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GST Reg No: M90367530Y

Issuer: China Yuanbang Property Holdings Limited

Security: China Yuanbang Property Holdings Limited

Meeting details:

Date: 26 October 2018

Time: 10.30 a.m.

Venue: Meeting Room 330, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

China Yuanbang Property Holdings Limited, an investment holding company, develops, manages, markets, and sells residential and commercial properties in the People's Republic of China. It is also involved in the tourism and resorts development operations; and hotel business. The company was incorporated in 2006 and is based in Guangzhou, China.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BCD)

1. In the Corporate Profile, the company describes itself as a premium brand Guangzhou-based property developer that focuses on the development of quality residential and commercial properties, targeting at the middle to upper-middle income market segments. The company is an award-winning developer with an experienced and driven management team.

Revenue has been on an up-trend since FY2015, hitting RMB1.03 billion in FY2018. Gross profit has also increased to RMB127.7 million. A summary of the group's key financial highlights of the past 5 years is shown on page 4 of the annual report, and reproduced below:

Five Years Key Financial Highlights

	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue (RMB'000)	1,027,838	684,810	602,212	444,864	1,328,301
Gross Profit (RMB'000)	127,739	65,988	74,043	81,688	398,979
Net (Loss)/Profit For The Year (RMB'000)	(53,738)	(27,143)	(93,252)	(41,882)	206,927
Net (Loss)/Profit Attributable to Owners of the Company (RMB'000)	(46,703)	(27,733)	(81,739)	(26,819)	143,744
Dividend Per Share (RMB cents)	-	-	-	-	1
Total Assets (RMB'000)	4,926,236	5,355,327	4,787,976	4,873,539	4,467,917
Net Assets (RMB'000)	912,049	964,122	992,004	1,079,257	1,125,963
Equity Attributable to Owners of the Company (RMB'000)	621,820	666,858	695,330	771,070	805,213

FINANCIAL RATIO

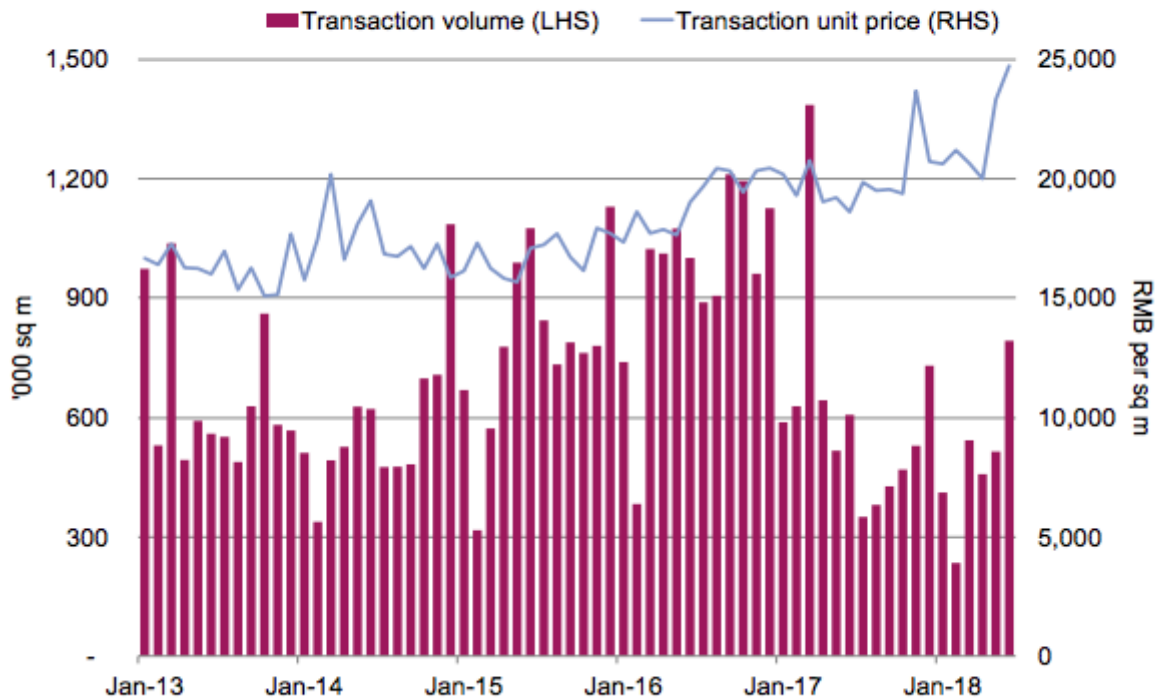
(1) Gross Profit Margin	12.4%	9.6%	12.3%	18.4%	30.0%
(2) Net (Loss)/Profit Margin	(5.2%)	(4.0%)	(15.5%)	(9.4%)	15.6%
(3) Basic (Loss)/Profit Per Share (RMB dollars)	(0.67)	(0.40)	(1.18)	(0.39)	2.13
(4) Net Assets Value Per Share (RMB dollars)	8.96	9.61	10.02	11.11	11.60
(5) Return on Equity (%)	(7.2%)	(4.1%)	(11.1%)	(3.4%)	20.0%
(6) Net Debt to Equity (%)	239.63%	247.33%	201.29%	197.88%	151.60%

(Source: Company annual report; emphasis added)

In the past four financial years, the group has reported gross profit margin of between 9.6% and 18.4%. However, net losses attributable to owners of the company in each of the four years ranged from RMB(27) million to RMB(82) million, with net loss margin between (4.0%) to (15.5%). Net debt to equity has also increased from 198% to 240%. In FY2018, net loss amounted to RMB(46.7) million and the return on equity was (7.2%).

According to Savills China Research - Guangzhou (August 2018), despite tightened housing restriction to curb speculative demand, the residential prices across Guangzhou has largely maintained a steady upward trend since 2013. The graph showing both the transaction volume and prices is reproduced below for reference:

GRAPH 1
Residential transaction volume and prices across nine districts, Q1/2013-Q2/2018



Source: CRIC, Savills Research

(Source: <http://en.savills.com.cn/research/residential-sales.aspx>)

- (i) **Would management help shareholders understand why it has not been able to convert the demand into shareholder value?**
- (ii) **Would the board consider it opportune to carry out a strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategy so as to create long-term sustainable value for all shareholders?**

2. Based on the Consolidated statement of cash flows, the group generated net cash from operating activities of RMB196 million in FY2018, RMB742 million in FY2017 and RMB332 million in FY2016.

Cash and cash equivalents at the end of the reporting period stood at RMB161 million.

- (i) **Has the board deliberated on the optimal capital structure?**

As disclosed in the Corporate Governance Report, the company does not have a dividend policy. The directors have not recommended a dividend for FY2018, having reviewed the group's financial performance "to conserve its cash for operational use" (page 36).

- (ii) Has the board evaluated how it could balance the need for growth/its operational use of cash and the need to declare dividends to the providers of capital?**

In addition, at the Annual General Meeting scheduled to be held on 26 October 2018, the company is seeking shareholders' approval to renew the share buyback mandate.

- (iii) For the benefit of new and old shareholders, can the company update shareholders on the last share buyback that it had carried out, if any?**
- (iv) Has the board evaluated how it could use the share buyback mandate effectively to increase the net asset value per share?**

3. On 4 June 2018, the company announced that it has been informed that, pursuant to Listing Rule 1311(2), it would be placed on the Watch-list due to the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2018 specifically because the company has recorded:

- (a) a volume weighted average price of less than S\$0.20 over the last 6 months; and
(b) an average daily market capitalisation of less than S\$40 million over the last 6 months.

It was also stated that the company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2018, failing which the Exchange would delist the company or suspend trading in the company's shares with a view to delisting the Company.

- (i) Has the board deliberated on the available options to meet the requirements of Listing Rule 1314 (2) within 36 months from 5 June 2018?**
- (ii) With a market capitalisation of approximately \$13 million, how can the board/company minimise the impact of any remedial actions to meet the MTP?**
- (iii) Has the board evaluated the costs to the company of it being placed on the watch-list?**
- (iv) Will the company be placed on the watch-list due to the Financial Entry Criteria?**