

YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199106356W)

RESPONSES TO QUERIES REGARDING THE ANNOUNCEMENT OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2021

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 4 March 2022 regarding the Company’s announcement of its financial statements for the six months and full year ended 31 December 2021 (“**FY2021**”) and the Company’s responses are as follows:

Question 1:

“We refer to the Company’s full year financial results for the year ended 31 December 2021. We refer to the Company’s Financial asset, at FVPL which ultimately relates to the Beijing Tongzhou Project. Please elaborate on what this project relates to and why there is a significant fluctuation in the fair value of the project every year of over RMB 100 million whereby there was a fair value loss of RMB 148 million in 2021, which followed a RMB 100 million loss in 2020. To disclose the size and value of the project and disclose what are the factors that caused such significant decline in annual values in FY2020 and FY2021.”

Company’s response to Question 1:

The size, value and other related information of Beijing Tongzhou Project (the “**Project**”) are set out on Page 13 and Page 115 (Note 15 of the Notes to the Financial Statements) of the Company’s Annual Report for the financial year ended 31 December 2020 (“**FY2020**”). The unquoted investment in the limited partnership is classified as a financial asset, at fair value through profit or loss and is carried at fair value based on the valuation determined by international independent professional valuers. Based on the updates received from the general partner (i.e. fund manager) of the limited partnership which the Company invested in, Phase 2 is under renovation stage and one of the unsold office towers (Phase 2) is being put up for sale to prospective buyers, while Phase 3 was at the piling stage as of the end of FY2021. The Chinese Government has enhanced regulations and controls in most of the Chinese cities (including Tongzhou) in recent years to prevent the real estate industry from overheating and to facilitate the development of a long-term management mechanism for the real estate market in China. This has caused the development and sales period to be extended. These factors have also resulted in higher development expenditures such as finance costs (which is the main expenditure of the Project for FY2021), year-on-year fixed return enjoyed by the preferred limited partners and other fixed costs while sales were slower than expected, leading to a reduction of forecasted margin of the Project which indirectly reduced the fair value of the unquoted investment.

Question 2:

“We note the Group recorded other losses of RMB 69.0 million in FY2021 as compared to other gains of RMB 58.3 million in FY2020. With reference to the breakdown was provided in Note 6.1 to the financial statements, please elaborate on the reasons for the variances for the significant items. For the provision for liabilities on legal cases and penalties, please provide a brief update on the current status of the cases and penalties.”

Company's response to Question 2:

The breakdown for the significant items and the reasons for the variances between FY2021 and FY2020 are as follows:

Other (losses)/gains - net	FY2021 RMB'000	FY2020 RMB'000	Explanation
Foreign exchange loss - net	(32,772)	(16,714)	The increase in unrealised foreign currency exchange losses arose from the revaluation of foreign currency liabilities due to the weakening of the Singapore Dollar (SGD) against the Renminbi (RMB) and the United State Dollars (USD).
(Provision)/reversal for liabilities on legal cases and penalties	(27,400)	36,332	Provision recognised in FY2021 related mainly to liability on penalties payable to local authorities amounting to approximately RMB28 million provided based on the land lease contract of Lion City Garden Project and Ying Li International Hardware and Electrical Centre Project, which the Group provided as the subsidiaries did not complete the development within a stipulated period. In FY2020, the reversal of liabilities on legal cases was due to the litigation cases either being partially or finally settled as disclosed in Pages 130 and 131 (Note 21 of the Notes to the Financial Statements) of the Company's FY2020 Annual Report.
(Accruals)/reversal for payables of development projects	(6,545)	33,579	In FY2020, the reversal for payables of development costs was due to negotiation of trade payables on completed projects. However, as such reversals are one-off and no similar savings are recognised in FY2021.
Impairment loss on trade and other receivables	(1,073)	-	This relates to additional loss allowance provided for certain defaulted trade and other receivables in FY2021.
Loss on disposal of property, plant and equipment	(246)	-	Immaterial
Other losses - net	(956)	5,114	Immaterial
	(68,992)	58,311	

For the litigation cases between the Group and non-related parties as disclosed in page 130 (Note 21 of the Notes to the Financial Statements, Provision on litigation cases #a) of the Company's FY2020 Annual Report, the Company has received a total amount of RMB8.6 million from non-related parties during FY2021 and Management is in the midst of re-negotiating the repayment schedule with these non-related parties.

For the litigation case between the Company and the former controlling shareholder of the Company as disclosed in page 131 (Note 21 of the Notes to the Financial Statements, Legal Proceedings) of the Company's FY2020 Annual Report, the legal proceeding is still on-going and in this regard, the Company has appointed Chinese legal counsels to advise it of its legal position.

The Board will make further announcements as and when there are any material developments in relation to the legal proceedings.

Question 3:

“We note that the Company has significant current Trade and other receivables of RMB 456.8 million, which is higher than its full year revenue of RMB 228.8 million. In Note 10 of the financial statements, it is noted that a significant portion amounting to RMB 262.7 million pertains to proceeds receivable from disposal of subsidiaries/land which had been outstanding for more than 1 year. Please disclose the due date for the payment, the age of this receivable, the identity of the debtor, the reason why such a significant amount has not been repaid for over a year and the Board's assessment of its recoverability.”

Company's response to Question 3:

Please refer to Page 69 (Key Audit Matters of Independent Auditor's Report) of the Company's Annual Report for the financial year ended 31 December 2018 for the identity of the debtor, i.e. Shengyu (BVI) Limited and other related information. Based on the sale and purchase agreement (“SPA”) entered into during the financial year ended 31 December 2017, the receivable was due on 15 October 2019 but the debtor had delayed the repayment as it had contended that certain conditions under the SPA have not been fulfilled. The Company is in the midst of assessing various options available to obtain repayment from this receivable which include but not limited to seeking legal advice to take legal action against the debtor to settle the outstanding receivable and to apply for asset preservation action as collateral for the outstanding amount. Based on Management's assessment, the existing loss allowance provided for of RMB313 million as at 31 December 2021 representing more than 50% of the outstanding amount from this receivable is adequate, and accordingly no additional loss allowance was provided during FY2021.

Question 4:

“We note significant other payables to a related party of RMB 628.4 million as at 31 December 2021. Please disclose the identity of the related party, its relationship with the group and whether this relates to an interested person under chapter 9 of the Listing Manual. Also clarify the nature of these payables, the underlying transactions which resulted in this balance and when the Group expects to repay them, noting that the Group is currently in a negative working capital position.”

Company's response to Question 4:

The details of other payables to a related party of RMB628.4 million as at 31 December 2021 are as follows:

Name of related party	Everbright Hero Holdings Limited (" Bond Holder ").
Relationship with the group	A 100% indirectly owned subsidiary of the controlling shareholder of the Company, China Everbright Limited.
Whether this relates to an interested person under chapter 9 of the Listing Manual	Yes, please refer to the Company's FY2020 Annual Report where this transaction with Everbright Hero Holdings Limited was disclosed as an Interested Person Transaction on page 52 of the Corporate Governance Report.
Nature of the payables / Underlying transactions	The payables are provisions for the distributions for the perpetual convertible securities (" PCS "). Please refer to page 133 (Note 24 of the Notes to the Financial Statements) of the Company's FY2020 Annual Report for more details.
Payment term	The distribution under the PCS is payable annually in arrears on 15 May each year.

Based on the terms of the PCS, the Company may elect to defer the payment of the distribution under the PCS by giving written notice to the Bond 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. Management will continue to monitor the projected cash flow as the Group intends to pay the distribution accrued to the Bond Holder when the Group has excess cash flow.

By Order of the Board
Ying Li International Real Estate Limited

Yang Haishan
Non-Executive and Non-Independent Director
8 March 2022