WEIYE HOLDINGS LIMITED
偉業控股有限公司*

(Singapore Company Registration Number: 198402850E)
(Incorporated in the Republic of Singapore with limited liability)
(Hong Kong Stock Code: 1570)
(Singapore Stock Code: BMA)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

This overseas regulatory announcement is issued pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the following pages which has been published by Weiye Holdings Limited (the "**Company**") on the website of the Singapore Exchange Securities Trading Limited on 16 March 2018.

By order of the Board
WEIYE HOLDINGS LIMITED
Zhang Wei
Executive Chairman and Chief Executive Officer

Hong Kong, 16 March 2018

As at the date of this announcement, the executive Directors are Zhang Wei and Chen Zhiyong; the non-executive Director is Dong Xincheng; and the independent non-executive Directors are Ong Kian Guan, Oh Eng Bin and Siu Man Ho Simon.

* *For identification purpose only*

WEIYE HOLDINGS LIMITED

(Company Registration No. 198402850E)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The board ("**Board**") of directors ("**Directors**") of WEIYE HOLDINGS LIMITED ("**Company**" and together with its subsidiaries, "**Group**") refer to the Company's results announcement for the financial year ended 31 December 2017 released on 28 February 2018. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 8 March 2018 (each, a "**SGX Query**") as follows:

<u>SGX Query 1:</u>

It was disclosed that the other income for FY2017 comprised mainly of the Group's disposal of right to sell development property units approximately RMB60.0 million. Please elaborate further on this.

Company's Response to SGX Query 1:

Background:

The net gain on disposal of rights to sell development property units of RMB60.0 million relates to the sale of the Group's rights in a cooperation agreement to an independent third party in the current year.

As announced by the Company on 4 November 2014, its wholly-owned subsidiary, Jinwei (Henan) Trading Limited Company ("Jinwei Henan") had on 16 October 2014 entered into a Share Acquisition agreement ("Acquisition Agreement") with the shareholders of Daimashi Shiye Co., Ltd and Zhengzhou Century CITIC Real Estate Co., Ltd ("CCRE") in connection with the development of the land-use rights owned by Daimashi Shiye Co., Ltd. ("Daimashi"). Pursuant to the Acquisition Agreement, Jinwei Henan and CCRE shall acquire 65% and 35% in the equity interest of Daimashi, respectively. Subsequently, on 25 December 2014, Jinwei Henan transferred the entire 65% equity interest of Daimashi to Henan Weiye Construction Development Group Co., Ltd, another wholly owned subsidiary of the Group.

Further, as disclosed in the Company's Hong Kong dual primary listing prospectus (Business Section, Project Planning and Sales Management Model, page 222-223), the Group entered into a cooperation agreement on 16 October 2014 with CCRE, where CCRE shall undertake the construction of the development properties according to the development specification and time frame given by the Group and bear all the costs of construction, while the Group shall undertake the marketing and sales of the development properties. In turn, CCRE is entitled to earn a pre-determined price per square metre according to the construction progress and the Group is entitled to the excess of sales proceeds above the pre-determined price per square metre ("Group's Rights") from the sales of the properties under the development project.

On 31 August 2017, the Group and CCRE entered into an agreement to dispose of the Group's Rights in relation to the remaining unsold property units with an independent third party. Subsequent to the disposal, the Group relinquished their rights to the future sales of the remaining unsold property units by independent third party to end customers in the future. Under the terms of the agreement, the independent third party does not have the rights to return any unsold property units to the Group in the future. The Group has also sought the advice of its legal counsel on the terms of the arrangement. As at 31 December 2017, the Group had received full consideration from the independent third party for the Rights. The net gain on disposal of the rights to sell development property units of RMB 60.0 million is computed based on the disposal consideration net of the Group's obligations in relation to the development costs of the development property.

SGX Query 2:

It was disclosed that other operating expense increased by 560% from RMB1.582 million for FY2016 to RMB10.442 million for FY2017. Please provide an explanation for the increase.

The Company's Response to SGX Query 2:

The increase in other operating expense was mainly due to fair value loss on investment properties recognised of approximately RMB6.1 million and loss on disposal of investment property of approximately RMB0.2 million.

SGX Query 3:

It was disclosed that the share of profit from joint venture increased by 148% from RMB46.106 million for FY2016 to RMB114.462 million for FY2017 and the joint venture refers to Daimashi Shiye Co., Ltd ("Daimashi"). We note that this share of profit (net of tax) amounts to about 52.35% of the Group's profit before taxation and 90.1% of the Group's profit after tax for FY2017. In this regard, please disclose (a) what is the Group's equity interest as a percentage in Daimashi, (b) what is the principal business of Daimashi and what are the reasons for the increase in Daimashi's profit before and after tax for FY2017, (c) whether the Group's share of profit from Daimashi is in proportion to its equity interest in Daimashi, and (d) whether Daimashi declared and paid any dividend to the Group and if not, what are the reasons.

The Company's Response to SGX Query 3:

(a) The Group's equity interest in Daimashi is 65% (Please refer to our response to Question 1 for further background).

(b) As disclosed in the announcement dated 4 November 2014, the principal activities of Daimashi is that of property development. The increase in Daimashi's profit before and after tax in FY2017 was mainly due to an increase in the average selling price for residential units from RMB5,750 per sqm in FY2016 to RMB7,180 per sqm in FY2017. The total sales of residential units recognised in FY2017 and FY2016 were approximately RMB318.9 million and RMB282.2 million, respectively.

(c) As disclosed in Group's annual report for financial year ended 31 December 2016, pursuant to the cooperation agreement dated 16 October 2014, the Group's share of assets and liabilities, including its share of profit or loss in Daimashi is not in proportion to its equity interests. (Please refer to our response to Question 1 for further background).

(d) As at 31 December 2017, Daimashi has not completed the development project with additional phase 3 development still underway. Daimashi will only be able to declare dividends once all development phases have been completed and sold and it has obtained clearances from various government agencies including clearance from the Chinese tax authorities. Therefore, no dividend have been declared or paid by Daimashi to the Group as at FY2017.

<u>SGX Query 4:</u>

It was disclosed that income tax expense for FY2017 amounted to RMB91.56 million on the back of a profit before tax of RMB218.527 million (and a profit from operation of merely RMB97.85 million) and this translate into an effective income rate of 41.89% even without excluding the huge profit share from joint venture of RMB114.462 million (net of tax). Please provide an explanation for the higher than normal effective income tax rate.

The Company's Response to SGX Query 4:

Income tax expense comprised of (1) enterprise income tax expense, (2) land appreciation tax expense and (3) deferred tax expense. The nature of these expenses, as extracted from Note 33 of our FY 2016 annual report is as follow:

(1) Pursuant to the People's Republic of China ("PRC") Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises in China has been unified at 25% effective from 1 January 2008.

(2) Land appreciation tax ("LAT") is levied on properties in the PRC developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from the sale of properties less deductible expenditures which include lease charges of land use rights, borrowing costs and all property development expenditures.

(3) According to the Implementation Rules of the Corporate Income Tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

FY2017 total net profit before tax of RMB218.5 million included the following:

i) total net loss from various loss-making subsidiary project companies of approximately RMB129.8 million, of which no deferred tax assets were recognised due to uncertainty over the extent of utilisation of future taxable benefits from these subsidiaries;

ii) total net loss from various loss-making investment holding companies of approximately RMB16.9 million, of which no deferred tax assets were recognised in view of tax losses not allowed to be carried forward;

iii) share of profit of joint venture (net of tax) of approximately RMB114.5 million and

iv) gain on the disposal of right to sell development property units (net of tax) of approximately RMB60.0 million.

Excluding the above, the adjusted FY2017 net profit before tax amounted to approximately RMB190.7 million. Based on the income tax expense of RMB91.6 million, the effective tax rate is 48.0%. This is largely consistent with the effective tax rates for FY 2016 and FY 2015 which were at 45.5% and 49.5%, respectively.

<u>SGX Query 5:</u>

It was disclosed in Note 4: Other income that the Group recorded RMB698,000 charge in the fair value loss on financial assets held for trading. Please explain what the financial assets held for trading refer to and provide an explanation for the charge.

The Company's Response to SGX Query 5:

The financial assets held for trading refers to the Group's investment in equity quoted securities. The cost of equity quoted securities was adjusted according to its market share price as at 31 December 2017 where a fair value loss was recorded.

<u>SGX Query 6:</u>

Under the Management Discussion and Analysis, the Company explained that the GP margin of property development business for FY2017 was lower mainly due to increase in overall project construction cost and lower average selling price of Weiye Shangcheng Yihaoyuan as a result of group sales. In this regard, please elaborate (i) factors contributing to the increase in overall project construction cost; and (ii) the proportion of total sales from development properties that is attributable to Weiye Shangcheng Yihaoyuan.

The Company's Response to SGX Query 6:

i) The increase in overall project construction cost was mainly due to higher materials costs such as steel and cement prices as well as labour costs.

ii) The total sales from Weiye Shangcheng Yihaoyuan was approximately RMB797.3 million, representing 47.5% of the total sales revenue from development properties.

By order of the Board
WEIYE HOLDINGS LIMITED

Zhang Wei
Executive Chairman and Chief Executive Officer

16 March 2018