

## CHINA YUANBANG PROPERTY HOLDINGS LIMITED

Registration Number 39247

(Incorporated in Bermuda)

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### RESPONSES TO QUERIES FROM SGX REGCO

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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 six months ended 31 December 2022 released to SGX-ST on 10 February 2023. The following information is in response to the SGX RegCo's queries dated 24 February 2023:

1. **The Group disclosed current prepayments, deposits paid and other receivables ("Advances") amounting to RMB495 million, which is more than the cost of sales for the full year ended 30 June 2022 ("FY2022") of RMB50.8 million. The Group also disclosed non-current prepayments of RMB114.9 million. Please disclose:**
  - (i) **a breakdown of the Advances amounting to RMB495 million and identify the nature of each of the material transactions;**

**Reply:** The breakdown of Advances are as follows:-

	<b>Notes</b>	<b>31-Dec-22 RMB'000</b>
<b><u>Current Portion</u></b>		
Amount due from non-controlling interest	(a)	240,944
Deposit paid to subcontractors	(b)	213,750
Construction cost for school campus resettlement	(c)	19,625
House maintenance fund	(d)	14,644
Others		6,084
		<u>495,047</u>
<b><u>Non-current Portion</u></b>		
Prepayment	(e)	<u>114,888</u>

**Notes:**

- (a) The amount was due from the minority shareholders of New Zhong Yuan (Nanchang) Real Estate Co Ltd ("**New Zhong Yuan**"), an investment holding entity for a real estate project in Nanchang City where the Group owns 51% equity stake ("**New Zhong Yuan Project**"). The development of New Zhong Yuan Project commenced in 2012 and was completed in 2019. The amount arose as a result of the partial distribution of the investment return to the minority shareholders of New Zhong Yuan in 2017. The amount is interest-free and secured by the equity interest in New Zhong Yuan held by these minority shareholders. The said amount shall be settled after the New Zhong Yuan Project is completed and the project accounts of New Zhong Yuan are finalized and settled. Barring unforeseen circumstances, the Management envisaged that the aforesaid amount due from non-controlling interests can be settled in FY2024.
- (b) The amount represented deposits made to subcontractors for purchase of construction materials. Such deposits will be used to offset against the construction cost of the Group's on-going properties development projects, Shan Qing Shui Xui, Hou De Zai Wu and Ren Jie Di Ling.
- (c) The amount was due from the local government of Tonghua City for the re-development of a new school campus. Please refer to the Company's announcement dated 7 September 2022 for more information.
- (d) The amount referred to a maintenance fund established by the Group for its residential projects with elevators that were sold previously. The fund was mandated by the local

Guangzhou government and will be utilized to cover repair and maintenance costs for the projects.

- (e) The amount represented a deposit of RMB114.9 million made by the Group to acquire a company that holds a development rights to a land parcel located in Huadu District of Guangzhou. The proposed plan for property development has already been submitted to the relevant government authorities. Upon obtaining the necessary approvals, the Group intends to proceed with the acquisition and commence the development of the land.

**(ii) When the Advances were made, and the terms of the prepayments and deposits paid, where applicable;**

**Reply:** Please refer to the following table for the date of payment of the Advances:

	<b>Notes</b>	<b>Date of payment</b>
Amount due from non-controlling interest	(a)	FY2017
Deposit paid to Subcontractor	(b)	Refer to note
Construction cost for school campus resettlement	(c)	FY2011
House maintenance fund	(d)	FY2010
Non-current prepayment	(e)	FY2018

**Notes:-**

- (a) The amount is interest free, secured by the equity interest in New Zhong Yuan held by these minority shareholders and shall be offset against the project accounts of New Zhong Yuan.
- (b) The deposit was paid to subcontractors on a regular basis for purchase of materials for the Group's property development projects. The deposit is interest free, unsecured and shall offset against the construction cost incurred.
- (c) The amount was incurred for the re-development of a new school campus in 2011. The amount is currently pending reimbursement from the Tonghua government.
- (d) The house maintenance fund was established in 2010 and it is used to offset against cost incurred for house maintenance.
- (e) The non-current repayment will be recognised as land use right when the development proposal is approved by the relevant government authority. The amount is interest free and unsecured.

**(iii) rationale for provision of the Advances as at 1H2023 exceeding FY2022 cost of sales.**

**Reply:** As disclosed in our response to question 1(i) above, other than the deposit paid to subcontractors, the nature of the Advances mainly relates to past development projects carried out by the Group. The deposit paid to subcontractors relates mainly to the Group's on-going properties development projects such as Shan Qing Shui Xui, Hou De Zai Wu and Ren Jie Di Ling which will be recognised in property held under development when the materials are consumed in the projects. Accordingly, there is no connection between the FY2022 cost of sales of the Group and the Advances.

**(iv) whether the Advances were made to related parties of the Group; and**

**Reply:** None of the Advances were made to related parties.

- (v) whether the Group had made any impairment to the Advances. If so, what is the basis for the impairment?

**Reply:** The Group had made impairment to the Advances using the expected credit loss (“ECL”) associated with the Advances 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.

2. Given the Group’s total interest-bearing bank and other borrowings of RMB682 million and cash and cash equivalents of only RMB45.3 million, please disclose the Board’s assessment on how the Group intends to fulfil its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group is on track to fulfilling these obligations.

**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 2022 RMB’000	Repay within 1 year RMB’000	Repay after 1 year RMB’000	Notes
1	27/3/2022	136,000	136,000	-	(i)
2	13/3/2023	3,640	3,640	-	(ii)
3	14/1/2025	9,900	-	9,900	(ii)
4	15/1/2026	7,900	-	7,900	(ii)
5	30/9/2023	182,000	182,000	-	(iii)
6	12/7/2023	46,000	46,000	-	(iii)
7	7/10/2023	17,100	-	17,100	(iii)
8	23/5/2024	57,600	-	57,600	(iii)
9	23/5/2024	78,000	-	78,000	(iii)
10	1/7/2025	26,615	-	26,615	(iii)
11	19/1/2028	49,500	-	49,500	(iii)
12	21/9/2031	67,760	36,005	31,755	(iii)
		<b>682,015</b>	<b>403,645</b>	<b>278,370</b>	

#### Notes

- (i) The loan was to finance the development project of Hou De Zai Wu development project in Tonghua. The Group and the lender had agreed to settle the said loan with 13 commercial units and 36 residential units of Hou De Zai Wu. The Group is currently in the process of formalising the documentation of the repayment.
- (ii) The Group intends to settle the loans in full when the loans are due.
- (iii) The Group intends to extend the tenure of these loans as and when they are due. 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.

As of the date of this announcement, the Group has not defaulted on any loans.

3. In respect of the allowance for impairment of loan receivables amounting to RMB27.9 million, please disclose:

(i) the reasons for the significant allowance for impairment and the reason of non-repayment;

**Reply:** The Group has recognised an impairment loss for the loan receivables based on results of the ECL model. The Group has taken into account the impact of the COVID-19 pandemic on the real estate market in China. The pandemic has caused uncertainty and decreased demand for real estate, leading to a slowdown in the market. As a result, the Company has recognized the potential risk of non-repayment of loans and made provisions to account for this risk. Please see below the details of the impairment for each loan using the ECL model.

	<b>Kaiping Qingshi</b>	<b>Jiadi Xindu</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Principal	39,501	51,541	91,042
Less: Impairment	(8,951)	(18,937)	(27,888)
Net amount	<u>30,550</u>	<u>32,604</u>	<u>64,154</u>

There is no non-repayment for Jiadi Xindu as the loan is not due. To be best of Management's knowledge, the delay in repayment for Kaiping Qingshi's loan was mainly due to the negative impact of the Covid-19 situation in Guangzhou which affected the progress of the hand over of its pre-sold residential units

(ii) the ageing, background and nature of the transaction(s) that gave rise to these loan receivables;

**Reply:** The ageing and details of the transaction that give rise to the loan receivables are as follows:

	<b>Notes</b>	<b>Total</b>	<b>Within 30 days</b>	<b>&gt;30-180 days</b>
		<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Kaiping Qingshi</u>	(i)			
Principal amount		18,500	-	18,500
Interest		21,001	-	21,001
		<u>39,501</u>	<u>-</u>	<u>39,501</u>
<u>Jiadi Xindu</u>	(ii)			
Principal amount		35,600	35,600	-
Interest		15,941	-	15,941
		<u>51,541</u>	<u>35,600</u>	<u>15,941</u>
<b>Total</b>		<u>91,042</u>	<u>35,600</u>	<u>55,442</u>

**Notes:**

- (i) Kaiping Qingshi Auto Parts Co., Limited" ("Kaiping Qingshi") owns a piece of industrial land in Kaiping City, Guangdong Province. In 2016, Kaiping Qingshi applied to the local government to convert its industrial land into residential use and stopped its auto parts trading business. The land was intended to be redeveloped into a mixed development project in two phases ("Kaiping Qingshi Project"). Phase 1 and Phase 2 comprise approximately 14,000 sq. m. and 39,000 sq. m. of gross floor area for residential units, respectively. Additionally, Kaiping Qingshi Project has around 14,600 sq. m. of gross floor area of commercial units.

The loan was disbursed to partially finance Phase 1 of Kaiping Qingshi Project and to co-develop Phase 2 of Kaiping Qingshi Project. However, as disclosed in the announcement dated 18 February 2022, due to the continued weakness in the Chinese property market, the Group has decided to delay acquiring an equity stake in Kaiping Qingshi and retain its

participation in the Kaiping Qingshi Project through a redeemable debt. Please refer to the Company's announcement dated 10 February 2023 for more information on the loan receivable.

(ii) Guangzhou Jiadi Xindu Development Co., Ltd ("**Jiadi Xindu**") was incorporated in 1994 to conduct property development business in Guangdong, Fujian and Liaoning Provinces. Jiadi Xindu is currently developing a mixed-use project in Guangdong, China with an expected gross floor area of approximately 29,028 sq. m. and an estimated gross development value of RMB 400 million ("**Jiadi Xindu Guangdong Property Project**"). The loan provided to Jiadi Xindu was intended to secure the Group's participation in joint ventures with Jiadi Xindu Guangdong Property Project and potential tourism projects in Beidaihe Province, Liaoning Province, and Hainan Province. The Group decided to structure its involvement in the Jiadi Xindu Guangdong Property Project via loan arrangement after taking into consideration of the followings:

(a) 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;

(b) 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 Jiadi Xindu Guangdong Property Project; and

(c) Such arrangement will help to strengthen the business relationship between the Group and Jiadi Xindu, which the Group believes will pathway for more established cooperation with Jiadi Xindu for its future property development projects.

**(iii) Identity of the borrower, its substantial shareholders, directors and legal representative, and whether they are related to the Company's substantial shareholders, directors and their respective associates;**

**Reply:** Mr. Wu Guangning, an independent third party, is the sole director, legal representative and shareholder of Jiadi Xindu.

Kaiping Qingshi's directors are Mr. Jiao Haisong, Mr. Li Xiao Ming, and Mr. Li Zhijiang, with Mr. Jiao Haisong serving as the company's legal representative. The shareholders of Kaiping Qingshi are Mr. Chen Wei Dong, Mr. Jiao Haisong, and Mr. Li Zhijiang.

The individuals mentioned above have no relation to the substantial shareholders, directors, or associates of the Company.

**(iv) The rationale of the Group in providing the loans and whether shareholders' approval have been obtained;**

**Reply:** Please refer to our response to question 3(ii) for the rationale of providing the loans. The Group did not obtain shareholders' approval as the Company considers that the loans were granted with a view to participate in the Borrowers' property development projects, which is in the ordinary course of business of the Group.

**(v) Whether the Group is still extending further loans and when was the latest extension of loan; and**

**Reply:** Other than the loans to Jiadi Xindu and Kaiping Qingshi, the Group has not granted any new loans. The Group is currently negotiating an extension of the tenure of the existing loan with Kaiping Qingshi. The last extension of the loans with Jiadi Xindu and Kaiping Qingshi was 31 March 2021.

**(vi) when was the allowance for impairment made and how much was the gross loan outstanding balance before the allowance?**

**Reply:** The Group has assessed the impairment of the loan receivables on each financial year using ECL model. The Group had provided provision of impairment to the loan receivable in each financial year since FY2019. As of 31 December 2022, the gross loan balance before allowance is approximately RMB91.0 million.

**4. It was disclosed that the Kaiping Qingshi loan was due on 31 December 2022 and the Group and Kaiping Qingshi are in the midst of negotiating the loan renewal. Please clarify if this is an interested person transaction (“IPT”) and would the Company be seeking shareholders’ approval for the extension of the significant loan which is a transaction not in the Company’s ordinary course of business.**

**Reply:** As disclosed in our FY2021 annual report, Kaiping Qingshi has ceased to be an interested person from FY2021 onwards. Accordingly, the loan to Kaiping Qingshi is not considered as an interested person transaction.

In addition, as there is no change in the loan nature and that the loan extension is to continue to allow the Group to participate in the Kaiping Qingshi Project which is in the ordinary course of business of the Group, the Company will not be seeking shareholders’ approval for the loan extension as Charter 10 of the Listing Rule is not applicable.

By Order of the Board

Huang Tak Wai  
Chief Financial Officer / Company Secretary  
27 February 2023