

HEALTHBANK HOLDINGS LIMITED
(Company Registration Number: 201334844E)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the "**Board**") of HealthBank Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to questions raised by the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's annual report for the financial year ended 31 December 2020 ("**FY2020**"). The questions raised by SIAS and the Company's corresponding responses are set out below:

Q1. As shown in the corporate profile, the Group acquired a 90% equity interest in Libre Hospitality Limited in December 2019. This gave the Group "exposure" to the Atlantis Garden Project, a residential and service apartment development project in Haikou. Buoyed by the Chinese government's master plan to turn Hainan into an international free trade island, the Group further entered into a joint venture agreement to establish a company in Hainan to conduct property investment and management. Hainan Zhongyuan Cultural Tourism Co., Ltd was incorporated in January 2021 and has recently been awarded a facilities and landscaping management service contract for the Atlantis Garden Project.

- (i) **What is the role of Libre Hospitality Limited in the development of Atlantis Garden Project?**

Response:

Libre Hospitality Limited ("**Libre**") is principally engaged in the property investment business and is an investor in the Atlantis Garden Project through its indirect 8% interests in the respective project companies, namely Hainan Fuda Construction Materials Co., Ltd ("**Hainan Fuda**") and Hainan Fufa Plantations Co., Ltd (collectively, the "**Project Companies**"), which are jointly developing the Atlantis Garden Project. Please refer to the Company's announcement dated 29 November 2019 for further details and Appendix 1 for the LHL group structure.

- (ii) **Would the Company provide shareholders with a holistic overview of the Atlantis Garden Project during the AGM? The project has been described as having 4 residential and 1 commercial building and is expected to be completed by end of 2021. Please include the drawings of the project, photographs of the current construction site, number of residential units, the gross floor area and other pertinent information about the project.**

Response:

The total land area of Atlantis Garden Project is 25,131 square meters and total planned construction area of 66,908 square meters. It comprises of 280 units of residential apartments across 4 blocks of 15-storey residential buildings, 1 block of 3-storey commercial building with gross retail floor area of 2,852 square meters and one level of underground car parks in all abovementioned 5 buildings housing 478 car park bays. Please refer to the Company's announcement dated 29 November 2019 for the details of the Atlantis Garden project. Please also refer to

Appendix 2 for the photographs of the sales office and current construction site of the Atlantis Garden Project.

(iii) **What is Libre’s stake of the Atlantis Garden Project?**

Response:

Please refer to our response to Q1(i) above.

(iv) **What is the Group’s role in Libre?**

Response:

Currently, Libre is primarily an investment holding company controlled by the Group for its investment in the Atlantis Garden Project.

(v) **Apart from cash and receivables, the Group recognised its stake in Libre as financial assets at fair value through profit or loss. Can the Board help shareholders understand the Company’s core business and its business model? What is the strategic growth plan of the Group? How does the Group create long-term value for shareholders?**

Response:

The Company’s current core business consists of (a) investments in residential, hospitality, commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) (“**Properties Related Assets**”) which have the potential of generating capital gains and/or dividends for the Group, and (b) management of Properties Related Assets and its related ancillary services including but not limited to provision of hospitality services which would generate revenue for the Group via management fees. The Group growth plan focuses on growth through strategic restructuring and collaborations in new business opportunities.

The Group creates long-term value by focusing on identifying and investing in sustainable and resilient business with high growth potential and long-term returns. The Group constantly review and rebalance portfolio to conserve resources for redeployment when opportunity arises.

(vi) **How does the Board and management value-add and safeguard the interests of shareholders with the current arrangement for Libre which is the Group’s sole asset other than receivables?**

Response:

Prior to acquisition, the Company has carried out feasibility study on the project potential of the Atlantis Garden Project and performed due diligence on, *inter alia*, the Project Companies. The Company is in regular contact and engagement with the Project Companies on the project development status of the Atlantis Garden Project and is kept up to date on the market development to ascertain that the Company’s investment remains on track.

The Board and the Management are following closely on the latest development and demands emerging from the COVID-19 pandemic and keep an open mind for business opportunities arising from it.

Q2. The independent auditor had highlighted “expected credit loss (ECL) on other receivables” as a key audit matter in the audit of the financial statements. As at 31 December 2020, the Group has other receivables amounting to RMB14.7 million which mainly relates to a loan to a related party. This contributed 21% of the Group’s total assets. The loan to the related party is unsecured, interest bearing of 4.75% per annum and repayable by December 2021 and January 2022. The Group has the rights to recall the debts before the repayment due date, as stated in the loan agreement.

- (i) **Can the Board, especially the independent directors, help shareholders understand the role the Group is playing as a financier to related parties for the Atlantis Garden Project?**

Response:

By way of background, the Atlantis Garden Project is in development stage and requires financing to complete it. In 2019, the Company decided to further support the Atlantis Garden Project as Hainan is slated by the Chinese Government for development into an international tourism destination and largest free trade zone in the People’s Republic of China, which the Atlantis Garden Project can benefit from the policy incentives for the development in Hainan.

In addition, the Group agreed to grant the two (2) loans to the related party after taking into the following considerations:

- (a) the interest rate of 4.75% per annum was benchmarked against the People’s Bank of China’s working capital lending rate;
- (b) the loans were funded from the Group’s redemption of the investment funds that generated non-guaranteed returns and the average year-to-date return in 2019 before the redemption was approximately 2.2%. For avoidance of doubt, at the point of granting the loan, the People Bank of China’s current account interest rate was 0.35% per annum while Fixed Deposits for 1, 3 and 5 years tenure was 1.5%, 2.1% and 2.75% respectively; and
- (c) the Group has sufficient internal resources to grant the loans and to meet its present working capital requirements.

- (ii) **Please identify the related party and confirm the total loan amounts.**

Response:

The related party is Hainan Fuda, one of the Project Companies for the Atlantis Garden Project, with total principal loan amounts of RMB 14,000,000.

- (iii) **How were the interest rates determined? Can the independent directors help shareholders understand the commercial merits to provide unsecured loans to a related party engaged in property development in China at 4.75% per annum?**

Response:

Please refer to our response to Q2(i) above.

- (iv) **What was the level of due diligence carried out by the independent directors on the related parties?**

Response:

Legal and financial due diligence on, *inter alia*, Hainan Fuda and Hainan Fufa, was carried out by qualified professionals appointed by the Group prior to the acquisition of Libre.

- (v) **Can the sponsor clarify if these loans would be considered as interested person transactions that fall within the scope of Chapter 9 of the SGX-ST Catalist Rules?**

Response:

Before the Group granted the loans to Hainan Fuda, the Company has clarified with its sponsor that these loans would not be considered as interested person transactions that fall within the scope of Chapter 9.

Pursuant to Rule 904(4) of the Catalist Rules, “interested person” is defined as:

- (a) a director, chief executive officer, or controlling shareholder of the issuer; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.

None of the interested persons, being the directors or controlling shareholders of the Company and their respective associates, has any interest, directly or indirectly, in Hainan Fuda or the loans, other than through their respective shareholdings in the Company. Accordingly, these loans would not be considered as interested person transactions that fall within the scope of Chapter 9.

Q3. As noted in the corporate governance report, the audit committee (“AC”) is aware of the need to establish a system of internal controls within the Group to safeguard shareholders’ interests and the Group’s assets, and to manage risks. The internal audit function has been outsourced to Wensen Consulting, an external risk advisory consultancy firm.

As disclosed by the Company, during FY2020, the internal auditors completed an internal control review of the Group’s accounting and finance management control environment policies and procedures, as well as corporate governance review and monitoring (page 29).

- (i) **Can the AC help shareholders understand if the scope of the internal audit included the hospitality management consultancy business under ZYTC prior to its disposal?**

Response:

The scope of internal audit for FY2020 does not include the hospitality management consultancy business under Zhuoyue Tiancheng Business Management Co., Ltd (“ZYTC”) prior to its disposal as the internal audit on ZYTC was covered in FY2018 and FY2019 and there is no material change in the business activities of ZYTC prior to disposal.

(ii) **Was Libre included in the internal audit workplan? If not, why not?**

Response:

Libre was not included in the internal audit workplan in FY2020 as Libre is an investment holding company and its only investment is the Atlantis Garden Project through its indirect 8% interests in the two (2) Project Companies. The Company receives regular Atlantis Garden Project updates from the key management personnel of the Project Companies, including financial information of the Atlantis Garden Project, and has also appointed an independent valuer, Hainan Licheng Land-Real Estate Appraisal Co., Ltd (海南立诚土地房地产评估有限公司) (the “**Independent Valuer**”), to conduct valuation of the Atlantis Garden Project as at 31 December 2020. The Independent Valuer was also the valuer appointed for the acquisition of Libre. Please refer to the Company’s announcement dated 29 November 2019 for further details on the Independent Valuer.

The AC has disclosed that it noted the findings and the recommendations by the internal auditors at the AC meetings. The related internal audit report, including the management’s responses and implementation status, has been reviewed and approved by the AC. No material weaknesses were identified based on the work done in FY2020.

(iii) **What were some of the key findings by the internal auditors?**

Response:

The Board collectively oversees the risk management and is responsible for the governance of risk. The Management regularly reviews significant risk management and internal control policies and procedures and highlights the significant matters to the Board and the AC.

There was only one audit finding identified by the internal auditors, being the Risk Management Policy is not formally documented for regular review and monitoring purposes.

The internal auditors noted that the Company currently has informal procedures to manage the various strategic, operational, financial and compliance risks of the Company to an acceptable level. Due to the scale and current headcount of the Company, the following mitigating controls are in place:

- Decision making which involve matters such as acquisition and realisation of asset, venture into new business, changes on Company’s operations will be reviewed and approved by the Board.
- Financial and operations performance of the Company are closely monitored and reviewed by the key management personnel.
- The Board meets regularly on a quarterly basis and ad-hoc meetings may be convened whenever deemed necessary to address any specific issue of significance that may arise.

- (iv) **What are some of the recommendations that have not been fully implemented by management?**

Response:

In enhancing the Company's existing Risk Management Policy, the internal auditors recommended the Company to, *inter alia*, formalise its existing risk management structure and practices.

The Management is finalising the formal Risk Management Policy for the Board's review and approval around mid of 2021.

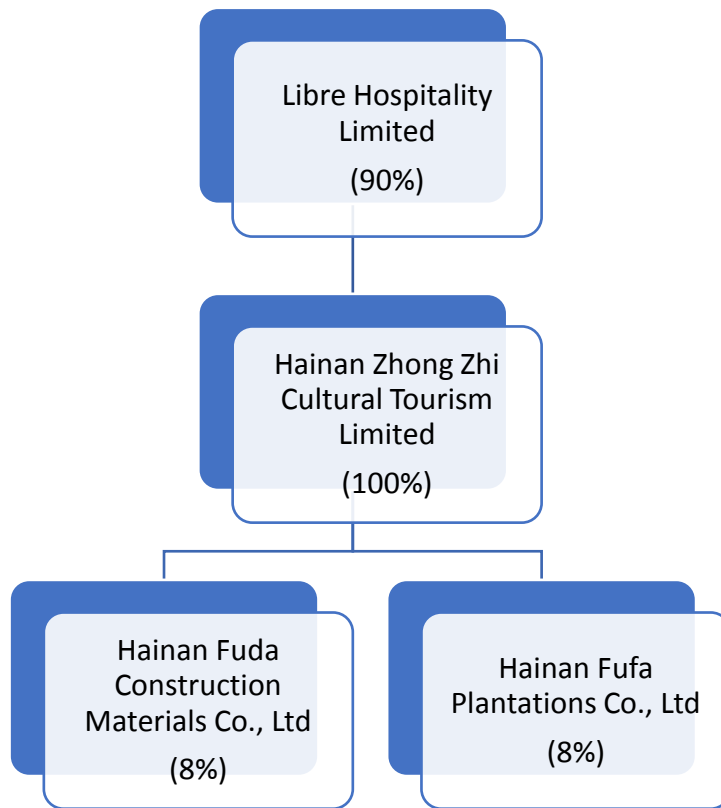
BY ORDER OF THE BOARD

Peng Fei
Executive Director and Chief Executive Officer
26 April 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Appendix 1 – LHL Group Structure



Appendix 2 – Photographs of the sales office and the current construction site of the Atlantis Garden Project



