



## YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199106356W)

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### RESPONSES TO QUERIES REGARDING THE ANNOUNCEMENT OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2022

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The Board of Directors (the “**Board**”) of Ying Li International Real Estate Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 18 August 2022 regarding the Company’s announcement of its financial statements for the half-year period ended 30 June 2022 (“**1H2022**”) and the Company’s responses are as follows:

#### **Question 1:**

***“As at 30 June 2022, the Group recorded a net current liability of RMB 431.861m with cash and cash equivalents of RMB 487.206m. Please disclose the pro-active actions which the management plans to take to ensure that the Group’s financial position remains strong.***

***(i) Please assess the Company’s ability to operate as a going concern, and provide the basis for such assessment;***

***(ii) Please assess the Company’s ability to meet its debt covenants (if any); and***

***(iii) Please assess the Company’s ability to meet its short-term obligations when they fall due, including how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.”***

#### **Company’s response to Question 1:**

***(i) Please assess the Company’s ability to operate as a going concern, and provide the basis for such assessment;***

As at 30 June 2022, the COVID-19 situation in the People’s Republic of China (“**PRC**”) where the Group’s operations are based, continues to evolve and develop. Accordingly, there are significant uncertainties as to the duration of the pandemic and its impact on the market segments which the Group operates in. If the situation persists, the Group may continuously experience a loss and lack of working capital in the subsequent financial years.

Notwithstanding the above, the Directors have considered the operations of the Group and its ability to operate as a going concern and are of the view that the Group will be able to improve its financial performance and meet its obligations as and when they fall due within the next 12 months for the following reasons:

- the Directors had carried out a review of the cash flows projections of the Group for the next 12 months and are of the view that there is adequate liquidity (or with feasible sources of inflow) to finance the working capital requirements of the Group;
- the Group will be proactively restructuring its portfolios or disposing low yielding properties to reduce gearing and improve its liquidity position; and

- the net current liabilities position is mainly due to the significant amount of other payable to a related party of RMB757.784 million as at 30 June 2022 (RMB628.351 million as at 31 December 2021), which is in relation to the provision for the distribution payable by the Company to a related party of the Company (the “**Holder**”), under the perpetual subordinated convertible callable securities (the “**PCS**”) issued by the Company to the Holder.

Based on the terms of the PCS, the Company may elect to defer the payment of the distribution on any distribution payment date by giving written notice to the Holder and the Company is not subject to any limits as to the number of times which it may defer the payment of the distributions. The deferral of any distribution payment in accordance with the terms of the PCS does not constitute a default for any purpose on the part of the Company. The Group is considering holding discussions with the Holder in relation to the distribution accrued and the Management team of the Group (“**Management**”) will continue to closely monitor the Group’s liquidity position and cash flow projection. The Management will consider the option of paying the distribution accrued when the Group has excess cash flow.

Accordingly, the Management does not foresee there will be a material uncertainty over the ability of the Group to operate as a going concern. If the distribution of the PCS is set aside, the working capital of the Group will be adjusted to a net current assets position of RMB325.923 million.

***(ii) Please assess the Company’s ability to meet its debt covenants (if any); and***

Please refer to our response in Question 1(i). Based on the terms of the PCS, the Company may elect to defer the payment of the distribution by giving written notice to the Holder and the deferral will not constitute a default for any purpose on the part of the Company.

The Company will closely monitor its debt covenants and discuss with its lenders if there is any possible failure to meet the debt covenants.

***(iii) Please assess the Company’s ability to meet its short-term obligations when they fall due, including how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.”***

The net current liabilities position is mainly due to other payable to a related party (provision for the distribution for the PCS) of RMB757.784 million as at 30 June 2022. If the provision for the distribution for the PCS which can be deferred and will not constitute a default is set aside, the Company will be in a net current assets position and the Management does not foresee that there will be material uncertainty over the ability of the Group to fulfil its other payment obligations in the next 12 months.

**Question 2:**

***“We note that the Company recorded trade and other receivables of RMB 461.825m as at 30 June 2022. Please disclose:***

- (i) the ageing profile of the Group’s trade and other receivables in bands of 3 months;***
- (ii) whether these outstanding amounts are owing from related parties. If yes, to provide details and quantify; and***
- (iii) the Board’s assessment on the recoverability of the Group’s trade and other receivables, and the basis for such assessment.”***

**Company’s response to Question 2:**

- (i) the ageing profile of the Group’s trade and other receivables in bands of 3 months;***

The aging profile of the Group's trade and other receivables are as follows:

<b>Aging category</b>	<b>RMB'000</b>	<b>Remarks</b>
Within 3 months	31,191	
More than 3 months	430,633	Mainly includes: (i) RMB263 million relating to the outstanding receivables from disposal of subsidiaries and a land parcel; (ii) RMB60 million relating to the prepayments loan upfront fees to be amortised over the loan period; (iii) RMB50 million relating to the prepaid taxes; and (iv) RMB17 million relating to other deposits.
<b>Total trade and other receivables</b>	<b>461,825</b>	

***(ii) whether these outstanding amounts are owing from related parties. If yes, to provide details and quantify; and***

All outstanding amounts of trade and other receivables are owing from non-related parties. Please refer to the column titled "Remarks" for the details of significant receivables of the Group.

***(iii) the Board's assessment on the recoverability of the Group's trade and other receivables, and the basis for such assessment."***

The Board has reviewed the Management's assessment on the recoverability of the trade and other receivables and is of the opinion that the impairment loss allowance for expected credit losses has been assessed in accordance with the requirements of SFRS(I) 9 Financial Instruments and has been adequately provided for as at 30 June 2022. Accordingly, the Board concurred with the Management's view on the recoverability of the Group's trade and other receivables.

#### Recoverability of trade receivables

Based on the Management's assessment, the credit risk for trade receivables is relatively low. Generally, the Group aims for full payment from its customers, or receives mortgage loans from financial institutions, before transferring the property right. In addition, the Group collects rental deposits from its tenants to mitigate its credit risks over lease receivables.

#### Recoverability of other receivables

The Management has also assessed and considered the expected credit loss ("ECL") for significant other receivables individually.

Included in other receivables are the outstanding receivables from China Evergrande Group derived from the disposal of subsidiaries and a land parcel amounting to RMB263 million, calculated based on the gross outstanding balance of RMB575 million net of ECL of RMB312 million recognised in the previous years. There is no additional ECL provided for this outstanding balance in the current financial period as the Management believes that there is a possibility of recovering the remaining net receivables and substantial ECL has already been provided for. In addition, the Company is seeking legal advice on the foregoing and will make further announcements as and when there are any material developments. Please also refer to Page 87 (Key Audit Matters of Independent Auditor's Report) of the Company's Annual Report for the financial year ended 31 December 2021 ("FY2021") for further details.

#### **Question 3:**

***"We note that trade and other payables had increased by RMB 129.714m from RMB 1,197m as at 31 December 2021 to RMB 1,327m as at 30 June 2022. We further note that such increase represents approximately 148% of the revenue for the 6 months ended 30 June 2022 despite decreases in the Group's cost of sales and expenses; and is mainly due to the increase in other payables to related parties.***

***Please disclose the nature of the other payables, the terms of the transactions and whether these were incurred in the ordinary course of business. Please also identify the related parties involved.***

**Company's response to Question 3:**

The increase in trade and other payables by RMB129.714 million is mainly due to additional provision for the distribution pursuant to the PCS, payable to a related party of the Company, of RMB129.433 million for the six-month period ended 30 June 2022, representing 99.8% of the total increase in the trade and other payables.

The details of other payable to a related party of RMB757.784 million as at 30 June 2022 (31 December 2021: RMB628.351 million) are as follows:

Name of related party involved	Everbright Hero Holdings Limited (" <b>Bond Holder</b> ").
Relationship with the Group	The Bond Holder is a 100% indirectly owned subsidiary of the controlling shareholder of the Company, China Everbright Limited.
Nature of the payables / Underlying transactions	The payables are provisions for the distributions under the PCS. Please refer to page 137 (Note 24 of the Notes to the Financial Statements) of the Company's FY2021 Annual Report for more details.
Payment term	The distribution under the PCS is payable annually in arrears on 15 May each year.

**Question 4:**

***"We note from Note 6.1 that the Company had accrued early termination of tenancy agreement amounting to RMB 10m. Please provide further information relating to the tenancy agreement, including the following:***

- (a) details of the property;***
- (b) current usage of the property;***
- (c) key terms of the tenancy agreement; and***
- (d) reason(s) for early termination of the tenancy."***

**Company's response to Question 4:**

The details of the early termination of tenancy agreement are as below:

Details of the property	Ying Li International Financial Centre (IFC) / Ying Li IMIX Park Jiefangbei (IMIX Park JFB).
Current usage of the property	Retail shopping mall, office and car park.
Key terms of the tenancy agreement	Turnover-based rent.
Reason(s) for early termination of the tenancy	The operations of this tenant have declined in recent years and affected the revenue of the Group. Accordingly, the Management has been actively looking for replacement tenants with higher rent.

**Question 5:**

***“Please explain why no dividend was declared or recommended for the period ended 30 June 2022.”***

**Company’s response to Question 5:**

The issuance of dividends has always been part of the Board’s agenda and discussions for rewarding shareholders.

The outbreak of COVID-19 since late 2019 has led to an unprecedented crisis that has impacted nearly all businesses worldwide. In light of the challenges and uncertainties arising from COVID-19 and the need to fund new growth plans, the Group is taking a prudent approach to conserve cash and ensure adequate and steady cash flow for the Group’s working capital requirements as well as its future growth plans to create long-term shareholder value.

By Order of the Board  
Ying Li International Real Estate Limited

Yang Haishan  
Non-Executive and Non-Independent Director  
22 August 2022