

CHINA YUANBANG PROPERTY HOLDINGS LIMITED

Registration Number 39247

(Incorporated in Bermuda)

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 half-year results announcement for the period ended 31 December 2021 release to SGX-ST on 11 February 2022.

The following information is in response to the SGX RegCo’s queries dated 16 February 2022:

Query 1

We refer to the Company's half yearly financial results for the period ended 31 December 2021. We refer to the prepayment, deposits and other receivables of RMB 463.5 million. We understand from an earlier response to SGX queries announced on 9 September 2021 that RMB 241.0 million worth of prepayments arises from payments made by the Group to minority shareholders of New Zhong Yuan (Nanchang) Real Estate Co Ltd for the New Zhong Yuan project. Please clarify when this prepayment was made, what the status of the New Zhong Yuan project is, and when the Company expects this prepayment to be repaid/utilised.

Reply:

New Zhong Yuan Project is a real estate project in Nanchang City whereby the Group owns 51% equity stake through New Zhong Yuan (Nanchang) Real Estate Co., Ltd (“**New Zhong Yuan**”). The development of New Zhong Yuan Project commenced in 2012 and was completed in 2019. The prepayment arose due to the Group’s investment contribution to the New Zhong Yuan project in 2012. The prepayment is interest-free, repayable on demand and secured by the equity interest in New Zhong Yuan held by these minority shareholders. The said amount shall be repaid after the New Zhong Yuan Project is completed and the project accounts of New Zhong Yuan are finalized, including the finalisation of the Land Appreciation Tax (“**LAT**”) and Enterprise Income Tax (“**EIT**”). The LAT of New Zhong Yuan Project was finalised and settled in September 2021, while the EIT is still pending the local tax authority’s final assessment. The Group is unable to ascertain the expected date of finalisation of the EIT of New Zhong Yuan at the moment.

Query 2

Please provide the breakdown and elaborate on the Group's plan for the repayment of its current loans of RMB 409.0 million and non-current loans of RMB 272.5 million, noting that its cash and bank balance is only RMB 43.9 million.

Reply:

We set out below the breakdown on the current loans and non-current loans of the Group.

Repayment date	Outstanding Amount as at 31 Dec 2021 RMB’000	Repay within 1 year RMB’000	Repay after 1 year RMB’000	Notes
2021.12.20	136,000	136,000	-	(i)
2022.1.12	2,876	2,876	-	(ii)
2022.1.18	1,395	1,395	-	(ii)
2022.7.1	25,952	25,952	-	(iii)

2022.8.22	200,000	200,000	-	(iv)
2022.12.15	20,000	20,000	-	(iv)
2023.3.13	13,130	13,130	-	(iv)
2023.7.12	60,000	-	60,000	(iv)
2023.10.7	20,100	-	20,100	(iv)
2024.5.23	72,000	-	72,000	(iv)
2025.1.14	8,700	-	8,700	(iv)
2026.1.15	8,500	-	8,500	(iv)
2028.1.19	49,500	-	49,500	(iv)
2031.9.21	63,303	9,600	53,703	(iv)
	681,456	408,9513	272,503	

Notes :

- (i) The Group has renewed the loan with the financial institution and the new repayment date is 27 March 2023.
- (ii) The two loans were repaid in January 2022.
- (iii) The Group is currently in discussion with the lender on its renewal. Barring unforeseen circumstances, the Management expects this loan will be renewed till 1 July 2024.
- (iv) The Group intends to extend the tenure of these loans as and when they are due. The Management is of the view that the Group will continue to receive the support of its bankers and financial institutions as evident in the past for such request by the Group on loan tenure extension.

Query 3

Please provide a breakdown by counter party of the interest income earned for RMB 4.9 million in 1H FY22 and RMB 9.6 million in 1H FY21.

(a) Disclose if the borrower is an interested person. if so, please confirm whether the borrower has complied with the credit terms and if not, has default interest been charged;

Reply:

The interest income for both periods were derived from loan receivables from Kaiping Qingshi Auto Parts Co., Ltd. (“**Kaiping Qingshi**”) and Guangzhou Jiadi Xindu Development Co., Ltd (“**Jiadi Xindu**”) as well as bank deposits interest income. Jiadi Xindu is an independent third party of the Group while Kaiping Qingshi has ceased to be an interested person of the Group from 10 September 2021 when Mr. Zhou Jiangtao, a director of the Company, disposed of all his equity interest in Kaiping Qingshi to an independent third party.

We set out below the breakdown of interest income of the Group for both periods.

	6 months ended	
	31/12/2021	31/12/2020
	RMB'000	RMB'000
Interest income from loan receivables		
- Kaiping Qingshi	1,880	1,880
- Jiadi Xindu	2,488	3,520
- Overprovision of Jiadi Xindu interest income	-	3,720
	4,368	9,120
Bank deposits interest income	544	736
	4,912	9,856

The loan receivables of RMB 38.6 million from Jiadi Xindu was due on 31 December 2021. As at the date of this response, Jiadi Xindu has not repaid the amount due as it is waiting for the approval from

the relevant government authority for it to access to the pre-sales proceeds, which are currently held in an escrow account. The Group has not imposed any default interest charges on Jiadi Xindu after taking into consideration of (i) the funds is currently held in an escrowed account and that the release of the funds is beyond the control of Jiadi Xindu; and (ii) the business relationship between the Group and Jiadi Xindu. Notwithstanding the above, the Group is currently in the midst of finalizing the terms and collaterals for an extension of the said loan. The Company will make the necessary announcement to update the status in due course.

The loan receivables from Kaiping Qingshi will only due on 31 December 2022. Please refer to the Company's announcements released on 9 April and 13 April 2021 for more details of loan receivables from Kaiping Qingshi and Jiadi Xindu

(b) Please explain why interest income is significantly lower in 1H FY22 vs 1HFY21 and the outstanding loans/advances in the 2 periods.

Reply:

The variance was mainly due to an over-provision of interest income from loan receivables in 1HFY21 of approximately RMB3.7 million. The over-provided interest income was adjusted in the Company's full year results for FY2021.

(c) Please elaborate why the amount of interest actually received in cash of RMB 0.5 million in 1H FY22 and RMB 0.7 million in 1H FY21 is significantly lower.

Reply:

The interest income was received from the bank deposits interest income. There was no receipt of interest from loan receivables for both periods as the repayment is offset against the loan principal.

Query 4:

We note that a loan receivable of RMB 52.0 million with an allowance for impairment of RMB 15.8 million has been reclassified from current to non-current. Please provide the details of the loan, including the counter party, repayment date, interest rate and the reason for the reclassification. Please also elaborate on the recoverability of the loan.

Reply:

There is a typo error in Note 10 to the 1H FY22 results announcement. The current portion of loan receivable should be RMB26,094,000 instead of Nil. The loan receivables are due from Kaiping Qingshi and Jiadi Xindu. There is no additional loan receivable during the period. Please refer to the below table for the correct loan receivables note.

N10 Loan receivables	Group	
	31/12/2021 RMB'000	30/6/2021 RMB'000
- Related party	-	33,166
- Third party	89,512	51,978
Fixed-rate loan receivables	<u>89,512</u>	<u>85,144</u>
Less: Allowance for impairment		
- Related party	-	(8,952)
- Third party	<u>(24,773)</u>	<u>(15,821)</u>

Less: Allowance for impairment	(24,773)	(24,773)
Net amount	64,739	60,371
Analysed as:		
Current	38,645	36,156
Non-current	26,094	24,215
	64,739	60,371

The loan receivables consists of 2 loans, namely Kaiping Qingshi loan and Jiadi Xindu loan.

Details of loan receivables:

a) Jiadi Xindu loan

Borrowing date	Interest rate	Repayment date	Outstanding balance RMB'000
26/10/2018	16% p.a.	31/12/2021	18,000
9/7/2018	16% p.a.	31/12/2021	13,100
		Total	31,100
		Add: accrued interest	23,366
		Less: provision of impairment	(15,822)
			38,644

Jiadi Xindu has missed the repayment dates due on 31 December 2021 as the approval for access to pre-sale proceeds of Jiadi Xindu Guangdong Property Project was pending from relevant government authority. The Company is discussing the extension of loan tenure with Jiadi Xindu.

b) Kaiping Qingshi

Borrowing date	Interest rate	Repayment date	Repayment amount RMB'000
18/2/2018	16% p.a.	31/12/2022	23,500
		Add: accrued interest	11,545
		Less: Provision for impairment	(8,950)
			26,095

As disclosed in the 1H FY22 results announcement, due to the continued weakness in the Chinese property market, the Group has decided to delay the acquisition of an equity stake in Kaiping Qingshi, and instead retain its participation in Kaiping Qingshi through a redeemable debt.

Query 5:

We note that the Company has stated that China's property market is slowing down, and the government is stepping-up its deleveraging policies.

(a) Please provide an update on the status of the Company's developments and take up rate of the Company's projects. To also provide a discussion on whether the Company expects any issues with selling its' RMB 1.2 billion worth of properties held for sale?

Reply:

To-date, the Group's major existing projects which has obtained pre-sale certificates are Shan Qing Shui Xiu, Ming Yue Jin An, Ming Yue Shui An and Hou De Zai Wu. The Group is also currently developing the final phase of its Shan Qing Shui Xiu. The final phase is planned to have 69 units of villa,

476 units of residential units and 30 units of commercial units, the development plan of phase 3 is still under approval from relevant government authority. The total units available for sales as of 31 December 2021 for these projects are 10,468. As at 31 December 2021, the Group has handed over 7,744 units to the buyers and 279 pre-sale units (including car park units) are still pending handover. The total number of units handed over and pre-sale units representing approximately 76.6% of the total units available for sales as at 31 December 2021.

In view of the temporally cooling in the demand for residential properties due to the introduction of deleveraging requirements, the Group intends to step up its marketing efforts aggressively to accelerate the sales of its project inventories by (i) placing advertising in key locations; (ii) placing advertisements through on-line internet channels such as Baidu and Tencent advertising channel; (iii) organising sales events at the project site and the residents' club house; and (iv) mobilizing internal sales forces to reach out to more potential clients. Given that the Group has established a strong track record over the years, the Management is cautiously optimistic that it will be able to offload its inventories, though at a slower pace.

(b) To disclose whether the Company is experiencing any issues with collecting its receivables/loans from its debtors in light of the deleveraging or whether such issues have been provided for? If so, please elaborate.

Reply:

The Company is monitoring the recoverability of its trade and other receivables closely and has continuously engage and follow up with these debtors. When any of the collection is delayed, the Group will send letters of demand and seeking legal actions when applicable. The Company assesses the expected credit loss ("ECL") associated with its trade and other receivables by making debtor-specific assessment of expected impairment loss for long overdue customers and using a provision matrix for remaining receivables with the relevant historical information to determine the probability of default of the instruments. As at 31 December 2021, RMB6.1 million and RMB56.5 million impairment allowance were provided for trade and other receivables.

Regarding the loan receivables, the Company had closely monitoring the borrowers' financial position and sales status of their properties development projects and the loan receivables are pledged against sales proceeds of the borrowers' property development projects. Further, the purpose of the loans was to allow the Company to participate in the borrowers' future property development projects, the Company had reached an agreement with the borrowers to extend the loan tenure. The Company does not foresee any issues in collecting the loan receivables.

By Order of the Board

Huang Tak Wai
Chief Financial Officer / Company Secretary
18 February 2022