Ying Li International Real Estate Limited

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199106356W)

Unaudited Condensed Interim Consolidated Financial Statements
For the six months ended 30 June 2023

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A. Unaudited condensed interim consolidated statements of profit or loss and other comprehensive income

	Note	The Group		
		6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000	Increase / (Decrease) %
Revenue	4.2	**99,029**	**87,657**	**13.0%**
Cost of sales		(28,993)	(22,079)	31.3%
Gross profit		**70,036**	**65,578**	**6.8%**
Other income	6.1	9,238	5,334	73.2%
Other gains/(losses) - net	6.1	4,167	(31,610)	n.m.
Marketing expenses		(6,726)	(12,768)	(47.3%)
Administrative expenses		(33,237)	(42,882)	(22.5%)
Finance expenses		(77,138)	(66,842)	15.4%
Loss before taxation		**(33,660)**	**(83,190)**	**(59.5%)**
Taxation	7	-	(42)	(100.0%)
Net loss for the financial period		**(33,660)**	**(83,232)**	**(59.6%)**
Other comprehensive loss				
Item that may be reclassified to profit or loss in subsequent period (net of tax)				
Currency translation differences arising from consolidation, net		(45,062)	(12,419)	262.8%
Total comprehensive loss for the period		**(78,722)**	**(95,651)**	**(17.7%)**
Net (loss)/profit attributable to:				
Equity holders of the Company		(35,307)	(83,030)	(57.5%)
Non-controlling interests		1,647	(202)	n.m.
		(33,660)	**(83,232)**	**(59.6%)**
Total comprehensive (loss)/profit attributable to:				
Equity holders of the Company		(80,369)	(95,449)	(15.8%)
Non-controlling interests		1,647	(202)	n.m.
		(78,722)	**(95,651)**	**(17.7%)**
Loss per share for net loss for the period attributable to equity holders of the Company				
Basic loss per share (RMB)	8(a)	(0.014)	(0.032)	
Diluted loss per share (RMB)	8(b)	(0.014)	(0.032)	

B. Unaudited condensed interim consolidated statements of financial position

	Note	The Group		The Company	
		30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
ASSETS					
Current assets:					
Development properties	11	962,488	964,622	-	-
Trade and other receivables	10	391,091	440,931	2,630,665	2,685,426
Cash and cash equivalents		390,384	370,773	1,901	2,677
		1,743,963	1,776,326	2,632,566	2,688,103
Non-current assets:					
Property, plant and equipment	12	49,630	50,745	1,888	17
Investments in subsidiaries	13	-	-	3,116,474	3,116,474
Investment properties	15	4,094,073	4,094,253	-	-
Financial asset, at fair value through profit or loss ("FVPL")	14	210,000	210,000	-	-
		4,353,703	4,354,998	3,118,362	3,116,491
Total assets		**6,097,666**	**6,131,324**	**5,750,928**	**5,804,594**
LIABILITIES					
Current liabilities:					
Trade and other payables	16	392,412	428,771	1,466,614	1,435,719
Current income tax liabilities		179,845	179,647	-	-
Borrowings	17	583,471	513,963	480,185	573,585
Provisions	18	442,644	421,907	-	-
		1,598,372	1,544,288	1,946,799	2,009,304
Non-current liabilities:					
Other payables – related party		249,949	224,092	249,949	224,092
Deferred income tax liabilities		365,181	365,181	-	-
Borrowings	17	1,945,017	1,962,000	-	-
		2,560,147	2,551,273	249,949	224,092
Total liabilities		**4,158,519**	**4,095,561**	**2,196,748**	**2,233,396**
NET ASSETS		**1,939,147**	**2,035,763**	**3,554,180**	**3,571,198**
EQUITY					
Capital and reserves:					
Share capital	19	4,028,372	4,028,372	4,028,372	4,028,372
Reverse acquisition reserve		(2,034,754)	(2,034,754)	-	-
Statutory common reserve		91,018	91,018	-	-
Convertible bonds reserve		42,458	42,458	42,458	42,458
Perpetual convertible securities		878,970	878,970	878,970	878,970
Currency translation reserve		(138,831)	(93,769)	(54,357)	(41,098)
Accumulated losses		(919,737)	(866,536)	(1,341,263)	(1,337,504)
Equity attributable to equity holders of the Company		1,947,496	2,045,759	3,554,180	3,571,198
Non-controlling interests		(8,349)	(9,996)	-	-
TOTAL EQUITY		**1,939,147**	**2,035,763**	**3,554,180**	**3,571,198**

C. Unaudited condensed interim consolidated statements of changes in equity

The Group	Share capital RMB'000	Reverse acquisition reserve RMB'000	Statutory common reserve RMB'000	Convertible bonds reserve RMB'000	Perpetual convertible securities RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	4,028,372	(2,034,754)	91,018	42,458	878,970	(93,769)	(866,536)	2,045,759	(9,996)	2,035,763
Total comprehensive loss for the period	-	-	-	-	-	(45,062)	(35,307)	(80,369)	1,647	(78,722)
Distribution on perpetual convertible securities	-	-	-	-	-	-	(17,894)	(17,894)	-	(17,894)
Balance at 30 June 2023	4,028,372	(2,034,754)	91,018	42,458	878,970	(138,831)	(919,737)	1,947,496	(8,349)	1,939,147
Balance at 1 January 2022	4,028,372	(2,034,754)	91,018	42,458	878,970	34,880	(942,839)	2,098,105	(4,530)	2,093,575
Total comprehensive loss for the period	-	-	-	-	-	(12,419)	(83,030)	(95,449)	(202)	(95,651)
Distribution on perpetual convertible securities	-	-	-	-	-	-	(142,669)	(142,669)	-	(142,669)
Balance at 30 June 2022	4,028,372	(2,034,754)	91,018	42,458	878,970	22,461	(1,168,538)	1,859,987	(4,732)	1,855,255

C. Unaudited condensed interim consolidated statements of changes in equity (continued)

The Company	Share capital RMB'000	Convertible bonds reserve RMB'000	Perpetual convertible securities RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2023	4,028,372	42,458	878,970	(41,098)	(1,337,504)	3,571,198
Total comprehensive (loss)/income for the period	-	-	-	(13,259)	14,135	876
Distribution on perpetual convertible securities	-	-	-	-	(17,894)	(17,894)
Balance at 30 June 2023	4,028,372	42,458	878,970	(54,357)	(1,341,263)	3,554,180
Balance at 1 January 2022	4,028,372	42,458	878,970	(11,043)	(1,891,225)	3,047,532
Total comprehensive income/(loss) for the period	-	-	-	9,815	(3,906)	5,909
Distribution on perpetual convertible securities	-	-	-	-	(142,669)	(142,669)
Balance at 30 June 2022	4,028,372	42,458	878,970	(1,228)	(2,037,800)	2,910,772

D. Unaudited condensed interim consolidated statements of cash flows

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Operating activities		
Loss before taxation	(33,660)	(83,190)
Adjustments for:		
Depreciation of property, plant and equipment	2,140	1,755
Amortisation of deferred lease incentive	-	3,201
Interest expenses	77,138	66,842
Interest income	(7,945)	(1,898)
Provision for liabilities on legal cases and penalties	20,737	17,300
Gain on disposal of property, plant and equipment	-	(41)
Gain on disposal of investment properties	(92)	-
Loss allowance on trade receivables	-	21
Unrealised exchange differences	(4,658)	7,200
Operating cash flows before working capital changes	53,660	11,190
Development properties	3,407	337
Trade and other receivables	(702)	(4,948)
Provisions	-	(7,898)
Trade and other payables	9,098	(4,063)
Cash generated from/(used in) operations	65,463	(5,382)
Interest received	7,945	1,843
Income tax paid	(2)	(7)
Net cash generated from/(used in) operating activities	**73,406**	**(3,546)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(58)	(213)
Proceeds from disposal of property, plant and equipment	-	404
Proceeds from disposal of investment properties	272	-
Net cash generated from investing activities	**214**	**191**
Cash flow from financing activities		
Decrease/(increase) in restricted cash	212,886	(42,647)
Proceeds from borrowings	941,592	40,197
Interest paid	(71,880)	(65,164)
Repayment of borrowings	(925,539)	(53,485)
Net cash generated from/(used in) financing activities	**157,059**	**(121,099)**
Net increase/(decrease) in cash and cash equivalents	**230,679**	**(124,454)**
Effects of exchange rate changes on cash and cash equivalents	1,818	1,077
Cash and cash equivalents at beginning of period	111,822	354,405
Cash and cash equivalents at end of period	**344,319**	**231,028**
Restricted bank balances	46,065	256,178
Cash and cash equivalents in the consolidated statements of financial position	**390,384**	**487,206**

E. Notes to the unaudited condensed interim consolidated financial statements

1. General information

Ying Li International Real Estate Limited (the "**Company**") is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "**Singapore Exchange**" or "**SGX-ST**") and incorporated and domiciled in Singapore. These unaudited condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 ("**1H2023**") comprise the Company and its subsidiaries (collectively, the "**Group**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are:
(a) Property development;
(b) Mall and property management;
(c) Property consultancy, sale, marketing and management;
(d) Commercial property leasing services; and
(e) Others - Investment holding

2. Basis of preparation

The unaudited condensed interim financial statements for 1H2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Committee Singapore. The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and its performance since the last annual financial statements for the financial year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The unaudited condensed interim financial statements are presented in Chinese Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") as indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the unaudited condensed interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- Assessment of expected credit loss ("ECL") of trade and other receivables
- Estimation of net realisable value for development properties
- Valuation of investment properties
- Valuation of financial asset, at FVPL
- Provision on litigation cases and penalties
- Deferred income tax
- Classification of unquoted investment in limited partnership

3. Seasonal operations

The Group's businesses were not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

Property investment : Leasing of investment properties to generate rental income, facilities management income and holding of properties for capital appreciation

Property development : Development and sales of residential, commercial and other types of properties and equity investment in property development companies

Others : Mainly related with corporate office functions and investment holding

These operating segments are reported in a manner consistent with the internal reporting provided to the executive committee for allocation resources and assessing performance.

4.1. Reportable segments

	Property investment RMB'000	Property development RMB'000	Others RMB'000	Consolidated RMB'000
1 January 2023 to 30 June 2023				
Revenue				
Total segment revenue	94,486	4,543	-	99,029
Segment results	52,048	(9,611)	(6,904)	35,533
Interest expenses	-	(19,605)	(57,533)	(77,138)
Interest income	-	-	7,945	7,945
Segment profit/(loss) before taxation	52,048	(29,216)	(56,492)	(33,660)
Depreciation of property, plant and equipment	-	-	2,140	2,140
As at 30 June 2023				
Segment assets	4,117,646	1,532,112	447,908	6,097,666
Segment assets includes:				
Additions to:				
- Property, plant and equipment	-	-	58	58
Segment liabilities	1,696,545	775,786	1,686,188	4,158,519

	Property investment RMB'000	Property development RMB'000	Others RMB'000	Consolidated RMB'000
1 January 2022 to 30 June 2022				
Revenue				
Total segment revenue	87,309	348	-	87,657
Segment results	39,671	(20,535)	(37,382)	(18,246)
Interest expenses	-	(9,209)	(57,633)	(66,842)
Interest income	-	-	1,898	1,898
Segment profit/(loss) before taxation	39,671	(29,744)	(93,117)	(83,190)
Depreciation of property, plant and equipment	-	-	1,755	1,755
As at 30 June 2022				
Segment assets	4,160,308	2,050,156	546,076	6,756,540
Segment assets includes:				
Additions to:				
- Property, plant and equipment	-	-	213	213
Segment liabilities	1,921,451	790,010	2,189,824	4,901,285

4.2 Disaggregation of Revenue

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Property investment		
Rental income – PRC	94,486	87,309
Property development		
Revenue from contracts with customers – PRC		
- Sales of completed properties held for sale – at a point in time	4,543	348
	99,029	87,657

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2023 and 31 December 2022:

	Note	The Group		The Company	
		30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
Financial assets					
Financial asset, at FVPL	14	210,000	210,000	-	-
Financial asset, at amortised cost					
Cash and cash equivalents		390,384	370,773	1,901	2,677
Trade and other receivables	10	311,775	358,184	2,630,450	2,685,148
		912,159	938,957	2,632,351	2,687,825
Financial liabilities, at amortised cost					
Trade and other payables	16	585,769	611,263	1,716,563	1,659,811
Borrowings	17	2,528,488	2,475,963	480,185	573,585
		3,114,257	3,087,226	2,196,748	2,233,396

6. Loss before taxation

6.1. Significant items

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Other income		
Interest income	7,945	1,898
Sundry income	1,293	3,436
	9,238	5,334
Other gains/(losses) - net		
Foreign exchange gain/(loss) - net	4,658	(7,200)
Provision for liabilities on legal cases and penalties (Note 18)	(20,737)	(17,300)
Receipt from partial settlement of a legal case	8,602	3,000
Expenses incurred for early termination of tenancy agreement	(1,167)	(10,000)
Loss allowance on trade receivables	-	(21)
Gain on disposal of property, plant and equipment	-	41
Gain on disposal of investment properties	92	-
Reversal of accrued payables	12,841	-
Other losses - net	(122)	(130)
	4,167	(31,610)

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Other expenses by nature		
Interest expenses	77,138	66,842
Depreciation of property, plant and equipment	2,140	1,755
Amortisation of deferred lease incentive	-	3,201
Employee compensation	16,675	15,758

6.2. Related party transactions

Other than as disclosed elsewhere in the unaudited condensed interim consolidated financial statements, material transactions with related parties based on terms agreed between the parties are as follows:

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Management fees and related costs charged by an associate of controlling shareholder	2,739	1,883
Interest expenses charged by subsidiaries of controlling shareholder	10,575	3,188
Loans from subsidiaries of controlling shareholder	480,185	80,467
Distribution on perpetual convertible securities payable to a subsidiary of controlling shareholder	17,894	142,669

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the unaudited condensed interim consolidated statements of profit or loss are:

	The Group	
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000
Current income tax	-	42
	-	42

8. Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	The Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
Net loss attributable to equity holders of the Company (RMB'000)	(35,307)	(83,030)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,557,040	2,557,040
Basic loss per share (RMB per share)	(0.014)	(0.032)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, net loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As the effect of conversion of shares from perpetual convertible securities is anti-dilutive, the diluted loss per share is the same as the basic loss per share.

9. Net asset value

	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net asset value attributable to equity holders of the Company (RMB'000)	1,947,496	2,045,759	3,554,180	3,571,198
Weighted average number of shares issued ('000)	2,557,040	2,557,040	2,557,040	2,557,040
Net asset value per ordinary shares (RMB per share)	0.76	0.80	1.39	1.40

10. Trade and other receivables

	The Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables – non-related parties	22,636	50,308
Other receivables:		
- Refundable deposits	17,273	17,266
- Proceed receivable from disposal of subsidiaries/land	262,710	262,710
- Other receivables	9,156	27,900
Financial assets at amortised cost	311,775	358,184
Advances to sub-contractor and vendors	3,805	4,103
Prepayments	52,946	55,918
Prepaid tax	22,565	22,726
Total trade and other receivables	391,091	440,931

	The Company	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Other receivables	27	40
Refundable deposits	273	266
Due from subsidiary corporations	2,630,150	2,684,842
Financial assets at amortised cost	2,630,450	2,685,148
Prepayments	215	278
Total other receivables	2,630,665	2,685,426

11. Development properties

	The Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Completed properties held for sale	840,076	842,210
Properties for development	122,412	122,412
	962,488	964,622

12. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to RMB58,000 (30 June 2022: RMB213,000) and disposed assets with carrying amount of Nil (30 June 2022: RMB363,000).

13. Investments in subsidiaries

	The Company	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Unquoted equity shares, at cost	2,966,325	2,966,325
Quasi-equity loan to a subsidiary	150,149	150,149
Total investment in subsidiaries	3,116,474	3,116,474

The quasi-equity loan to a wholly-owned subsidiary is unsecured, interest-free with no fixed term of repayment and are quasi-equity in nature. The settlement of the loans is not planned, and the repayment of the loan is solely at the discretion of the borrower. Accordingly, the loan in substance, forms part of the Company's net investment in the subsidiary and is stated at cost.

14. Financial asset, at FVPL

	The Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Unquoted investment in limited partnership at FVPL		
Beginning of financial period/year	210,000	621,799
Fair value loss	-	(411,799)
End of financial period/year	210,000	210,000

Unquoted investment in limited partnership relates to a subsidiary's investment of RMB559 million (at cost) to subscribe for 26% of the subordinated shares in Shanghai Zhaoli Investment Centre (LLP) where it invested directly in Shanghai Sheng Ke Investment Centre (LLP) which in turn owns the project companies holding the Beijing Tongzhou Project.

The unquoted investment in limited partnership is carried at fair value at the end of every financial year is based on valuation performed by international independent firm of professional valuers who have the appropriate recognised professional qualification and recent experience in the financial assets being valued. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between Management, the fund manager and the independent valuer annually.

The table below presents assets measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presented the assets measured at fair value:

	Level 3 RMB'000
30 June 2023	
Financial asset, at FVPL	210,000
31 December 2022	
Financial asset, at FVPL	210,000

15. Investment properties

The Group's investment properties consist of retail, office and other commercial properties, held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Group. They are mainly leased to third parties under operating leases.

	The Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Leasehold properties:		
Beginning of financial period/year	4,094,253	4,099,183
Disposal of investment properties	(180)	-
Fair value losses	-	(4,930)
End of financial period/year	4,094,073	4,094,253

Fair value hierarchy - Recurring fair value measurement

Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
30 June 2023			
- Retail, office and car parks - PRC	-	-	4,094,073
31 December 2022			
- Retail, office and car parks - PRC	-	-	4,094,253

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the property's best use. As at 31 December 2022, the fair values of the properties have been determined by international independent firm of professional valuers who have the appropriate recognised professional qualification and recent experience in the financial assets being valued. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between Management and the independent valuer annually.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair values of the Group's properties have been derived using the direct comparison approach and discounted cash flow on property basis. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as location, building age and size. The most significant input in this valuation approach is the reference to market evidence of transaction prices for similar properties and the rental income of the properties and were performed in accordance with International Valuation Standards and the Royal Institution of Chartered Surveyors' Global Valuation Standards.

16. Trade and other payables

	The Group	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Trade payables– non-related parties	62,633	112,215
Other payables:		
- Non-related parties	103,224	110,764
- Related party	249,949	224,092
Accrued expenses	108,685	106,973
Deposits received	42,501	40,559
Other tax payables	18,777	16,660
Financial liabilities, at amortised cost	585,769	611,263
Less: Non-current liability		
- Other payable – related party	(249,949)	(224,092)
	335,820	387,171
Advances received from lessees	24,580	16,316
Contract liabilities	32,012	25,284
Total trade and other payables	392,412	428,771

The Group's other payable to a related party is pertaining to the unpaid distribution on perpetual convertible securities.

	The Company	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Other payable:		
- Related party	249,949	224,092
Accrued expenses	47,595	45,797
Other tax payables	9,247	7,332
Due to subsidiary corporations	1,409,772	1,382,590
Total other payables	1,716,563	1,659,811
Less: Non-current liability		
Other payable – related party	(249,949)	(224,092)
	1,466,614	1,435,719

The Company's other payable to a related party is pertaining to the unpaid distribution on perpetual convertible securities.

17. Borrowings

	The Group	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Amount repayable within one year		
Bank borrowings (secured)	103,286	114,500
Bank notes (unsecured)	-	215,912
Loan from a subsidiary of controlling shareholder (unsecured)	480,185	183,551
	583,471	513,963
Amount repayable after one year		
Bank borrowings (secured)	1,945,017	1,962,000
Total borrowings	2,528,488	2,475,963

The borrowings of the Group are secured over certain investment properties, development properties and intra-group corporate guarantees of the Group.

	The Company	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Amount repayable within one year		
Bank notes (unsecured)	-	215,912
Bank notes - a subsidiary (unsecured)	-	174,122
Loan from a subsidiary of controlling shareholder (unsecured)	480,185	183,551
	480,185	573,585

18. Provisions

	The Group	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Current		
Provision on litigation cases	337,777	337,777
Provision on penalties	104,867	84,130
Total	442,644	421,907

	The Group	
	30 June 2023 RMB'000	**31 December 2022 RMB'000**
Movement:		
Beginning of financial period/year	421,907	406,499
Amount recognised in profit or loss (Note 6.1):		
- Provision made	20,737	41,818
- Reversal of provision	-	(18,512)
	20,737	23,306
Provision utilised	-	(7,898)
End of financial period/year	442,644	421,907

The Group recognised additional provision for potential penalties payable to local authorities amounting to RMB20,737,000 during the financial period ended 30 June 2023 in relation to a development project of the Group as the subsidiaries did not complete the development within the stipulated period. During the financial period ended 30 June 2023, the Group had received repayment of a total amount of RMB8,602,000 relating to partial settlement of a legal case, and the amount had been recognised directly in profit or loss.

19. Share capital

	The Group and the Company	
	Number of shares	**Amount RMB'000**
30 June 2023 and 31 December 2022		
Beginning and end of financial period/year	2,557,040,024	4,028,372

Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Perpetual Subordinated Convertible Callable Securities ("Perpetual Convertible Securities", "PCS")

On 17 October 2014, the Company had issued S$165,000,000 in aggregate principal amount of Tranche 1 Perpetual Convertible Securities and S$20,000,000 in aggregate principal amount of Tranche 2 Perpetual Convertible Securities to Everbright Hero Mauritius Limited (the "Bondholder"), the nominee of Everbright Hero Holdings Limited pursuant to a subscription agreement dated 30 June 2014.

On 7 November 2022, the Company announced that it had entered into the Amendment Deed with the Bondholder pursuant to which, the Company and the Bondholder agreed to, among others, amend the Tranche 1 PCS conditions and Tranche 2 PCS conditions. For more details, please refer to the Circular made available on SGXNet.

The number of shares that may be issued on conversion of the outstanding securities at the end of the period is as below:

	As at 30 June 2023	**As at 30 June 2022**
	No. of shares	No. of shares
The number of shares that may be issued on conversion of outstanding securities at the end of the period	1,480,000,000	581,761,006

No conversion of the securities into shares has taken place since the date of issuance. The exercise price of the Convertible Securities is S$0.125 per Share (30 June 2022: S$0.318 per share).

The Company did not hold any treasury shares as at 30 June 2023 (30 June 2022: Nil).

None of the subsidiaries held shares in the Company as at 30 June 2023 (30 June 2022: Nil).

(i) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at 30 June 2023 was 2,557,040,024 (30 June 2022: 2,557,040,024).

(ii) **A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

(iii) **A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

20. Subsequent events

There are no known subsequent events which have led to adjustments to this set of unaudited condensed interim consolidated financial statements.

F. Other Information Required by Listing Rule Appendix 7.2

OTHER INFORMATION

1. Review

a. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The condensed interim consolidated statements of financial position of the Group as at 1H2023 and the related condensed interim consolidated statements of profit or loss and other comprehensive income, condensed interim consolidated statements of changes in equity and condensed interim consolidated statements of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

b. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

c. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: -

(a) Updates on the efforts taken to resolve each outstanding audit issue; and
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is material uncertainty relating to going concern.

Not applicable.

2. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Please refer to the unaudited condensed interim financial statements of the Group for the six months ended 30 June 2023.

Unaudited Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income

Due to the nature of the industry that the Group operates in, recognition of revenue from the sale of completed properties is driven by transfer of control over the properties to the buyer . Consequently, the interim financial results may not be a good indication of profitability trend.

Revenue

	The Group		
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000	Increase / (Decrease) %
Sales of completed properties	4,543	348	1,205.5%
Rental income	94,486	87,309	8.2%
	99,029	**87,657**	**13.0%**

Revenue for the 6 months increased by 13.0% Y-o-Y, or RMB11.3million to RMB99.0 million (1H2022: RMB87.7 million), due to increase in sales of completed properties by RMB4.2 million and rental income by RMB7.1 million.

Revenue from the sales of completed properties increased by RMB4.2 million, to RMB4.5 million (1H2022: RMB0.3 million), mainly attributable to more property units being sold in 1H2023.

Revenue from rental income increased by RMB7.1 million to RMB94.4 million (1H2022: RMB87.3 million) with the gradual recovery from COVID-19.

Gross profit and gross profit margin

	The Group			
	6 months ended 30 June 2023		6 months ended 30 June 2022	
	RMB'000	%	RMB'000	%
Sales of completed properties	1,132	24.9%	11	3.2%
Rental income	68,904	72.9%	65,567	75.1%
	70,036	**70.7%**	**65,578**	**74.8%**

Gross profit of the Group for 1H2023 increased by 6.8% Y-o-Y or RMB4.4 million, to RMB70.0 million (1H2022: RMB65.6 million) in tandem with the increase in revenue.

Overall gross profit margin for 1H2023 decreased by 4.1%, to 70.7% (1H2022: 74.8%), primarily due to the higher proportion of revenue contributed by sales of completed properties which generates lower gross profit margin.

Other income

Other income for 1H2023 increased by 73.2% Y-o-Y or RMB3.9 million, to RMB9.2 million (1H2022: RMB5.3 million), mainly due to higher interest income earned in 1H2023.

Marketing expenses

Marketing expenses for 1H2023 decreased by 47.3% Y-o-Y or RMB6.1 million, to RMB6.7 million (1H2022: RMB12.8 million), mainly due to a decrease in property management fees and amortisation of deferred lease incentive.

Administrative expenses

For 1H2023, administrative expenses decreased by 22.5% Y-o-Y or RMB9.7 million, to RMB33.2 million (1H2022: RMB42.9 million), mainly due to the decrease in professional fees.

Finance expenses

Finance expenses for 1H2023 increased by 15.4% Y-o-Y or RMB10.3 million, to RMB77.1 million (1H2022: RMB66.8 million), mainly due to higher interest rate during 1H2023.

Other gains/(losses) – net

Other gains for 1H2023 improved by RMB35.8 million, mainly due to (i) an increase in net unrealised foreign currency exchange gain which arose from the revaluation of financial liabilities denominated in RMB which weakened against the Company's functional currency in Singapore Dollar ("SGD"), (ii) decrease in expenses incurred for early termination of tenancy agreement, and (iii) reversal of accrued payables during 1H2023.

Taxation

Tax expenses in 1H2023 remain relatively constant.

Net loss attributable to equity holders of the Company

	The Group		
	6 months ended 30 June 2023 RMB'000	6 months ended 30 June 2022 RMB'000	Increase / (Decrease) %
Net (loss)/profit attributable to:			
Equity holders of the Company	(35,307)	(83,030)	(57.5%)
Non-controlling interests	1,647	(202)	n.m.
	(33,660)	**(83,232)**	**(59.6%)**

The Group reported lower net loss attributable to the equity holders of the Company mainly due to higher revenue generated, lower expenses incurred and higher other gains for 1H2023 as compared with 1H2022.

Unaudited Condensed Interim Consolidated Statements of Financial Position

Total assets of the Group decreased slightly by 0.5% or RMB33.6 million, to RMB6,097.7 million (31 December 2022: RMB6,131.3 million), mainly due to a decrease in trade and other receivables of RMB49.8 million; and partially offset by an increase in cash and cash equivalents of RMB19.6 million.

The Group's total liabilities increased slightly by 1.5% or RMB62.9 million, to RMB4,158.5 million (31 December 2022: RMB4,095.6 million), mainly due to (1) a net increase in borrowings of RMB52.5 million which mainly comprises of (i) net proceeds from borrowings of RMB16.1 million, (ii) foreign currency exchange and translation differences of RMB36.4 million; (2) increase in provisions of RMB20.7 million; (3) a decrease in trade and other payable of RMB10.5 million.

The Group's total equity decreased by RMB96.7 million to RMB1,939.1 million (31 December 2022: RMB2,035.8 million), mainly due to increase in accumulated losses of RMB53.2 million and increase in currency translation deficit of RMB45.1 million.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

In 1H2023, the increase in unrestricted cash and cash equivalent of RMB230.7 million was mainly due to:

i) net cash inflow of RMB73.4 million from operating activities;
ii) net cash inflow of RMB0.2 million from investing activities; and
iii) net cash inflow of RMB157.1 million from financing activities.

The net cash inflow from operating activities of RMB73.4 million was mainly attributable to the cash generated from operations of RMB65.5 million and interest received of RMB7.9 million.

Net cash generated from investing activities of RMB0.2 million was mainly attributable to the proceeds from disposal of investment properties.

Net cash generated from financing activities of RMB157.1 million was due to a decrease in restricted deposits with financial institutions amounting to RMB212.9 million, proceeds from borrowings amounting to RMB941.6 million, net-off against the repayment of borrowings amounting to RMB925.5 million and interest paid of RMB71.9 million.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results announced are in line with the previous comments by the Board of Directors.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Outlook

Generally linked to the country's economic growth, the real estate market forms an integral part of the domestic economy.

In April 2023, China's National Bureau of Statistics announced that China's GDP grew by 4.5% in the first quarter. That marks the highest growth since the first quarter of last year — when China's economy grew by 4.8% — and better than the 4% forecast in a Reuters poll. On a quarter-on-quarter comparison, China's economy grew 2.2%. However, the economic rebound seen earlier this year has lost momentum in the second quarter in 2023 as manufacturers struggle with weak demand at home and abroad.

Despite signs of stabilising within the property market in early 2023, market conditions have softened since April 2023 as market sentiments remained cautious about big-ticket spending, amid concerns over incomes and jobs as the momentum of a post-pandemic recovery remains uncertain.

According to a June 2023 report by Goldman Sachs, China's property sector is set to be persistently weak for years, which will weigh markedly on economic growth for years to come because of the shift in policy priorities.

Against the backdrop of the evolving macro-economic challenges and uncertain market conditions, the Group has undertaken a strategic review in calibrating our business model, moving from asset heavy to asset light, focusing on property management services in order to mitigate the impact of regulatory measures over the real estate development sector, offload non-core property assets and to identify emerging growth opportunities that are aligned with China's 14th 5-year (2021-2025) development plan.

The Group's core real estate business activities are based in Chongqing and our investment property portfolio comprises integrated office and retail developments, residential properties and commercial properties. As at 30 June 2023, the Group's investment properties have a total gross floor area (GFA) of 333,294 square metres ("**sqm**") which comprises four main segments of retail (approximately 66%), office (approximately 10%), carpark and warehousing (approximately 24%).

According to a publication issued in July 2023 by Savills on Chongqing's retail property market, the total stock of high-quality retail properties in Chongqing is approximately 7.87 million sqm (including department stores). Overall vacancy rate of retail properties in the city increased to 20.6%. However, the vacancy rate in core business districts started to decline after experiencing three consecutive quarters of increase, mainly due to active adjustments in projects in Jiefangbei and Guanyinqiao business districts. In the second half of 2023, the Chongqing retail market is expected to have over 100,000 sqm of new supply.

In a separate publication issued in July 2023 by Savills on Chongqing's office property market, Chongqing Grade A office market had the addition of a total leasable area of 72,000 square meters in the first half of 2023, pushing the current citywide Grade A office stock to 2.62 million square meters. Against the backdrop of a sluggish recovery in new leasing demand, the overall improvement in tenant stability has driven the continuous rebound of net absorption in the city, reaching approximately 23,000 sqm. Although the rebound is significant, the entry of new projects has led to an increase in vacancy rate. In terms of rent, due to the challenging macroeconomic environment and limited recovery in market confidence, some landlords have continued to adjust rents to attract potential tenants. The average rent for Grade A office space decreased by 1.9% Y-o-Y. Looking ahead, while external leasing demand in the Chongqing market still needs to recover, the significant improvement in tenant stability may contribute to the long-term stability and healthy development of Chongqing's office property market. With more enterprise supporting policies valid in Chongqing, leasing demand is expected to gradually recover.

For the retail rental segment, the Group continues to closely monitor new retail trends and aims to explore new retail concepts and experiences with our tenants so that the Group's retail properties continue to be relevant and interesting amidst an increasingly competitive retail market.

On the office rental segment, the Group continues to focus on retaining existing quality tenants and attracting new tenants by integrating new innovations, creating conducive spaces and more agile workspaces.

Adhering to the Group's core values, the management team is committed to the strategy of developing a cross-border property investment and asset management platform, focusing on strengthening our core operating activities and increase the quality of our business development activities.

With the rising trend of eco-investment and development, the Group aims to leverage on our cross-border asset management capabilities and listing status in Singapore and track record in Chongqing to implement the Group's transformation towards emerging opportunities in China's real estate market.

5. Dividend

a. Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend was declared or recommended.

b. (i) Amount per share

Not applicable.

(ii) Previous corresponding period

No interim dividend was declared or recommended in the previous corresponding period.

c. Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

d. The date the dividend is payable.

Not applicable.

e. The date on which Registrable Transfer received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

6. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period as it is loss making.

7. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Group has not obtained a general mandate from shareholders for interested person transactions**.**

8. Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of the Company for the six-month period ended 30 June 2023 to be false or misleading in any material aspect.

9. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under SGX Listing Rule 720(1) of the Listing Manual.

The Group has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

BY ORDER OF THE BOARD

Yang Haishan
Non-Executive and Non-Independent Director
10 August 2023