

## **CHINA YUANBANG PROPERTY HOLDINGS LIMITED**

Registration Number 39247

(Incorporated in Bermuda)

(the “**Company**”)

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### **EMPHASIS OF MATTER ON THE COMPANY’S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

In compliance with Rule 704(5) of the Singapore Exchange Securities Trading Limited Listing Manual, the Board of Directors of the Company wishes to inform that the independent auditors of the Company, Moore Stephens LLP (the “**Independent Auditor**”), have rendered an unmodified audit opinion with an emphasis of matter on material uncertainty related to going concern in their audit report (the “**Independent Auditor’s Report**”) on the audited financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 30 June 2023 (the “**FY2023 Audited Financial Statements**”).

In the opinion of the Directors, the Group will be able to continue as a going concern, having regard to the factors described in Note 3 to the FY2023 Audited Financial Statements. For further details, please refer to the extracts of the Independent Auditor’s Report and Note 3 to the FY2023 Audited Financial Statements, as annexed to this announcement.

Shareholders of the Company are advised to read the FY2023 Audited Financial Statements contained in the Company’s annual report for the financial year ended 30 June 2023 which will be released on the SGXNET in due course.

#### **For and On Behalf of the Board**

Lin Yeju

Non-Executive Chairman

5 October 2023

Extracted from the Independent Auditor's Report to the Audited Financial Statements of the Company for the financial year ended 30 June 2023

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
CHINA YUANBANG PROPERTY HOLDINGS LIMITED  
(Incorporated in Bermuda with limited liability)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of China Yuanbang Property Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with International Financial Reporting Standards ("**IFRSs**").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' ("**IESBA**") *Code of Ethics for Professional Accountants* ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 3(a) to the financial statements, which indicates that for the financial year ended 30 June 2023, the Group has incurred a net loss before income tax of RMB161,846,000 (2022: RMB99,493,000). As at 30 June 2023, the Group has net current assets of RMB331,666,000 (2022: RMB492,759,000), which include properties held under development of RMB343,991,000 (2022: RMB450,903,000) and properties held for sale of RMB1,115,476,000 (2022: RMB1,072,034,000) (collectively the "**properties**").

The ability of the Group to continue as a going concern is dependent on the realisation of these properties in time to generate the cash flows needed to discharge its liabilities as and when they fall due and/or the extension/roll-over of the payment tenure of the Group's borrowings and other liabilities.

The above conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

<b><u>Key Audit Matters</u></b>	<b><u>How our audit addressed the key audit matters</u></b>
<p><b>Valuation of properties held under development and properties held for sale</b></p> <p>We refer to Notes 3(i), 3(j), 4(a)(i), 17 and 18 to the consolidated financial statements.</p> <p>The Group’s properties held under development (“PUD”) and properties held for sale (“PHS”) amounted to RMB343,991,000 and RMB1,115,476,000 respectively. These accounted for approximately 51% of the Group’s total assets as at 30 June 2023.</p> <p>PUD and PHS are stated at the lower of their costs and their net realisable values.</p> <p>The determination of the estimated net realisable values of these PUD and PHS involves significant judgement and is dependent upon the Group’s critical estimation of future selling prices of these properties and costs to complete the projects.</p> <p>The valuation of PUD and PHS is identified as a key audit matter due to the magnitude of the carrying amounts as at 30 June 2023 and the significant judgement involved in estimating their net realisable values.</p>	<p><b>Our response</b></p> <p>We assessed the appropriateness of the basis of determining net realisable values of the PUD and PHS and the key assumptions used by management to determine the net realisable values, including expected future selling prices and estimated construction costs to complete.</p> <p>We reviewed the reasonableness of expected future selling prices used in the above net realisable values assessment, by comparing them to recently-transacted prices of the same project and comparable properties located in the same vicinity, as well as publicly available information on the People’s Republic of China property prices.</p> <p>We assessed on a sample basis, the reasonableness of the estimated construction costs to complete and obtained supporting documents on major inputs. Our audit procedures included, amongst others, reviewing monthly progress reports to assess the progress of each property, reviewing development project cost budgets for potential cost overruns, and obtaining confirmations from sub-contractors to ascertain the extent of construction costs incurred during the financial year.</p> <p><b>Our findings</b></p> <p>Based on our audit procedures, we found management’s assessment on the net realisable values of the PUD and PHS to be reasonable.</p>

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**Key Audit Matters (cont'd)**

<u>Key Audit Matters</u>	<u>How our audit addressed the key audit matters</u>
<p><b>Valuation of investment properties</b></p> <p>We refer to Notes 3(e), 4(a)(ii) and 14 to the consolidated financial statements.</p> <p>The Group's investment properties amounted to RMB510,820,000 as at 30 June 2023. This significant category of assets is stated at their fair values based on valuations determined by the independent professional qualified valuer.</p> <p>The valuation of investment properties is identified as a key audit matter due to the magnitude of the carrying amount as at 30 June 2023 and the significant judgement involved in the valuation of the investment properties.</p> <p>The valuation of the investment properties is highly dependent on the underlying assumptions applied and hence, extremely sensitive to changes in key assumptions.</p>	<p><b>Our response</b></p> <p>We considered the qualifications, competence and objectivity of the professional valuer.</p> <p>We discussed with management and the professional valuer, and considered the appropriateness of the valuation methodologies used. We also evaluated the reasonableness of the key assumptions and inputs used by the professional valuer to determine the valuation of each property.</p> <p>In addition, we reviewed the adequacy of the disclosures for investment properties in Note 14 to the financial statements, including the disclosures relating to the valuation techniques and key inputs applied by the professional valuer.</p> <p><b>Our findings</b></p> <p>We found the valuation of investment properties to be reasonable and the disclosures to be appropriate.</p>

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**Key Audit Matters (cont'd)**

<u>Key Audit Matters</u>	<u>How our audit addressed the key audit matters</u>
<p><b>Recoverability of loan receivables, accounts receivables, other receivables (including deposits) and contract assets</b></p> <p>We refer to Notes 3(h), 4(a)(iii), 4(a)(iv), 16, 19, 20, 21 and 33(iii) to the consolidated financial statements.</p> <p>As at 30 June 2023, the Group has loan receivables, accounts receivables, other receivables (including deposits) and contract assets amounting to RMB48,610,000, RMB27,225,000, RMB496,037,000 and RMB32,585,000 respectively. We focused on this area because of the significance and the degree of judgement required in determining these carrying amounts of these balances as at the reporting date.</p> <p>The Group assesses periodically and at each financial year end, the expected credit loss associated with its receivables in accordance with IFRS 9 <i>Financial Instruments</i>. When there is expected credit loss, the amount and timing of the future cash flows are estimated based on historical, current and forward-looking loss experience for assets with similar credit risk characteristics.</p>	<p><b>Our response</b></p> <p>We updated our understanding of the Group's processes and key controls relating to the monitoring of receivables and considered debtors aging to identify collection risks.</p> <p>We reviewed the reasonableness of the Group's expected credit loss model and considered management's significant judgement used in determining the recoverability of loan receivables, accounts receivables, other receivables (including deposits) and contract assets, and their assessment of the recoverability of long outstanding and overdue receivables.</p> <p>We considered management's assessment on the credit worthiness of selected debtors and discussed with key management and the component auditors on the adequacy of the allowance for impairment recorded by the Group.</p> <p>We checked to subsequent receipts from major debtors after the year end. We obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable.</p> <p>We also reviewed the adequacy and appropriateness of the impairment charge based on the available information.</p> <p><b>Our findings</b></p> <p>Based on our audit procedures, we found management's assessment of the recoverability of loan receivables, accounts receivables, other receivables (including deposits) and contract assets to be reasonable.</p>

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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms Chong Jia Yun, Michelle.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
4 October 2023

### 3 Significant Accounting Policies

#### (a) Basis of Preparation

##### Going concern assumption

For the financial year ended 30 June 2023, the Group has incurred a net loss before income tax of RMB161,846,000 (2022: RMB99,493,000). As at 30 June 2023, the Group has net current assets of RMB331,666,000 (2022: RMB492,759,000), which include properties held under development of RMB343,991,000 (2022: RMB450,903,000) and properties held for sale of RMB1,115,476,000 (2022: RMB1,072,034,000) (collectively the "properties").

The ability of the Group to continue as a going concern is dependent on the realisation of these properties in time to generate the cash flows needed to discharge its liabilities as and when they fall due and/or the extension/roll-over of the payment tenure of the Group's borrowings and other liabilities.

The above conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business.

Nevertheless, in the preparation of the financial statements of the Group, the directors and management of the Company believe that the use of going concern assumption is appropriate after taking into consideration:

- (i) For the current financial year, the Group has net cash generated from operating activities of RMB73,858,000 (2022: net cash used in operating activities of RMB19,575,000);
- (ii) Barring unforeseen circumstances, the Board of Directors and management are of the view that the Group will have sufficient working capital and will be able to meet its obligations as and when they fall due based on the cash flow forecast for the next 12 months;
- (iii) The Group has successfully extended one of its bank loans subsequent to the financial year end for another two years. Historically, the Group has always managed to extend their bank loans;
- (iv) One of its major suppliers has agreed not to demand for repayment for the next 12 months; and
- (v) The Government of PRC has rolled out stimulus such as easing of mortgage restrictions to boost property sales.

In the event that the Group is unable to continue as a going concern, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.