

## CHINA YUANBANG PROPERTY HOLDINGS LIMITED

(Incorporated in Bermuda)

(Co. Reg. No.: 39247)

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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 Annual Report ("**FY2023 AR**") for the year ended 30 June 2023 ("**FY2023**") released to SGX-ST on 13 October 2023.

The following information is in response to the SGX RegCo's queries dated 20 October 2023 on the Company's FY2023 AR.

#### SGX-ST Query 1

In the corporate governance report, it is disclosed that the internal audit function is outsourced to "BT". Please define who BT is and provide their internal audit background.

**Company's Reply:** The full name of BT is "BT Corporate Governance Limited," which operates as an entity under Baker Tilly Hong Kong.

#### SGX-ST Query 2

In the statement of financial position in the Annual Report 2023, it is noted that the Group had outstanding current accounts payable of RMB 455.0 million as at 30 June 2023, which is a significant increase of RMB 124.3 million from its 30 June 2022 balance of RMB 330.7 million and also significantly higher than the Group's cash and bank balances of RMB 32.1 million.

Provide a breakdown of the material accounts payables and clarify how the Group intends to repay these amounts which are due within the next 12 months.

**Company's Reply:** Breakdown of account payables

Supplier	RMB'000
Guangdong Hongda Construction and Installation Engineering Co., Limited (" <b>Hongda</b> ")	382,413
Supplier B	22,071
Supplier C	19,678
Supplier D	2,388
Supplier E	1,467
Others	26,973
Total	<u>454,990</u>

A significant portion of the accounts payable balance is attributed to Hongda, a business partner with whom the Company maintains a longstanding relationship. It is important to highlight that Hongda has given its written assurance that they will not seek payment within the next 12 months. The outstanding balance owed to other suppliers is being retained as a form of guarantee and will be settled upon the completion of the property projects.

#### SGX-ST Query 3

In the Company's response to SGX queries on 20 March 2023, it was disclosed that Kaiping Qingshi ("**KQ**") and Jiadi Xindu ("**JX**") were in good financial positions and generated sufficient cash flow to meet their financial obligations. It was also disclosed that they had substantially sold most of the residential units for both projects and generated sales amounts of RMB 62.3 million and RMB 362.0 million for KQ and JX respectively.

i) With reference to Loan I of RMB 35.9 million due from KQ in Note 16 of the Annual Report 2023, why was there an additional impairment of RMB 15.4 million recognised in FY2023? How does the Company intend to recover the loan?

**Company's Reply:** The impairment was made based on the expected credit loss model as required under the International Financial Reporting Standard ("IFRS") 9.

IFRS 9 which was effective from 1 January 2018, requires entities to recognise expected credit losses for all financial assets carried at amortised cost. As explained in the Results Announcement, the Group will now be required to consider historic, current and forward-looking information (including macro-economic data). This will result in the earlier recognition of credit losses as it will no longer be appropriate for the Group to wait for an incurred loss event to have occurred before credit losses are recognised.

While the property project has indeed generated sales of RMB62.3 million, the majority of these funds remain in a custody account. They will only be released once the residential units are handed over to the buyers. The Group is actively monitoring the status of KQ's property project and the cashflow situation. Payment will be requested as soon as the sales proceeds become available. Further, the loan was pledged against the proceeds of the property project in favour of the Group.

ii) With reference to Loan II of RMB 59.4 million due from JX in Note 16 of the Annual Report, why was there an additional impairment of RMB 3.4 million recognised in FY2023? Why did the Company decide to settle the amount net of impairment and how does the Company intend to recover the remainder of the loan amount?

**Company's Reply:** As mentioned in part i), the impairment loss was made based on expected credit loss model.

In light of the challenging conditions of the real estate market in the People's Republic of China, the Group requested repayment of the principal amount of JX instead of extending the loan. The remaining interest portion was fully impaired, and the Group will not seek to demand for the interest portion.

This decision was made considering the challenging circumstances faced by JX who like most property developers in China, has been adversely affected by the real estate market downturn. While JX initially requested for an extension of the loan period during negotiations, the Group ultimately decided against the extension of the loan and demanded full payment of the principal amount after mutual discussions.

#### **SGX-ST Query 4**

It was noted that the Company's independent auditor raised an emphasis of matter on material uncertainty related to going concern. We draw the Company's attention to Listing Rule 1303(3) which states that, "The Exchange may at any time suspend trading of the listed securities of an issuer where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so." In this regard, we note the Company's explanation on going concern on page 98 as well as its decision to prepare the financial statements on a going concern basis.

i) Please provide the Board's confirmation that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

**Company's Reply:** The Board confirms that all material information has been disclosed by the Company to enable trading to continue on an informed basis.

ii) It was also disclosed that one of its major suppliers has agreed not to demand for repayment for the next 12 months. Please disclose the identity of the major supplier and whether it is related to the Company's directors, CEO, controlling shareholders or their associates, the amount due to the major supplier, the aging of the payables, and whether there are any conditions attached to the agreement not to demand for repayment for the next 12 months.

**Company's Reply:** The name of the major supplier is Guangdong Hongda Construction and Installation Engineering Co., Limited ("**Hongda**") as disclosed in the Company's reply to SGX-ST Query 1. Hongda

is not related to the Company's directors, CEO, controlling shareholders or their associates. The amount due to Hongda is as disclosed in the Company's reply to SGX-ST query 2.

Aging of the payables to Hongda:

<b>With 30 days</b>	<b>30-180 days</b>	<b>180 to 360 days</b>	<b>over 1 year</b>	<b>Total</b>
<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
52,472	125,480	159,954	44,506	382,413

The agreement with Hongda for Hongda not to demand for repayment for the next 12 months is not subject to any conditions.

iii) Please also clarify why such payables are not able to be offset with the substantial prepayments made by the Group which had previously been disclosed to be used for the purchase of materials for the Group's property development projects and will be offset against construction cost incurred.

**Company's Reply:** In line with the principles of IFRS, the Group opted not to offset the prepayment against account payables. IFRS places a strong emphasis on portraying a precise and accurate snapshot of an entity's financial status. The act of offsetting financial assets with financial liabilities might mask the genuine financial standing, potentially concealing the extent of an entity's risk exposure. Consequently, IFRS directives require the distinct presentation of financial assets and liabilities on the balance sheet. This approach ensures the provision of transparent and reliable financial information to those who rely on the financial statements.

By Order of the Board  
Huang Tak Wai Chief Financial Officer / Company Secretary  
24 October 2023