Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Ying Li International Real Estate Limited

Stock code: 5DM

Meeting details:
Date: 22 May 2020
Time: 9.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Following a change in the controlling shareholder in April 2019, the management team was refreshed in the second half of 2019. A strategic review of the group's property assets was carried out. This led to a decrease in fair value of investment properties amounting to RMB371.7 million and a drop in the carrying amount of financial assets measured at fair value through profit and loss ("FVPL") amounting to RMB138.2 million.

The company has stated that it will:

- accelerate the pace of portfolio rebalance through reshuffling or disposing low yielding properties
- explore new asset-light operating model and asset management services to increase its revenue base, leveraging on the network of the new controlling shareholder

(i) **Can management elaborate further on the new asset-light operating model?**

(ii) **What are the in-house capabilities that would allow the group to carry out the proposed "asset management services"?**

(iii) **In terms of geographical footprint, are there plans to increase its exposure beyond Chongqing?**

(iv) **Has the board evaluated how it could balance the need to reinvest in the business and the need to generate return for shareholders in the form of dividends?** The company has not paid a dividend to shareholders in the last 12 years. The last dividend paid out was in August 2008 and it amounted to SGD0.00079 per share.

Q2. The carrying value of Future International held steady at RMB1.02 billion while Ying Li International Financial Center/IMIX Park Jiefangbei saw its valuation drop from RMB1.74 billion to RMB1.56 billion. Ying Li International Plaza/IMIX Park Daping saw its valuation slip from RMB1.57 billion to RMB1.413 billion.

The valuation losses were recognised despite the drop in the discount rate used in the discounted cash flow the valuation method from 7% to 6.0-6.7% (page 109).

(i) **Can management help shareholders understand the changes in the operating environment, if any, that led to the RMB371.7 million decrease in fair value of its investment properties?**

(ii) **Since the group reported a 2% increase in its rental income from investment properties (page 107), does it mean that the value of its investment properties was overstated in previous years?**

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Q3. The "Opening balances and Prior year adjustment ("PYAs")" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 66). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

The independent auditor stated the following:

> *Following the acquisition of the Company by China Everbright Limited ("CEL") during the financial year, there were changes made to the management team of the Group. In taking over the financial and accounting functions of the Group, certain issues in respect of the historical financial statements of the Group and the Company have been highlighted and corrected in accordance with SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors. These adjustments were significant to the Group and require certain degree of judgement and estimates.*

The audit committee ("AC") comprises Mr Chia Seng Hee, Jack (chairman; independent director), Mr Tan Sek Khee (independent director) and Mr Tang Chi Chun (non-independent director). Mr Chia and Mr Tan were the chairman and a member of the AC since FY2018 respectively.

In December 2019, the former independent auditors, Foo Kon Tan LLP ("FKT"), resigned on 21 January 2020, after receiving Accounting and Corporate Regulatory Authority's consent to do so.

Over 7 pages in Note 32 (pages 153 to 159), the company disclosed the prior year adjustments and reclassifications made. There were at least 12 PYAs made that involved at least 14 items in the FS.

This resulted in the groups' total equity, as at 31 December 2018, being adjusted down by RMB1.64 billion, from RMB5.39 billion to RMB3.77 billion. As at 31 December 2018, the net profit before restatement of RMB248 million was adjusted to a loss of RMB(499) million after restatement.

(i) **Would the independent directors in the AC elaborate in greater detail how they had discharged their duties objectively as a director and as a member of the AC given that historical financial statements were found to be not in accordance with SFRS (I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors?**

(ii) **Would the AC chairman help shareholders understand his recent and relevant accounting or related financial management expertise or experience?**

(iii) **What improvements have the AC made to the group's financial reporting and internal controls?**

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(iv) **Can the AC disclose the identity of the internal auditor?**

(v) **On what basis did the directors judge that the statement of financial position and the consolidated financial statements give a true and fair view?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)