# Ying Li International Real Estate Limited







**30 June 2014**

英利国际置业
YING LI INTERNATIONAL
REAL ESTATE

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# Executive Summary

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|---|---|
| **Transaction Overview** | ▪ The Company is seeking shareholders' approval to raise S$284 million through issuing the following securities (the "**Proposed Transactions**") to Everbright Hero Holdings Limited (the "**Subscriber**"):<br>▪ 381 million new shares in the Company at S$0.260 per share (the "**Share Subscription**")<br>▪ S$185 million perpetual subordinated convertible callable securities convertible into new ordinary shares in the capital of the Company (the "**Convertible Securities Subscription**") |
| **Information on the Subscriber** | ▪ The Subscriber is an indirect wholly-owned subsidiary of China Everbright Limited ("**CEL**"), a subsidiary of China Everbright Group ("**CEG**"), one of the largest state-owned enterprises in China<br>▪ As at end-Dec 2013, CEG had total assets of over RMB 2.6 Trillion (equivalent to ~US$420 Billion). CEL real estate portfolio consisted of 18 projects including residential and commercial properties situated primarily in first- and second-tier cities in China |
| **Framework Agreement** | 1. Holistic financial support from CEL<br>2. Cooperate on the existing and new projects, as well as strategic acquisitions<br>3. Develop retail property management business<br>4. Internationalization strategy in Hong Kong and Singapore |
| **Transaction Rationale** | 1. Establish a strong and long term partnership with a leading financial institution in China for co-investment in new projects<br>2. Leverage on CEL's extensive network and strong connections to secure prime location projects in the first-tier and the leading second-tier cities in China, as well as seek expansion into Hong Kong and Singapore<br>3. Post the Completion of the Proposed Transactions, the Company's balance sheet will be strengthened, providing flexibility and competitive edge to pursue strategic initiatives<br>4. Accelerate the development of existing projects and the funding of new projects<br>5. Capitalise on CEL's expertise in retail property management to help the Company extract greater value from its commercial properties |

## The Company is proposing to seek shareholders' approval to issue new Shares and Convertible Securities to the Subscriber

*All terms not otherwise defined herein shall bear the meanings ascribed to them in Share Subscription Agreement, Convertible Securities Subscription Agreement and Summary of The Terms and Conditions of The Convertible Securities*

| | |
|---|---|
| **Transaction 1**<br>**Share Subscription** | 381,000,000 new shares in the Company at S$0.260 per share, raising gross proceeds of S$99,060,000 |
| **Transaction 2**<br>**Convertible Securities Subscription** | S$185,000,000 perpetual subordinated convertible callable securities convertible into new ordinary shares in the capital of the Company |

The proposed Share Subscription and Convertible Securities Subscription are **inter-conditional**

Mr Fang Ming, who has a deemed interest representing in aggregate 42.05% equity stake, has undertaken to vote, and to procure that the registered holders of such shares will vote, in favour of the Proposed Transactions

Transaction 1

# Key terms of the Share Subscription

| | |
|---|---|
| **Subscriber** | ▪ Everbright Hero Holdings Limited |
| **Subscription** | ▪ Issue and allotment of 381,000,000 Subscription Shares to the Subscriber, representing approximately 14.9% of the enlarged share capital of the Company upon the Completion of Share Subscription |
| **Issue Price** | ▪ S$0.260 per share<br>➢ Approximately 10% discount over VWAP of S$0.2888 on 24 June 2014 (being the full market day on which Shares were traded prior to the date of signing of the Share Subscription Agreement) |
| **Gross Funds Raised** | ▪ S$99,060,000, the proposed utilisation of which is set out in slide 15 |
| **Key Company Undertakings** | ▪ Appointment of 2 directors (one of whom shall be appointed the Deputy Chairman of the Company) nominated by the Subscriber to the Board of Directors, as long as the Subscriber holds 10% or more stake in the Company (excluding treasury shares)<br>▪ Formation of a Financial and Investment Committee (the "**Committee**") comprising i) Fang Ming (Chairman of the Committee), ii) the Chief Financial Officer (or its equivalent) and iii) a nominee of the Subscriber (as the Deputy Chairman of the Committee) to direct and oversee the financial and investment aspects of the Company |

Transaction 2

# Key terms of the Convertible Securities Subscription

| | |
|---|---|
| **Subscriber** | ▪ Everbright Hero Holdings Limited |
| **Principal Size** | ▪ S$185,000,000 in aggregate principal amount of Convertible Securities to be issued in 2 tranches:<br>➢ Tranche 1: S$165,000,000<br>➢ Tranche 2: S$20,000,000 |
| **Issue Price** | ▪ 100% of the aggregate principal amount of the Convertible Securities |
| **Maturity Date** | ▪ There is no maturity date |
| **Rate of Distribution (1)** | ▪ 1st year to 3rd year: 8.75%<br>▪ 4th year to 5th year: 9.5%<br>▪ After 5th year(2): 9.5% + 5.0% + 5-year US Treasury Rate |
| **Conversion Period** | ▪ Anytime between the expiry of 3 years and 6 years from the Issue Date(3) |
| **Status** | ▪ Direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference among themselves |
| **Initial Conversion Price** | ▪ S$0.318 per share<br>➢ Approximately 10.1% premium over VWAP of S$0.2888 on 24 June 2014<br>➢ Approximately 11.1% premium over 10-days VWAP of S$0.2862 up to and including 24 June 2014 |
| **Company's Call** | ▪ **Tranche 1:**<br>After 5th year; Amount Outstanding x [1.0 + 0.035 x (number of days elapsed since the Issue Date/365)]<br>▪ **Tranche 2:** |

| | Period | Redemption Price |
|---|---|---|
| First Redemption | Between 2nd year and 3rd year | Amount Outstanding x [1.0 + 0.055 x (number of days elapsed since the Issue Date/365)] |
| Second Redemption | After 5th year | Amount Outstanding x [1.0 + 0.035 x (number of days elapsed since the Issue Date/365)] |

Note 1: No dividend and capital distribution by the Company unless and until all outstanding Arrears of Distribution, any Additional Distribution Amount and Additional Interest Amount are settled in full. The Company has the right to deter distribution under the Convertible Securities

Note 2: The rate of distribution will be reset every 5 years

Note 3: Early conversion if certain trigger events occur

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# The Subscriber is an indirect wholly-owned subsidiary of China Everbright Limited, a subsidiary of China Everbright Group, which is a leading financial institution in China

光大控股 EVERBRIGHT

China Everbright Limited (165.HK)

| Total funds | Fundraising scale | Total Projects under the Funds | Shareholders' equity |
|---|---|---|---|
| 16 | HKD 33.3bln | 71 | HKD28.7bln<br>HKD16.7/per share |

**China Everbright Group**

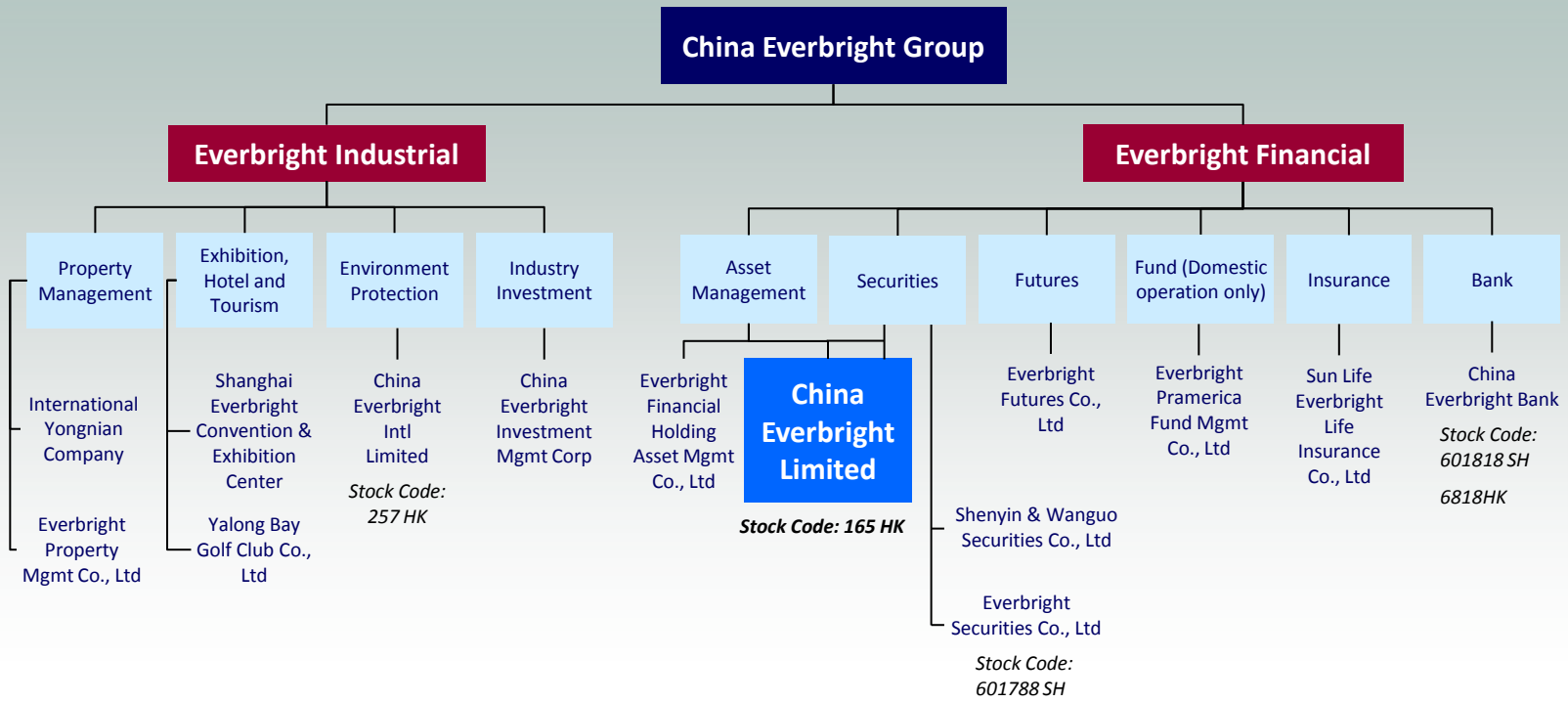
**China Everbright Limited (00165.HK)**

| Investment | | Primary Market Investment | Secondary Market Investment | Structured Financing & Investment | Aircraft Leasing |
|---|---|---|---|---|---|
| China Everbright Bank | 3.51% | ▪ 3 private equity funds<br>▪ 3 venture capital funds<br>▪ 5 sector focus private equity funds | ▪ QDII Greater China Bond Trust<br>▪ Everbright Dynamic Bond Fund<br>▪ Absolute Return Funds | ▪ Structured financing products<br>▪ 1 onshore Mezzanine Financing Fund | ▪ China Aircraft Leasing Company |
| Everbright Securities | 33.33% | | | | |

Source: China Everbright Limited 2013 annual report

# China Everbright Group – the first licensed financial holding company in China

- Established since 1983, China Everbright Group is a **state-owned enterprise of the PRC**
- China Everbright Group **is the first licensed financial holding company** in China. The group is a conglomerate whose business mainly covers banking, securities, insurance and investment management etc
- At the end of 2013, China Everbright Group has total assets of over **RMB 2.6 Trillion** (equivalent to **~USD420 Billion**)
- At the end of 2013, CEL owned a portfolio of 18 real estate projects including residential and commercial properties mostly in 1st and 2nd tier cities in China




Source: China Everbright Group

## Post completion of the Proposed Transactions, Fang Ming will remain as the single largest shareholder while the Subscriber will emerge as a substantial shareholder

| Shareholder | BEFORE the Proposed Share Subscription and Convertible Securities Subscription % | AFTER the Proposed Share Subscription but before the Convertible Securities Subscription % | AFTER the Proposed Share Subscription and Conversion of Tranche 1 Convertible Securities % | AFTER the Proposed Share Subscription and Conversion of Tranche 1 and 2 Convertible Securities % |
|---|---|---|---|---|
| Fang Ming | 42.05 | 35.79 | 29.75 | 29.15 |
| Existing Shareholders | 57.95 | 49.31 | 40.99 | 40.17 |
| Subscriber | - | 14.90 | 29.26 | 30.68 |
| **Total** | **100.00** | **100.00** | **100.00** | **100.00** |

If the Company does not redeem Tranche 2 of the Convertible Securities, CEL will become the single largest shareholder

# CEL and the Company have entered into a Framework Agreement to strengthen strategic partnership




- Leverage on CEL's extensive domestic and international network in the financial sector for tailored financing arrangements
- CEL shall assist the Company in any potential injection of mature assets into a REIT or Business Trust in the Singapore capital market

- Accelerate the completion of the existing projects
- Each of CEL and the Company to introduce new property projects for joint development
- Tap on CEL's resources and network to undertake strategic acquisitions of companies / prime location projects in the first-tier and the leading second-tier cities in China

- Tap on CEL's strong retail property management capabilities to develop the retail property management business
- Undertake construction and asset management services for CEL and other third-parties
- Realise diversification of the Company's revenue streams

- Capitalise on CEL's extensive overseas network and each other's listed platforms to strategically expand the Company's overseas business into Hong Kong and Singapore

# Transaction Rationale (1/4)

1. Establish a strong and long term partnership with a leading financial institution in China for co-investment in new projects

2. Leverage on CEL's extensive network and strong connections to secure prime location projects in the first-tier and the leading second-tier cities in China, as well as seek expansion into Hong Kong and Singapore

3. Post Completion, the Company's balance sheet will be strengthened, providing flexibility and competitive edge to pursue strategic initiatives

4. Accelerate the development of existing projects and the funding of new projects

5. Capitalise on CEL's expertise in retail property management to help the Company extract greater value from its commercial properties

# Transaction Rationale (2/4)

## 1 Strategic partnership with CEL

**Extensive Business Network**

CEL's extensive domestic and international network will offer the Company unparalleled access to strong pipeline of opportunities in property projects and acquisitions

**Holistic support from CEL**

**Strong Acquisition Execution and Management Capabilities**

- CEL real estate portfolio consisted of 18 projects including residential and commercial properties situated primarily in first- and second-tier cities in China at the 31 December 2013
- CEL's established track record in acquisitions and project management will value-add to the strategic partnership with the Company

**Tailored Financing Arrangement**

- CEL's real estate funds consist of USD-dominated fund and RMB-dominated fund, allowing flexible investment structure and diversified investment opportunities
- CEL's large network in the financial sector will provide further flexibility in financing solutions for the Company

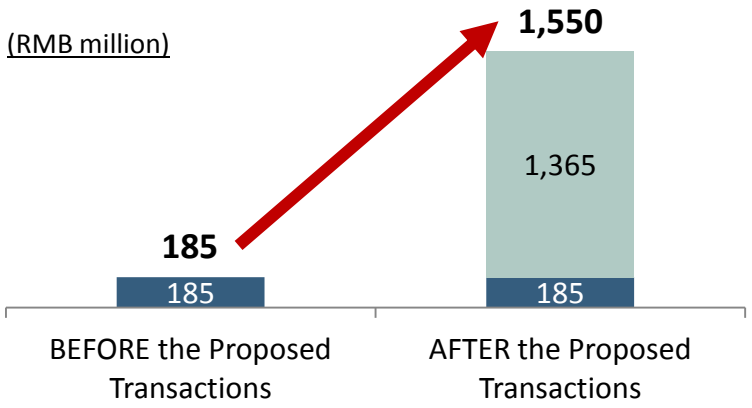
## 2 Expansion into 1st- and leading 2nd-tier cities in China, as well as Hong Kong and Singapore



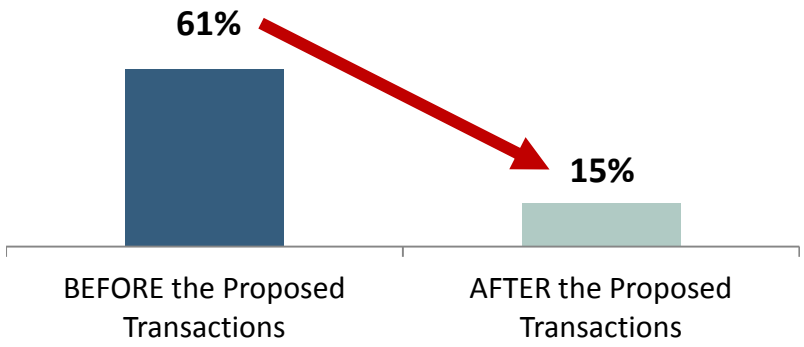

By leveraging on CEL's extensive network and strong connections, the Company aims to secure prime location projects in the first- and leading second-tier cities in China, as well as seek future expansion into the Hong Kong and Singapore

# 3 Transaction Rationale (3/4) – Strengthened balance sheet provides the Company with the flexibility to pursue strategic initiatives

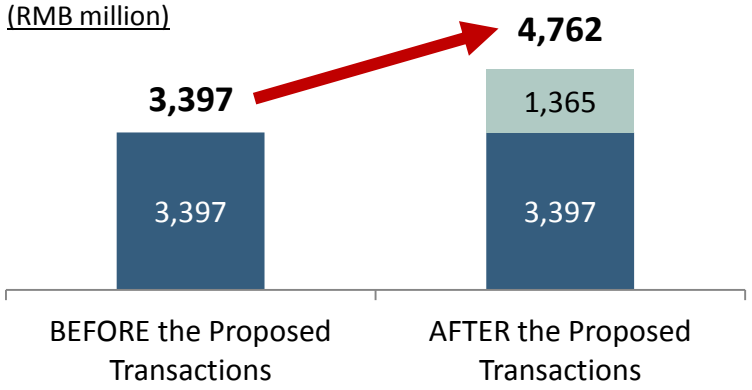
## Improve Cash Position[1]




## Optimize Gearing[1][2]




## Strengthen Equity Base[1]




- The Company's balance sheet will be strengthened through the Proposed Transactions
- The improved financial position will provide the Company with greater flexibility to pursue strategic initiatives, including:
  - Tendering for new projects
  - Undertaking acquisitions when opportunities arise
  - Participating in market consolidation opportunities within the real estate industry within China

***Well-positioned for the next phase of growth***

Note 1: For purposes of illustration, the financial figures are set out based on the audited consolidated financial information of the Group as at 31 December 2013. S$ 1 = RMB 4.8056
Note 2: Gearing = (Long term secured and unsecured debt + Short term secured and unsecured debt - Cash and cash equivalents (which include restricted cash at bank)) / Net Asset Value

# Transaction Rationale (4/4)

## 4 Accelerate developments of existing projects and funding new projects

### Yingli Financial Street Project



- Office and retail properties located at Wu Yi Road in Yuzhong District
- Land area: 17,000 sqm

### San Ya Wan Phase 2



- Residential and retail properties located at National Agricultural and Technology Zone in Yubei District
- Phase 1 & 2 total land area: 134,700 sqm

**Realising stronger revenue streams and improved profitability**

## 5 Extract greater value from the existing commercial properties

| | |
|---|---|
| **Retail property management capabilities** | CEL's real estate fund takes a hands-on approach in managing retail property projects. The fund's in-house retail property management team is committed and has demonstrated track record in delivering value-add to the investments |
| **Potential spin-off for a REIT/Business Trust** | CEL's retail properties may also be packaged with the Company's mature retail projects for a potential REIT or Business Trust, enhancing the attractiveness of any spin-off IPO to unlock shareholders' value |

**The retail property management and asset management businesses will lead to more diversified revenue streams for the Company**

# Use of Proceeds

| Share Subscription | |
|---|---|
| Gross proceeds | S$99,060,000 |
| **Intended use of proceeds:** | |
| Fund the acquisition of development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, as well as funding the development of existing property projects | 60 – 90% |
| Repayment of existing loans | 10 – 30% |
| General working capital requirements | 0 – 10% |
| **Total** | **100%** |

| Convertible Securities Subscription | |
|---|---|
| Gross proceeds | S$185,000,000 |
| **Intended use of proceeds:** | |
| Fund the acquisition of development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, as well as funding the development of existing property projects | 60 – 90% |
| Repayment of existing loans | 10 – 30% |
| General working capital requirements | 0 – 10% |
| **Total** | **100%** |

**Total gross proceeds of S$284,060,000 will be raised from the proposed Transactions**

# Pro-forma financial effects[(1)] of the Company post Proposed Transactions

*The financial effects of the Share Subscription and the Convertible Securities Subscription set out below are strictly for illustrative purposes and do not necessarily reflect the actual future financial position and results of the Company following the completion of the Share Subscription and the Convertible Securities Subscription*

| | | **BEFORE** the Proposed Share Subscription and Convertible Securities Subscription | | **AFTER** the Proposed Share Subscription but BEFORE conversion of Convertible Securities Subscription | | **AFTER** the Proposed Share Subscription and conversion of Convertible Securities Subscription | |
|---|---|---|---|---|---|---|---|
| | | As at 31 December 203 | As at 31 March 2014 | As at 31 December 2013 | As at 31 March 2014 | As at 31 December 2013 | As at 31 March 2014 |
| **Net Tangible Assets** | NTA (RMB million) | 3,397 | 3,401 | 4,762 | 4,807 | 4,762 | 4,807 |
| | NTA per share (RMB) | 1.57 | 1.57 | 1.87 | 1.88 | 1.52 | 1.53 |
| **Gearing** | Net borrowings (RMB million) | 2,618 | 2,790 | 1,253 | 1,384 | 1,253 | 1,384 |
| | Shareholders' Funds (RMB million) | 3,397 | 3,401 | 4,762 | 4,807 | 4,762 | 4,807 |
| | Net gearing ratio[(2)] (%) | 61% | 65% | 15% | 17% | 15% | 17% |
| **Earning Per Share** | Profit attributable to shareholders (RMB million) | 206 | 34 | 206 | 34 | 206 | 34 |
| | Earnings per share (RMB) | 0.095 | 0.016 | 0.081 | 0.013 | 0.066 | 0.011 |

Note 1: For purposes of illustration, the financial figures are set out based on exchange rates of SGD1 : RMB4.8056 and SGD 1 : RMB4.9511 as at 31 December 2013 and 31 March 2014 respectively

Note 2: Gearing = (Long term secured and unsecured debt + Short term secured and unsecured debt - Cash and cash equivalents (which include restricted cash at bank)) / Net Asset Value

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