2020 till 31 March 2021, Kaiping Qingshi has already pre-sold 92 residential units and collected deposit for another 40 residential units, representing an aggregate of approximately 84% of the residential units available for sale under Phase 1 Kaping Qingshi Project.

(iii) the Company disclosed on 6 Apr 2021 that "Kaiping Qingshi has granted the Group a three-month exclusivity till 30 June 2021 to conduct an evaluation of its Phase 2 Development, so that the Group can decide whether to participate as a co-developer of the said project." Please elaborate on the substance of the participation as co-developer and the form and cost of such participation.

Response:

Currently, the Company is still negotiating with Kaiping Qingshi on the key terms to participate as a co-developer of Phase 2 Kaiping Qingshi Project. Some of the key terms discussed include: (i) All outstanding loan (including accrued interests) due from Kaiping Qingshi is envisaged to be converted into equity, resulting the Company becomes the majority shareholder of Kaiping Qingshi; and (ii) the Company shall be responsible to oversee the construction, marketing and sales of Phase 2 Kaiping Qingshi Project.

BY ORDER OF THE BOARD

Huang Tak Wai
Chief Financial Officer / Company Secretary
Date: 15 April 2021