CIRCULAR DATED 2 MAY 2019

THIS CIRCULAR IS ISSUED BY YING LI INTERNATIONAL REAL ESTATE LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE AND RECOMMENDATION OF PROVENANCE CAPITAL PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein), you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.

英利国际置业
YING LI INTERNATIONAL
REAL ESTATE LIMITED

YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199106356W)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

DBS

DBS BANK LTD.

(Company Registration No.: 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

STATE ALPHA LIMITED

(Company Registration No.: 1919881)
(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the share capital of the Company other than those Shares already owned, controlled or agreed to be acquired by the Offeror and its concert parties as at the date of the Offer

Independent Financial Adviser to the Independent Directors

PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Company Registration No.: 200309056E)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS (AS DEFINED HEREIN) SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER (AS DEFINED HEREIN) AT 5.30 P.M. ON 16 MAY 2019. THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND SUCH CLOSING DATE.

ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"**Acquisition**"	:	Shall have the meaning ascribed to it in **paragraph 1.1** of the Letter to Shareholders in this Circular
"**Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Annual Report**"	:	The annual report of the Group
"**Auditors**"	:	Foo Kon Tan LLP, the auditors of the Company
"**AVL**"	:	Aerial Victory Limited
"**Board**"	:	The board of Directors
"**CDP**"	:	The Central Depository (Pte) Limited
"**CEL**"	:	China Everbright Limited
"**CEVCL**"	:	China Everbright Venture Capital Limited
"**Circular**"	:	This circular to Shareholders dated 2 May 2019 from the Company containing, *inter alia*, the advice and recommendation of the IFA to the Independent Directors and the recommendation of the Independent Directors in relation to the Offer
"**Closing Date**"	:	16 May 2019, being the last day for the lodgement of acceptances for the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Company**"	:	Ying Li International Real Estate Limited (Company Registration Number: 199106356W), a public limited company incorporated in the Republic of Singapore
"**Company Securities**"	:	(i) securities which are being offered for (i.e. the Shares); (ii) securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options and Derivatives in respect of the Shares or securities which carry voting rights in the Company
"**Concert Party Group**"	:	the Offeror and its concert parties (namely, CEVCL, CEL, EHL, EHHL, EHLP, EHLPL and AVL

“**Constitution**”	:	The constitution of the Company
“**CPF**”	:	The Central Provident Fund of Singapore
“**DBS Bank**”	:	DBS Bank Ltd.
“**Derivative**”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“**Directors**”	:	The directors of the Company as at the Latest Practicable Date
“**Distributions**”	:	Shall have the meaning ascribed to it in **paragraph 2.3(iii)** of the Letter to Shareholders in this Circular
“**EHHL**”	:	Everbright Hero Holdings Limited
“**EHL**”	:	Everbright Hero Limited
“**EHLP**”	:	Everbright Hero, L.P.
“**EHLPL**”	:	Everbright Hero LP Limited
“**EHML**”	:	Everbright Hero Mauritius Limited
“**Encumbrances**”	:	Any claim, charge, pledge, mortgage, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
“**FAA**”	:	Form of Acceptance and Authorisation for Offer Shares which is issued to Shareholders whose Shares are deposited with CDP and which forms part of the Offer Document
“**FAT**”	:	Form of Acceptance and Transfer for Offer Shares which is issued to Shareholders whose Shares are not deposited with CDP and which forms part of the Offer Document
“**FY**”	:	The financial year ended or ending, as the case may be, on 31 December of the relevant year
“**FY2018 Results**”	:	The audited consolidated financial statements of the Group for FY2018
“**Group**”	:	The Company and its subsidiaries, and “**Group Company**” means any one of them

"**IFA**" or "**Provenance Capital**"	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
"**IFA Letter**"	:	The letter dated 2 May 2019 from the IFA addressed to the Independent Directors in respect of the Offer as set out in **Appendix A** to this Circular
"**Independent Directors**"	:	Mr. Fang Ming, Ms. Yang Xiao Yu, Mr. Chia Seng Hee, Jack, Mr. Tan Sek Khee and Mr. Xiao Zu Xiu, being the Directors who are considered to be independent for the purposes of the Offer
"**Interested Person**"	:	As defined in the Note on Rule 24.6 of the Code and read with Note 1 on Rule 23.12 of the Code, an interested person is: (i) a director, chief executive officer, or substantial shareholder of the company; (ii) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (iii) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (iv) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30 per cent. or more; (v) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or (vi) any company in which a substantial shareholder (being a company) and any of the companies listed in (v) above together (directly or indirectly) have an interest of 30 per cent. or more
"**Latest Practicable Date**"	:	24 April 2019, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
"**Offer**"	:	The mandatory unconditional cash offer made by DBS Bank, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT

"**Offer Announcement**"	:	The announcement issued by DBS Bank on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
"**Offer Announcement Date**"	:	3 April 2019
"**Offer Document**"	:	The document dated 18 April 2019 issued by DBS Bank, for and on behalf of the Offeror, in respect of the Offer
"**Offer Period**"	:	The period from the Offer Announcement Date until the date the Offer is declared to have closed or lapsed
"**Offer Price**"	:	S$0.140 in cash for each Offer Share
"**Offer Shares**"	:	All the Shares, other than those Shares already owned, controlled or agreed to be acquired by the Offeror and its concert parties as at the date of the Offer
"**Offeror**"	:	State Alpha Limited, a company incorporated in the British Virgin Islands
"**Offeror Securities**"	:	(i) Offeror Shares; (ii) securities which carry voting rights in the Offeror; and (iii) convertible securities, warrants, options and Derivatives in respect of Offeror Shares, or securities which carry voting rights in the Offeror
"**Offeror Shares**"	:	Issued ordinary shares in the capital of the Offeror
"**Overseas Shareholders**"	:	The Shareholders whose addresses are outside of Singapore, as shown on the Register or in the records of CDP (as the case may be)
"**Perpetual Convertible Securities**"	:	Shall have the meaning ascribed to it in **paragraph 2.8(i)** of the Letter to Shareholders in this Circular
"**Register**"	:	The register of members of the Company, as maintained by the Share Registrar
"**RMB**"	:	the lawful currency for the time being of the People's Republic of China
"**Securities and Futures Act**"	:	The Securities and Futures Act, Chapter 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Registrar**"	:	B.A.C.S. Private Limited, the share registrar of the Company

"**Shareholders**"	:	Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST)
"**Shares**"	:	Issued and paid-up ordinary shares in the share capital of the Company
"**SIC**"	:	The Securities Industry Council of Singapore
"**Subject Properties**"	:	means the properties which are the subject of the Valuation Reports
"**Valuation Reports**"	:	(i) the valuation report dated 24 April 2019 in relation to the market value of the investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) as at 31 December 2018 which has an interest in the development of the Beijing Tongzhou Project; and (ii) the valuation report dated 24 April 2019 on the market value of (a) property interests held for sale by the Group, (b) property interests held for investment by the Group, (c) property interests held for future development by the Group and (d) property interests held for owner occupation by the Group, as set out in **Appendix E** to this Circular
"**Valuer**"	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being the independent professional valuer who prepared the Valuation Reports
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency for the time being of Singapore
"**%**" or "**per cent.**"	:	Per centum or percentage

Acting in Concert. Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code.

Depositor and Depository Register. The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Offer Document. References to "**Offer Document**" shall include the FAA and the FAT, unless the context otherwise requires.

Plurality, Gender, Person, etc. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations

Related Corporation. The term "**related corporation**" shall have the meaning ascribed to it in Section 6 of the Act.

Rounding. Any discrepancies in the tables in this Circular between the amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST).

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Securities and Futures Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Securities and Futures Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary. The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Act.

Total Number of Issued Shares. In this Circular, any reference to the total number of issued Shares is a reference to 2,557,040,024 Shares as at the Latest Practicable Date. All percentages calculated with reference to the issued Shares are rounded to the nearest two decimal places.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, respectively, unless otherwise stated.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter, the Valuation Reports, the FY2018 Results and related releases, the Annual Report for FY2016, FY2017 and FY2018 and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter, the Valuation Reports, the FY2018 Results and related releases, the Annual Report for FY2016, FY2017 and FY2018 and the Constitution respectively.

CAUTIONARY NOTE

Cautionary Note on Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

YING LI INTERNATIONAL REAL ESTATE LIMITED

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

Board of Directors:	**Registered Office:**
Mr. Fang Ming (*Executive Chairman and Group Chief Executive Officer*) Mr. Pan Ying (*Non-Executive and Non-Independent Deputy Chairman*) Ms. Yang Xiao Yu (*Executive Director*) Mr. Hu Bing (*Executive Director*) Mr. Chia Seng Hee, Jack *(Lead Independent Director)* Mr. Tan Sek Khee *(Independent Director)* Mr. Xiao Zu Xiu (*Independent Director*)	12 Marina Boulevard #18-05 Marina Bay Financial Centre Tower 3 Singapore 018982

2 May 2019

To: The Shareholders of Ying Li International Real Estate Limited

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY DBS BANK, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement. On the Offer Announcement Date, DBS Bank announced, for and on behalf of the Offeror, that the Offeror had acquired an aggregate of 767,052,161 Shares, representing approximately 30.00 per cent. of all the Shares from Newest Luck Holdings Limited (the "**Acquisition**").

As a result of the Acquisition, as at the Offer Announcement Date:

(i) the Concert Party Group holds an aggregate of 1,506,474,562 Shares, representing approximately 58.91 per cent. of all the Shares; and

(ii) in accordance with Rule 14 of the Code, the Offeror is required to make a mandatory general offer for all the Offer Shares.

1.2 Offer Document. Shareholders should by now have received a copy of the Offer Document issued by DBS Bank, for and on behalf of the Offeror, on 18 April 2019. The Offer Document sets out the formal offer by DBS Bank, for and on behalf of the Offeror, to acquire all the Offer Shares, subject to the terms and conditions set out therein. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

Copies of the Offer Announcement and the Offer Document are available on the website of the SGX-ST at **www.sgx.com**.

1.3 Circular. The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice and recommendation of the IFA to the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A to this Circular carefully and consider the recommendation of the Independent Directors and the advice and recommendation of the IFA to the Independent Directors before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Offer Price. As stated in the Offer Document, the Offer Price for each Offer Share is as follows:

For each Offer Share: S$0.140 in cash.

The Offeror does not intend to revise the Offer Price and therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

2.2 Offer Shares. As stated in the Offer Document, the Offer will be extended, on the same terms and conditions, to all the Offer Shares.

2.3 No Encumbrances. As stated in the Offer Document, the Offer Shares are to be acquired:

(i) fully paid;

(ii) free from all Encumbrances; and

(iii) together with all rights, benefits and entitlements as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date (collectively, the "**Distributions**").

In the event that any Distribution is declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to the amount of such Distribution.

2.4 Unconditional Offer. As stated in the Offer Document, the Offer is unconditional in all respects. Shareholders who accept the Offer can expect to receive payment of the Offer Price within seven (7) business days of the date of receipt of their valid acceptances by the Offeror.

2.5 Warranty. As stated in the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions which may be announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date).

2.6 No Extension of Closing Date. As stated in the Offer Document, except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of 28 days from the date of posting of the Offer Document.

Accordingly, the Offer will close at 5:30 p.m. on 16 May 2019, being the Closing Date and the Offeror does not intend to extend the Offer beyond the Closing Date. The Offer will not be open for acceptance beyond 5:30 p.m. on the Closing Date.

2.7 Further Details of the Offer. Further details of the Offer are set out on pages 8 to 10 and Appendices I and II to the Offer Document including details on (i) the duration of the Offer; (ii) (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer and (c) the right of withdrawal of acceptances of the Offer; and (iii) the procedures for acceptance of the Offer.

2.8 Perpetual Convertible Securities. As stated in the Offer Document:

(i) in October 2014, the Company issued perpetual subordinated convertible securities (the "**Perpetual Convertible Securities**") with an initial aggregate principal amount of S$185 million. The holder of the Perpetual Convertible Securities is EHML, as a nominee of EHHL. Further information on EHHL is set out in paragraph 3.3 of the Offer Document; and

(ii) the Offeror has obtained a ruling from the SIC that it is not required to make an appropriate offer or proposal in respect of the Perpetual Convertible Securities, subject to EHML not selling the Perpetual Convertible Securities to any third party before or during the Offer Period. In this regard, EHHL and EHML have given an undertaking in favour of the Offeror that during the Offer Period, they shall not, *inter alia*:

   (a) sell, dispose of, or procure the sale or disposal of, any or all of the Perpetual Convertible Securities to any third party; or

   (b) exercise any right to convert any or all of the Perpetual Convertible Securities without the prior written consent of the Offeror.

3. INFORMATION ON THE OFFEROR AND CEL

3.1 Information on the Offeror and CEL. The Offer Document sets out information on the Offeror and CEL, which has been extracted therefrom and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully.

"***3. INFORMATION ON THE OFFEROR AND CEL***

3.1 ***The Offeror***

The Offeror is a company incorporated in the British Virgin Islands and is wholly-owned by CEVCL, which is in turn wholly-owned by CEL. Its principal activity is that of an investment holding company.

3.2 ***CEL***

CEL is a Hong Kong company and is listed on the SEHK. CEL is China's leading cross-border investment and asset management company. It manages private equity funds, venture capital funds, sector focus funds, mezzanine funds, fund of funds, fixed income and equity funds. As at the end of 31 December 2018, CEL Group managed a total of 62 funds and held 158 primary market post-investment management projects and 26 secondary market portfolios.

3.3 *As mentioned above, EHHL (which holds the Perpetual Convertible Securities through EHML) has a wholly-owned subsidiary, EHL, which holds 381,000,000 Shares, representing approximately 14.90% of the Shares in the Company as at the Offer Announcement Date. EHHL is wholly-owned by EHLP, and the majority shareholding in EHLP is held by EHLPL. EHLPL is wholly-owned by AVL, which is in turn wholly-owned by CEL. As at the Offer Announcement Date, upon completion of the Acquisition:*

(a) *the Offeror will hold 1,125,474,562 Shares, representing approximately 44.01% of the Shares in the Company; and*

(b) *the Concert Party Group will hold an aggregate of 1,506,474,562 Shares, representing approximately 58.91% of the Shares in the Company.*"

3.2 **Further Information on the Offeror and CEL**. Further information on the Offeror and CEL is set out in **Appendix C** to this Circular.

4. IRREVOCABLE UNDERTAKINGS

The Offer Document sets out information on the irrevocable undertakings provided by the Shareholders to the Offeror to accept or reject the Offer, which has been extracted therefrom and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully.

"***5.*** ***IRREVOCABLE UNDERTAKINGS***

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Offer."

5. RATIONALE FOR THE OFFER AND OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions relating to the Company has been extracted from the Offer Document and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully.

"***6.*** ***RATIONALE FOR THE OFFER*** **AND OFFEROR'S INTENTIONS FOR THE COMPANY**

6.1 ***Compliance with the Code***

As set out in paragraph 1 of this Offer Document, the Offeror is making the Offer in compliance with the requirements of the Code. The Offer will result in CEL, the holding company of the Offeror, securing majority control of the Company.

6.2 ***Rationale***

The Offeror believes that the Offer is strategically beneficial to the Company for the reasons set out below.

(a) ***CEL will be able to support the Company's strategy and growth plans over the medium to long term***

After the Acquisition, CEL will be in a better position to improve the performance of the Company and support its strategy and growth plans over the medium to long term by leveraging on its expertise, execution capabilities, existing network and strong relationships with local authorities.

(b) ***Enhancement of the investment and credit profile of the Company in the financial markets***

The Acquisition, together with the Offer, are expected to improve the profile of the Company in the equity and debt capital markets with CEL indirectly owning a majority of the Shares. This could potentially enable the Company to attract more extensive research coverage and may possibly lead to an overall increase in investor interest and trading liquidity in the Shares. In turn, this improvement in profile may potentially lead to an uplift in market valuations of Shares to a level which better reflects the intrinsic value of the Company's assets and properties, and future prospects.

(c) ***Shareholders have the flexibility to partake in the Company's potential future growth and/or realise their investment***

The Offer presents Shareholders with the flexibility to tender all, part or none of their Shares in acceptance of the Offer. By tendering part of their Shares, Shareholders can create their own preferred balance between realising some of their investments in cash now and continuing to share in the Company's potential future growth by holding on to their remaining Shares."

6.3 ***Offeror's Intentions for the Company***

Following the close of the Offer and depending on the outcome of the Offer, the Offeror may undertake a strategic and operational review of the organisation, business and operations of the Company with a view to realise synergies and growth potential, which may involve the disposal or cessation of under-performing businesses and assets and the redeployment of certain employees of the Ying Li Group. Save as disclosed herein and other than in the ordinary course of business, the Offeror presently has no intention to (a) introduce any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the employees of the Ying Li Group. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Ying Li Group which may present themselves and which the Offeror may regard to be in the interests of the Company and the Ying Li Group."

6. LISTING STATUS AND COMPULSORY ACQUISITION

The Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and its rights of compulsory acquisition in respect of the Company. The relevant paragraphs have been extracted from the Offer Document and are reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully.

"***8. <u>LISTING STATUS AND COMPULSORY ACQUISITION</u>***

8.1 ***Listing Status***

*Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.*

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the total number of issued Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 ***Compulsory Acquisition***

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer and/or acquires Shares otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. ***Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.***

8.3 ***Offeror's Intentions***

It is the present intention of the Offeror to maintain the listing status of the Company on the SGX-ST. *Accordingly, the Offeror does not intend to exercise any right of compulsory acquisition under Section 215(1) of the Companies Act. If, for any reason, the Free Float Requirement is not satisfied, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) as described in paragraph 8.2 of this Offer Document, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.*

Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the Company does not satisfy the Free Float Requirement."

7. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Shares as at the Latest Practicable Date are set out in **Appendix B** to this Circular.

8. EXEMPTION RELATING TO DIRECTORS' RECOMMENDATION

8.1 SIC Exemption in relation to Mr. Pan Ying and Mr. Hu Bing. The SIC has given a ruling that each of Mr. Pan Ying and Mr. Hu Bing be exempted from the requirement to make a recommendation to the Shareholders on the Offer, for the reasons set out below:

(i) Mr. Pan Ying is the Non-Executive and Non-Independent Deputy Chairman of the Company. He also holds the position of Chief Investment Officer and is a member of the Management Decision Committee of CEL;

(ii) Mr. Hu Bing is an Executive Director of the Company and is also the President of EBA (Beijing) Asset Management Co., Ltd, the asset management arm of CEL.

Accordingly, each of Mr. Pan Ying and Mr Hu. Bing will face a conflict of interest in relation to the Offer that would render it inappropriate for him to join the remainder of the Board in making a recommendation to the Shareholders on the Offer.

8.2 Scope of Responsibility. In light of the reasons set out in **paragraph 8.1** above, each of Mr. Pan Ying and Mr. Hu Bing has been exempted by the SIC from the requirement to make a recommendation to the Shareholders on the Offer. However, each of Mr. Pan Ying and Mr. Hu Bing must still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

9. ADVICE OF THE IFA

9.1 IFA. Provenance Capital Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice and recommendation of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in the IFA Letter.

9.2 **Key Factors Taken into Consideration by the IFA.** In arriving at its advice and recommendations, the IFA has taken into consideration certain factors (an extract of which is set out in *italics* below). Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"***8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER***

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

(a) Market quotation and trading activity of the Shares;

(b) Financial analysis of the Group;

(c) Historical Share price performance compared to the historical NAV per Share;

(d) Comparison with recently completed unconditional non-privatisation takeover offers of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer."

9.3 **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, carefully considering all available information and based on the IFA's assessment of the financial terms of the Offer, the IFA has advised the Independent Directors to make the following recommendation to Shareholders in relation to the Offer (an extract of which is set out in *italics* below). Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall we are of the view that the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer."

Shareholders should read the extracts in **paragraphs 9.2 and 9.3** above in conjunction with, and in the context of, the full text of the IFA Letter set out in Appendix A to this Circular.

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

10.1 **Recommendation of the Independent Directors.** The Independent Directors, having considered carefully the terms of the Offer and the advice and recommendation of the IFA in the IFA Letter, concur with the advice and recommendation of the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that Shareholders REJECT the Offer.

SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY.

10.2 No Regard to Specific Objectives. In making their recommendation, the Independent Directors have not had regard to the specific objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

11. OVERSEAS SHAREHOLDERS

The Offer Document sets out information in relation to Overseas Shareholders, which has been extracted therefrom and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***9. <u>OVERSEAS SHAREHOLDERS</u>***

*The availability of the Offer to Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or in the records of CDP (as the case may be) (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions. Overseas Shareholders should also exercise caution in relation to the Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction. Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdiction, the Offeror, DBS Bank and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.*

*Copies of this Offer Document and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAA and/or the FAT and any related documents, during normal business hours and up to 5:30 p.m. on the Closing Date, from the Offeror through its receiving agent, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00, ASO Building, Singapore 048544 or CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Alternatively, an Overseas Shareholder may write to the Offeror through B.A.C.S. Private Limited at the address listed above or CDP at Robinson Road Post Office, P.O. Box 1984, Singapore 903934 to request for this Offer Document, the FAA and/or the FAT and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to three (3) Market Days prior to the Closing Date.

It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAA and/or the FAT and/or any related documents, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including DBS Bank) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including DBS Bank) may be required to pay. In (i) requesting for this Offer Document, the FAA and/or the FAT and/or any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and DBS Bank that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.

The Offeror and DBS Bank each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement."

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. on the Closing Date**. The Independent Directors would like to draw the attention of Shareholders who wish to accept the Offer to the "Procedures for Acceptance" as set out in Appendix II to the Offer Document, the FAA and/or the FAT.

Shareholders who wish to accept the Offer should complete and return their acceptance form as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than **5.30 p.m. on the Closing Date**.

13. RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer and the IFA Letter) are fair and accurate and that no material facts have been omitted from this Circular, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

Yours faithfully
For and on behalf of the Board of Directors of

Ying Li International Real Estate Limited
Chia Seng Hee, Jack
Lead Independent Director

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LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

PROVENANCE CAPITAL PTE. LTD.
(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

2 May 2019

To: The Directors of Ying Li International Real Estate Limited as at the Latest Practicable Date (who are deemed to be independent in respect of the Offer)

Mr Fang Ming	(Executive Chairman and Group Chief Executive Officer)
Ms Yang Xiao Yu	(Executive Director)
Mr Jack Chia Seng Hee	(Lead Independent Director)
Mr Tan Sek Khee	(Independent Non-Executive Director)
Mr Xiao Zu Xiu	(Independent Non-Executive Director)

Dear Sirs/Mdm,

MANDATORY UNCONDITIONAL CASH OFFER FOR YING LI INTERNATIONAL REAL ESTATE LIMITED

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of Ying Li International Real Estate Limited (“**Shareholders**”) dated 2 May 2019 (“**Circular**”). For the purpose of our Letter, where applicable, we have used the foreign exchange rate of S$1.00:RMB4.9595 on 3 April 2019, being the Offer Announcement Date. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only. The latest practicable date referred to in the Circular and for the purpose of this Letter is 24 April 2019 (“**Latest Practicable Date**”).*

1. INTRODUCTION

1.1 After trading hours on 3 April 2019 (“**Offer Announcement Date**”), DBS Bank Ltd. ("**DBS Bank**") announced (“**Offer Announcement**”), for and on behalf of State Alpha Limited ("**Offeror**"), that the Offeror intends to make a mandatory unconditional cash offer ("**Offer**") for all the issued and paid-up ordinary shares ("**Shares**") in the capital of Ying Li International Real Estate Limited ("**Company**") other than those already owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it ("**Offer Shares**"), in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**").

The Offer was triggered as a consequence of the Offeror having acquired 767,052,161 Shares at the price of S$0.140 each from Newest Luck Holdings Limited, representing approximately 30.00% of the issued and paid-up capital of the Company (“**Acquisition**”). The Acquisition had resulted in the Offeror and its concert parties increasing their aggregate shareholding interest in the Company from 28.92% prior to the Acquisition to 58.91% after the Acquisition. In accordance with Rule 14 of the Code, the Offeror is required to make a mandatory general offer for all the Offer Shares.

The Offer is made at the offer price of **S$0.140 in cash** for each Offer Share (“**Offer Price**”).

The Offer is unconditional in all respects.

1.2 The Offeror is an indirect wholly-owned subsidiary of China Everbright Limited ("**CEL**" and together with its subsidiaries, the “**CEL Group**”), a company listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). CEL is China's leading cross-border investment and asset management company, and a member of the China Everbright Group, a large state-owned enterprise in the People’s Republic of China (“**PRC**”).

Prior to the Acquisition, the Offeror held directly 358,422,401 Shares, representing 14.02% of the issued share capital of the Company. After the Acquisition, the Offeror holds directly 1,125,474,562 Shares, representing 44.01% shareholding interest in the Company.

The CEL Group also holds through its subsidiary, Everbright Hero Limited ("**EHL**"), 381,000,000 Shares, representing 14.90% shareholding interest in the Company, and S$185 million principal amount of perpetual subordinated convertible securities of the Company ("**Perpetual Convertible Securities**") which are held through its nominee, Everbright Hero Mauritius Limited ("**EHML**").

The Offeror had obtained a ruling from the Securities Industry Council of Singapore ("**SIC**") that it is not required to make an appropriate offer or proposal in respect of the Perpetual Convertible Securities, subject to EHML not selling the Perpetual Convertible Securities to any third party before or during the Offer period. Accordingly, the Offer is in respect of the Shares only.

Together, the Offeror and its concert parties hold an aggregate of 1,506,474,562 Shares, representing 58.91% shareholding interest in the Company, thus having majority and statutory control of the Company.

1.3 In connection with the Offer, the Company has appointed Provenance Capital Pte. Ltd. ("**Provenance Capital**") as the independent financial adviser ("**IFA**") to the Directors who are considered independent in respect of the Offer ("**Independent Directors**"), for the purpose of making their recommendation to Shareholders in relation to the Offer.

The board of directors of the Company ("**Directors**") comprises:

(a) Mr Fang Ming (Executive Chairman and Group Chief Executive Officer);
(b) Mr Pan Ying (Non-Executive and Non-Independent Deputy Chairman);
(c) Ms Yang Xiao Yu (Executive Director);
(d) Mr Hu Bing (Executive Director);
(e) Mr Jack Chia Seng Hee (Lead Independent Director);
(f) Mr Tan Sek Khee (Independent Director); and
(g) Mr Xiao Zu Xiu (Independent Director).

The SIC had ruled that Mr Pan Ying and Mr Hu Bing are exempted from the requirements to make a recommendation to Shareholders on the Offer as they face irreconcilable conflicts of interest in doing so, being deemed concert parties to the Offeror as they are the representatives of the CEL Group in the Company.

Accordingly, the remaining Directors namely Mr Fang Ming, Ms Yang Xiao Yu, Mr Jack Chia Seng Hee, Mr Tan Sek Khee and Mr Xiao Zu Xiu are deemed independent in respect of the Offer ("**Independent Directors**").

This letter ("**Letter**") is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and our recommendations on the Offer. This Letter forms part of the Circular which provides, *inter alia*, details of the Offer and the recommendations of the Independent Directors on the Offer.

Shareholders should have by now received a copy of the offer document ("**Offer Document**") dated 18 April 2019 setting out, *inter alia*, the terms and conditions of the Offer. The Offer Document is also available on the SGXNET.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendation to Shareholders in relation to the Offer.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested to, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberations leading up to the decision to put forth the Offer to Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries ("**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares may trade after the close of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Group ("**Management**") and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the Group's investment and development properties, leasehold land and buildings which are classified under property, plant and equipment ("**PPE**") and unquoted investment in a limited partnership).

<u>Valuation Reports</u>

We note that the Group has significant investments in properties and related interests. These are in relation to the following:

(a) investment properties;
(b) development properties;
(c) leasehold land and buildings which are classified under PPE; and

(d) unquoted investment in the limited partnership of Shanghai Zhaoli Investment Center (LLP) ("**Shanghai Zhaoli**") which has an interest in the development of the Beijing Tongzhou Project.

Pursuant to the accounting policy of the Group, the investment properties and the Group's interest in the Beijing Tongzhou Project have been fair valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**Valuer**"), an independent valuer, for accounting purposes in the preparation of the audited financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**"), being the latest financial information of the Group as at the Latest Practicable Date.

The development properties which relate to properties under development and completed properties for sale, are stated at cost as at 31 December 2018. The leasehold land and buildings which are located in the PRC are for the Group's own use as its corporate offices are stated at fair value as at 31 December 2013 (when it was transferred from investment properties to PPE in 2014) less accumulated depreciation.

As some of these properties were not fair valued and some were fair valued for accounting purposes as at 31 December 2018, in connection with the Offer, the Company had therefore commissioned JLL to carry out an independent valuation to determine the market values of all of the above properties and related interest as at 31 December 2018.

JLL had issued 2 valuation reports dated 24 April 2019, one for the valuation of all the real estate properties listed under (a), (b) and (c), and another on the valuation of the interest in Shanghai Zhaoli. Copies of the above valuation reports are attached as Appendix E to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuations by JLL for such asset appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the valuation reports or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information we had relied on in the assessment of the Offer were based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer, as the case may be, which may be released or published after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, Directors nor any Shareholder may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purpose of the Offer, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. The recommendation made to the Shareholders in relation to the Offer, as the case may be, shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

The detailed terms and conditions of the Offer are set out in Section 2 and Appendices I and II of the Offer Document. The key terms of the Offer are set out below for your reference.

3.1 Offer Price

The Offer Price for each Offer Share is **S$0.140 in cash**.

The Offeror does not intend to revise the Offer Price and therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

3.2 No Encumbrances

The Offer Shares are to be acquired:

(a) fully paid;

(b) free from all Encumbrances; and

(c) together with all rights, benefits and entitlements as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date (collectively "**Distributions**").

In the event that any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to the amount of such Distribution.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not made or declared any Distribution.

3.3 Unconditional Offer

The Offer is unconditional in all respects.

Shareholders who accept the Offer can expect to receive payment of the Offer Price within 7 business days of the date of receipt of their valid acceptances by the Offeror.

3.4 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions which may be announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date).

3.5 No extension of the Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of 28 days from the date of posting of the Offer Document.

Accordingly, the Offer will **close at 5.30 p.m. on 16 May 2019**, being the Closing Date and the Offeror does not intend to extend the Offer beyond the Closing Date.

Pursuant to Rule 22.6 of the Code, the Offer will not be open for acceptance beyond 5:30 p.m. on the Closing Date.

3.6 Perpetual Convertible Securities

The Company has outstanding Perpetual Convertible Securities with an initial aggregate principal amount of S$185 million which are entirely held by EHML, as a nominee of Everbright Hero Holdings Limited ("**EHHL**"), which is in-turn a member of the CEL Group.

The Offeror had obtained a ruling from the SIC that it is not required to make an appropriate offer or proposal in respect of the Perpetual Convertible Securities, subject to EHML not selling the Perpetual Convertible Securities to any third party before or during the Offer period. In this regard, EHHL and EHML have given an undertaking in favour of the Offeror that during the Offer period, they shall not, *inter alia*:

(a) sell, dispose of, or procure the sale or disposal of, any or all of the Perpetual Convertible Securities to any third party; or

(b) exercise any right to convert any or all of the Perpetual Convertible Securities without the prior written consent of the Offeror.

Accordingly, the Offer is with respect to the existing issued Shares only.

3.7 Further details of the Offer

Further details of the Offer, including details on (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcements of the level of acceptances of the Offer; (c) the right of withdrawal of acceptances of the Offer; and (d) procedures for acceptance of the Offer are set out in Appendices I and II to the Offer Document.

4. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

As disclosed in the Offer Document, the Offeror is a company incorporated in the British Virgin Islands and is wholly-owned by China Everbright Venture Capital Limited ("**CEVCL**"), which is in turn wholly-owned by CEL. The Offeror is an investment holding company incorporated to hold the investment in the Company and has not carried on any other business except to enter into certain arrangements in connection with the Acquisition and the Offer.

The directors of the Offeror are Mr Chen Shuang, Mr Tang Chi Chun and Mr Tsang Sui Cheong Frederick. The Offeror has an issued and paid-up share capital of S$28,400,001 comprising 28,401 ordinary shares.

CEL is a Hong Kong company listed on the SEHK. As at the Offer Announcement Date, CEL has an estimated market capitalisation of HK$26.7 billion (S$4.6 billion*). CEL is a member of the China Everbright Group, a large state-owned enterprise in the PRC.

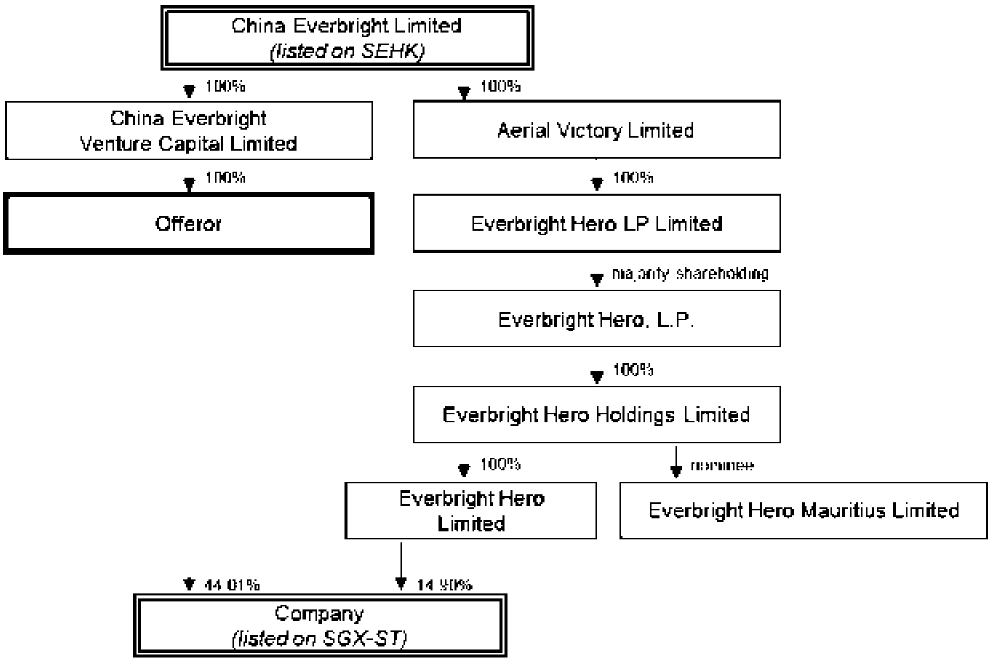
* based on the exchange rate of S$1.00:HK$5.7985 on the Offer Announcement Date as extracted from published information from Bloomberg L.P.

The Offer Document had disclosed that CEL is China's leading cross-border investment and asset management company. It manages private equity funds, venture capital funds, sector focus funds, mezzanine funds, fund of funds, fixed income and equity funds. As at the end of 31 December 2018, the CEL Group managed a total of 62 funds and held 158 primary market post-investment management projects and 26 secondary market portfolios.

As at the Offer Announcement Date, upon completion of the Acquisition, the Offeror holds 1,125,474,562 Shares, representing approximately 44.01% shareholding interest in the Company. The CEL Group, through its indirect subsidiary, EHL, also holds 381,000,000 Shares, representing 14.90% shareholding interest in the Company. Together, the Offeror and its concert parties hold an aggregate of 1,506,474,562 Shares, representing 58.91% shareholding interest in the Company and thus have majority and statutory control of the Company. The CEL Group also holds the S$185 million principal amount of Perpetual Convertible Securities, through its nominee, EHML.

EHL is ultimately controlled and majority owned by CEL through several intermediate companies, namely EHHL, Everbright Hero, L.P. ("**EHLP**"), Everbright Hero LP Limited ("**EHLPL**") and Aerial Victory Limited ("**AVL**"). CEL, CEVCL, EHL, EHHL, EHLP, EHLPL and AVL are parties acting in concert with the Offeror and collectively together with the Offeror are referred to as the Concert Party Group.

The group structure of the Concert Party Group and their respective shareholding interests as at the Offer Announcement Date is set out in the chart below:



As disclosed in the Offer Document, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Offer as at 12 April 2019, being the latest practicable date prior to the printing of the Offer Document.

Additional information on the Offeror and CEL is set out in Appendix III and Appendix IV to the Offer Document.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in Singapore and is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Following the completion of the Company's reverse takeover of Showy International Limited in September 2008, the Company assumed its present name and was officially listed and quoted on the SGX-ST in October 2008.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 2,557,040,024 Shares.

Based on the Offer Price of S$0.140 and the number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S$358.0 million. The Shares were last transacted at S$0.139 on 3 April 2019 prior to the release of the Offer Announcement after trading hours on 3 April 2019.

In the annual report of the Company for FY2018, the Group had described itself as:

"*a premier Chongqing-based property developer, principally engaged in the development, sale, rental, management and long-term ownership of high quality commercial, residential and bespoke properties in the prime locations of Chongqing.*

Established in 1993, Ying Li has a strong reputation for innovative design and urban renewal, having transformed areas of an old city into high-value urban integrated commercial developments of office space and shopping malls. In the process, it has successfully modernised the landscape of Chongqing's main business districts, with several landmark commercial buildings such as New York New York, Zou Rong Plaza, Future International and Ying Li International Financial Centre and Ying Li International Plaza which are occupied by prestigious companies.

Ying Li is well-recognised for its outstanding design, premium quality, eco-friendly features and rich user-experience in commercial property developments, and is well-positioned to capitalise on the strong market growth in Chongqing as well as other fast-growing regions of China. With China Everbright Limited on board as its strategic partner and shareholder, Ying Li is poised to achieve long-term sustainable growth.

Over the years, Ying Li has won numerous industry awards and accolades including "Chongqing Real Estate Development Industry Trustworthy Brand Award (AAA-highest category)" and Chongqing's "Top 50 Real Estate Development Enterprises Award" for 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015 and 2017. Ying Li was also conferred the 2015 Most Outstanding Commercial Real Estate Business by China Index Academy, Development Research Centre of the State Council and Institute of Real Estate Studies of Tsinghua University. The Group's strong track record and reputation have provided an advantage in securing land in prime locations, for building premier commercial and residential developments."

As at the Latest Practicable Date, the Directors of the Company are as follows:

(a) Mr Fang Ming (Executive Chairman and Group Chief Executive Officer);
(b) Mr Pan Ying (Non-Executive and Non-Independent Deputy Chairman);
(c) Ms Yang Xiao Yu (Executive Director);
(d) Mr Hu Bing (Executive Director);
(e) Mr Jack Chia Seng Hee (Lead Independent Director);
(f) Mr Tan Sek Khee (Independent Director); and
(g) Mr Xiao Zu Xiu (Independent Director).

Mr Pan Ying and Mr Hu Bing are deemed parties acting in concert with the Offeror as they are representatives of the CEL Group in the Company. Mr Pan Ying is the Chief Investment Officer and is a member of the management decision committee of CEL and Mr Hu Bing is the President of the asset management arm of CEL. Following the Acquisition, the CEL Group has acquired majority and statutory control of the Company with its 58.91% shareholding interest in the Company. Accordingly, the Offer is being made for the remaining Shares that the Concert Party Group do not already own.

Mr Fang Ming was the founder of the Group and immediately prior to the Acquisition owned 30% shareholding interest in the Company, through his wholly-owned company, Newest Luck Holdings Limited. Pursuant to the Acquisition, Mr Fang Ming has sold his entire shareholding interest in the Company to the Offeror and does not have any interest in the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the shareholding interests of the Directors in the Company are as follows:

Director	Direct Interest (no. of Shares)	Deemed Interest (no. of Shares)	Total Interest (no. of Shares)	% shareholding
Mr Fang Ming	-	-	-	-
Mr Pan Ying	-	-	-	-
Ms Yang Xiao Yu	340,664	-	340,664	negligible
Mr Hu Bing	-	-	-	-
Mr Jack Chia Seng Hee	1,000	-	1,000	negligible
Mr Tan Sek Khee	-	-	-	-
Mr Xiao Zu Xiu	-	-	-	-

All the Directors except for Messrs Pan Ying and Hu Bing are considered as Independent Directors for the purpose of the Offer.

Besides the Shares, the Company also has outstanding Perpetual Convertible Securities with an initial aggregate principal amount of S$185 million with no maturity date. These Perpetual Convertible Securities are held entirely by EHML, as a nominee of EHHL, which is a member of the Concert Party Group. As stated in Sections 1.2 and 3.6 of this Letter, pursuant to the SIC ruling, EHHL and EHML had given an undertaking, *inter alia*, not to dispose of the Perpetual Convertible Securities to any third party or convert any of the Perpetual Convertible Securities into Shares without the prior consent of the Offeror during the Offer period. Accordingly, the Offer is made with respect to the existing issued Shares only.

Save for the above, the Company does not hold any treasury shares and does not have any outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares or securities which carry voting rights in the Company.

Additional information on the Company and the Group is set out in Appendix B to the Circular.

6. RATIONALE FOR THE OFFER AND OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company is set out in Section 6 of the Offer Document.

In summary, the Offeror's reason and rationale for the Offer are as follows:

(a) the Offer is made in compliance with the requirements of the Code following the Acquisition which has resulted in the CEL Group obtaining majority control of the Company;

(b) as a major shareholder of the Company, the CEL Group believes that it will be able to support the Company's strategy and growth plans over the medium to long term and enhance the investment and credit profile of the Company in the financial markets; and

(c) Shareholders are presented with the flexibility to tender all, part or none of their Shares in acceptance of the Offer as they deemed fit, to partake in the Company's potential future growth and/or to realise their investments in the Company.

Following the close of the Offer and depending on the outcome of the Offer, the Offeror has stated that it may undertake a strategic and operational review of the organisation, business and operations of the Company with a view to realise synergies and growth potential, which may involve the disposal or cessation of under-performing businesses and assets and the redeployment of certain employees of the Group. Save as disclosed and other than in the ordinary course of business, the Offeror has also stated that presently it has no intention to (a) introduce any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the employees of the Group. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the interests of the Company and the Group.

Listing Status of the Company

In Section 8.3 of the Offer Document, **the Offeror has stated that it is its present intention to maintain the listing status of the Company on the SGX-ST.** Accordingly, the Offeror does not intend to exercise any right of compulsory acquisition under Section 215(1) of the Companies Act (Chapter 50 of Singapore) ("**Companies Act**"). If, for any reason, the free float requirements under the listing manual of the SGX-ST ("**Listing Manual**") are not met at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable), taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those Shares already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

Pursuant to Rule 1105 of the Listing Manual, if acceptances to the Offer brings the holdings of the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares until such time when it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 shareholders who are members of the public. Further, pursuant to Rule 1303(1) of the Listing Manual, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Accordingly, the Offeror has also stated that there is no assurance that it will take steps to preserve the listing status of the Company on the SGX-ST if the Company does not meet the free float requirements under the Listing Manual.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

(a) Market quotation and trading activity of the Shares;

(b) Financial analysis of the Group;

(c) Historical Share price performance compared to the historical NAV per Share;

(d) Comparison with recently completed unconditional non-privatisation takeover offers of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer.

7.1 Market quotation and trading activity of the Shares

The Offer Announcement was made after trading hours on 3 April 2019, being the Offer Announcement Date. The Shares were halted for trading on the following 3 market days, 4, 5 and 8 April 2019, and resumed trading on 9 April 2019. The last market day prior to the release of the Offer Announcement is 3 April 2019.

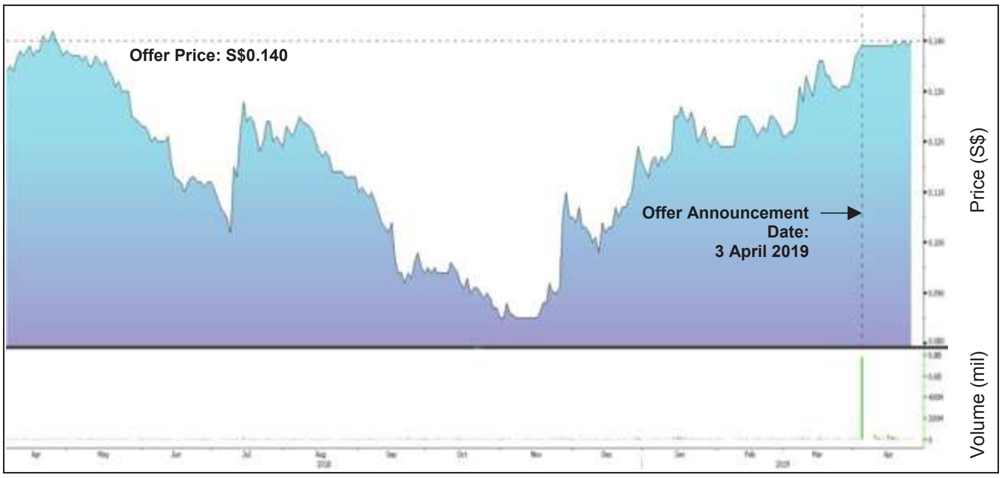
We have therefore compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 4 April 2018 to 3 April 2019, being the 1-year period prior to the release of the Offer Announcement, and up to the Latest Practicable Date ("**Period Under Review**").

Share Price Chart

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review:

Price movement and trading volume of the Shares for the Period Under Review

Chart 1 – Period Under Review



Source: *Bloomberg L.P.*

As can be seen from the share price chart above, based on the daily last transacted prices, the Shares had generally been trading at below the Offer Price of S$0.140 for the 1-year period prior to the release of the Offer Announcement, except for the period between 19 April and 24 April 2018, when the Shares closed at between S$0.140 and S$0.142. Subsequently, Shares had closed at a low of S$0.085 in November 2018 before rebounding and trending upwards towards the Offer Price up to the Offer Announcement Date.

The last transacted Share price on 3 April 2019 prior to the release of the Offer Announcement was S$0.139.

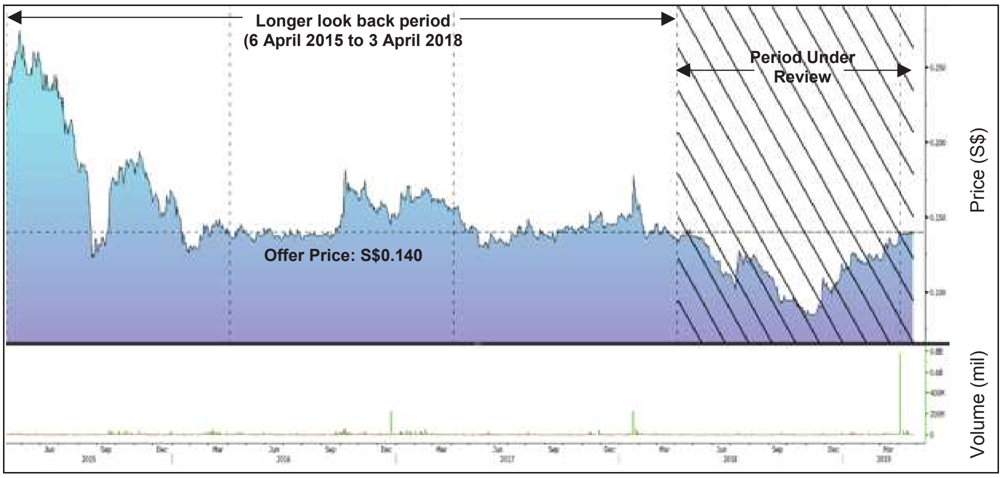
Following the resumption of trading of the Shares on 9 April 2019 and up to the Latest Practicable Date, the Shares had mostly traded at or around S$0.140, presumably supported by the Offer Price.

Daily trading volume on the Shares for the one-year period prior to the release of the Offer Announcement had generally been low. However, post the Offer Announcement Date and up to the Latest Practicable Date, trading liquidity on the Shares had increased following the resumption of trading on the Shares on 9 April 2019.

Longer look-back period

We have attempted to take a longer look-back period of 3 years prior to the above one-year period (that is, from 6 April 2015 to 3 April 2018), to observe the Share price performance during that period. We note that the Shares had traded between a high of S$0.285 and a low of S$0.119 during this period, as shown in the share price chart 2 below:

<u>Chart 2</u> – 3-year period prior to the Period Under Review



Source: *Bloomberg L.P.*

The volume weighted average prices ("**VWAP**") for the 1-year, 2-year and 3-year period prior to the Period Under Review are S$0.1474, S$0.1534 and S$0.1614 respectively. The Offer Price is at a discount of between 5.0% and 13.2% to the VWAP prices, as shown in the table below:

Reference period prior to the Period Under Review	VWAP (S$)	Premium/(Discount) of Offer Price over/(to) VWAP (%)
1 year	0.1474	(5.0)
2 years	0.1534	(8.8)
3 years	0.1614	(13.2)

Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	Highest traded price (S$)	Lowest traded price (S$)	VWAP[(1)] (S$)	Premium/ (Discount) of Offer Price over/ (to) VWAP (%)	Number of traded days[(2)]	Average daily trading volume[(3)] ('000)	Average daily trading volume as a percentage of free float[(4)] (%)
Prior to the release of the Offer Announcement							
Last 1 year	0.142	0.083	0.1185	18.2	250	2,773	0.26
Last 6 months	0.140	0.083	0.1188	17.8	125	4,008	0.38
Last 3 months	0.140	0.114	0.1267	10.5	62	5,498	0.52
Last 1 month	0.140	0.121	0.1325	5.7	23	6,108	0.58
3 April 2019 (the last trading day prior to the Offer Announcement)	0.139	0.136	0.1378	1.6	1	8,532	0.81
After the Offer Announcement Date and up to the Latest Practicable Date							
From 9 April 2019 to the Latest Practicable Date	0.142	0.139	0.1394	0.5	11	13,949	1.33
Latest Practicable Date	0.140	0.139	0.1394	0.5	1	1,499	0.14

Source: *Bloomberg L.P.*

Notes:

(1) The VWAP for the respective periods are calculated based the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;

(2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;

(3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halt/suspension on the Shares) during that period; and

(4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 1.05 billion Shares based on the free float of 41.08% as disclosed in the annual report of the Company for FY2018.

We observe the following with regard to the share price performance of the Company for the Period Under Review:

(a) Over the 1-year period prior to the release of the Offer Announcement, the Shares had traded between a low of S$0.083 and a high of S$0.142. The Offer Price represents a premium of S$0.057 (or 68.7%) above the lowest transacted Share price and a discount of S$0.002 (or 1.4%) to the highest transacted Share price;

(b) The Offer Price represents a premium of 18.2%, 17.8%, 10.5% and 5.7% above the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Offer Announcement respectively;

(c) The Offer Price represents a premium of 1.6% above the VWAP of the Shares of S$0.1378 on 3 April 2019, being the day when the Shares were last transacted prior to the release of the Offer Announcement; and

(d) After the Offer Announcement Date and up to the Latest Practicable Date, the Shares had mostly traded at or around S$0.140, presumably supported by the Offer Price. The Shares were last transacted at S$0.140 on 24 April 2019, being the Latest Practicable Date.

We observe the following with regard to the trading liquidity of the Shares:

(i) Over the 1-year period prior the release of the Offer Announcement, the Shares were traded on most days during the period. However, the average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Offer Announcement was low, representing 0.26%, 0.38%, 0.52% and 0.58% of the free float of the Shares respectively; and

(ii) During the period following the Offer Announcement and trading resumption and up to the Latest Practicable Date, the average daily trading volume on the Shares was higher at approximately 13,948,782 Shares, representing 1.33% of the free float of the Shares.

7.2 Financial analysis of the Group

7.2.1 Financial performance of the Group

The Group's main business activities are (a) property investments where it earns rental income and (b) property development where it derives income from the sales of developed properties. The Group derived all of its revenue from the PRC and its main assets are all located in the PRC.

Overall, the Group had been profitable for the last 3 financial years ended 31 December 2016 ("**FY2016**"), 31 December 2017 ("**FY2017**") and FY2018. The salient information of the financial results of the Group for the last 3 financial years is shown in the table below:

	Audited		
RMB'000	**FY2016**	**FY2017**	**FY2018**
Revenue	1,079,543	1,100,189	821,053
Cost of sales	(741,478)	(798,222)	(521,751)
Gross profit	338,065	301,967	299,302
Other income			
– Interest income	46,545	31,017	5,821
– Others	50,245	424,178	424,397
Selling expenses	(80,144)	(72,333)	(88,220)
Administrative expenses	(128,712)	(110,883)	(147,208)
Finance costs	(93,017)	(136,281)	(203,282)
Profit before tax	132,982	437,665	290,810
Tax expense	(43,652)	(86,863)	(42,848)
Profit for the year	89,330	350,802	247,962
Profit attributable to:			
Owners of the Company	87,672	350,244	250,557
Non-controlling interests	1,658	558	(2,595)
Profit for the year	89,330	350,802	247,962

Source: *Company's annual reports for FY2018 and FY2017*

Review of operating results

FY2017 vs FY2016

Revenue increased slightly by RMB20.65 million (or 1.9%) from RMB1,079.54 million in FY2016 to RMB1,100.19 million in FY2017 due mainly to higher revenue from sales of properties and offset by lower rental income. Sales of properties represented 81% of total revenue in FY2017 compared to 82% in FY2016.

Gross profit decreased by RMB36.10 million (or 10.7%) from RMB338.07 million in FY2016 to RMB301.97 million in FY2017 due mainly to the mix of properties that were handed over in FY2017 as well as sales of investment properties where the carrying values had previously been revalued to their fair values. Gross profit from sales of properties contributed 41% to total gross profit in FY2017 compared to 46% in FY2016.

Besides interest income, bulk of other income in FY2017 was due to the one-off gain on disposal of subsidiaries amounting to RMB118.36 million whereas there was no such gain in FY2016, fair value gain on investment properties which generally reflected the increase in property prices in the PRC during the year and a significant fair value gain of RMB260.00 million on other investment in FY2017 compared to RMB18.00 million in FY2016. These gains amounted to, in total, RMB417.68 million in FY2017 compared to RMB42.27 million in FY2016, as shown in the table below under the caption entitled "*Significant items in other income (other than interest income)*".

Finance cost increased by RMB43.26 million (or 46.5%) from RMB93.02 million in FY2016 to RMB136.28 million in FY2017 due mainly to the decrease in the amount of capitalised finance costs on the Ying Li International Commercial Center upon the disposal of the subsidiaries which were the developer of the project in the fourth quarter of FY2017 ("**4QFY2017**").

Accordingly, profit attributable to the owners of the Company increased significantly from RMB87.67 million in FY2016 to RMB350.24 million in FY2017.

FY2018 vs FY2017

Revenue decreased by RMB279.14 million (or 25.4%) from RMB1,100.19 million in FY2017 to RMB821.05 million in FY2018 due mainly to lower revenue from sales of properties and offset by a marginal increase in rental income. Sales of properties represented 75% of total revenue in FY2018 compared to 81% in FY2017.

Gross profit decreased slightly by RMB2.67 million (or 0.9%) from RMB301.97 million in FY2017 to RMB299.30 million in FY2018 in tandem with the decrease in revenue, with gross profit from sales of properties contributing 39% to total gross profit in FY2018 compared to 41% in FY2017.

Besides interest income, bulk of other income was attributable to gain on disposal of land parcel/subsidiaries, fair value gains on investment properties and other investment. These gains amounted to RMB419.09 million in FY2018 compared to RMB417.68 million in FY2017, as shown in the table below.

Finance cost increased by RMB67.00 million (49.2%) from RMB136.28 million in FY2017 to RMB203.28 million in FY2018 due mainly to the termination of finance costs capitalisation upon the disposal of the subsidiary which is the developer of the Ying Li International Commercial Center. The disposal was completed in 4QFY2017.

Profit attributable to the owners of the Company decreased by RMB99.69 million from RMB350.24 million in FY2017 to RMB250.56 million in FY2018.

Significant items in other income (other than interest income)

As described above, profit for the year in each financial year can be significantly affected by the presence or absence of gains on disposal of assets and fair value gains as shown in the table below for the last 3 financial years:

		Audited	
RMB'000	**FY2016**	**FY2017**	**FY2018**
Other income (other than interest income)			
Gain on disposal of a land parcel/subsidiaries	-	118,355	227,277
Fair value gain on investment properties	24,273	39,327	63,814
Fair value gain on other investment	18,000	260,000	128,000
Sub-total	**42,273**	**417,682**	**419,091**
Others	7,972	6,496	5,306

RMB'000	FY2016	Audited FY2017	FY2018
Total	50,245	424,178	424,397

Source: *Company's annual reports for FY2017 and FY2018*

In FY2017, the gain on disposal was from the disposal of subsidiaries which was completed in 4QFY2017 and in FY2018, the gain on disposal was from the disposal of a land parcel.

The fair value gain on investment properties reflects the increase in valuation of the investment properties portfolio held by the Group, based on the independent valuation of these investment properties carried out by JLL annually.

The fair value gain on other investment relates to the Group's unquoted investment in limited partnership in Shanghai Zhaoli which is fair valued through profit or loss. This is in relation to the Group's investment in the development of the Beijing Tongzhou Project. The fair value of other investment is based on the fair value of the underlying Beijing Tongzhou Project determined by JLL.

In connection with the Offer, the Company had commissioned JLL to carry out an independent valuation of (a) the real estate properties, that is, investment properties, development properties and leasehold land and buildings classified under PPE, and (b) the unquoted investment in Shanghai Zhaoli, as at 31 December 2018. These are set out in 2 separate valuation reports prepared by JLL dated 24 April 2019. We have summarised the salient information of these valuation reports in Section 7.2.2 below under the caption entitled "*Investment properties*", "*Development properties*", "*Leasehold land and buildings*" and "*Other investment*".

<u>Historical price-earnings ratio ("**PER**") implied by the Offer Price</u>

PER illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

Based on the profit attributable to the equity holders of the Company of RMB250.56 million (S$50.52 million) for FY2018 and the market capitalisation of the Company (implied by the Offer Price) of S$357.99 million, the implied PER of the Shares is **7.1 times**.

However, as the Group is asset heavy, being engaged in property development and property investments, and its earnings could be subject to significant swings from year to year depending on, *inter alia*, presence or absence of gains on disposal of properties, fair value gains of its holdings of the investment properties as well as its other investment, we are of the opinion that an earnings based approach in assessing the valuation of the Group implied by the Offer Price may not be appropriate.

7.2.2 Financial Position of the Group

The audited statement of financial position of the Group as at 31 December 2018 is set out below:

RMB'000	Audited As at 31 December 2018
Non-Current Assets	
Property, plant and equipment	42,652

RMB'000	Audited As at 31 December 2018
Investment properties	4,535,896
Other investment	1,008,000
Deferred tax assets	27,529
	5,614,077
Current Assets	
Development properties	1,845,275
Trade and other receivables	2,031,392
Cash and bank balances	750,510
	4,627,177
Total Assets	**10,241,254**
Non-Current Liabilities	
Deferred tax liabilities	641,795
Borrowings	2,166,724
	2,808,519
Current Liabilities	
Trade and other payables	746,702
Borrowings	1,126,795
Current tax payables	170,346
	2,043,843
Total Liabilities	**4,852,362**
Equity attributable to owners of the Company	**5,332,285**
Non-controlling interests	**56,607**
Total Equity	**5,388,892**
Net asset value ("NAV") and net tangible assets ("NTA") of the Group (RMB)	**5,332,285,000**
Number of issued Shares as at 31 December 2018	**2,557,040,024**
NAV/NTA per Share	
- RMB	**2.0853**
- S$ equivalent	**0.4205**

Source: *Company's annual report for FY2018*

<u>ASSETS</u>

(a) <u>Properties and related properties interests</u>

As at 31 December 2018, the Group has total assets of RMB10,241.25 million with significant holdings of properties and properties related interests comprising investment properties (RMB4,535.90 million representing 44.3% of total assets), development properties (RMB1,845.28 million representing 18.0% of total assets), other investment (RMB1,008.00 million representing 9.8% of total assets) and leasehold land and buildings which are classified under PPE (RMB38.15 million representing 0.4% of total assets).

The investment properties and other investment are stated at their estimated fair values based on the independent valuation carried out by JLL as at 31 December 2018 for accounting reference purpose. The development properties are stated at cost and leasehold land and buildings are stated at cost less accumulated depreciation. Hence, these latter properties were not fair valued as at 31 December 2018.

Hence, in connection with the Offer, the Company had commissioned JLL to carry out an independent valuation of the above real estate properties and other investment to determine the market values of these assets as at 31 December 2018. JLL had defined market value as

"*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*"

JLL had issued 2 separate valuation reports dated 24 April 2019, one for the real estate properties and the other for the unquoted investment.

JLL's valuation report on the real estate properties are categorised in the following way:

JLL's classification		**Classification in the audited accounts of the Group for FY2018**
Group I	Properties held for sale by the Group in the PRC	Completed properties held for sale, classified under development properties
Group II	Properties held for investment by the Group in the PRC	Classified under investment properties
Group III	Properties held for future development by the Group in the PRC	Properties under development, classified under development properties
Group IV	Properties held for owner occupation by the Group in the PRC	Classified as leasehold land and buildings under PPE

Investment properties

The investment properties are in relation to the 8 commercial properties located in the PRC which are leased to non-related parties under operating leases. For accounting reporting purposes, JLL had determined the fair value of these investment properties at RMB4,522.90 million as at 31 December 2018. Investment properties with carrying value of RMB4,419.10 million as at 31 December 2018 are mortgaged to banks to secure the bank loans granted to the Group.

In connection with the Offer, JLL's assessment of the market value of these investment properties classified under Group II in its valuation report remain the same at RMB4,522.90 million as at 31 December 2018. There is therefore no surplus or deficit from the net book value of these properties arising from the valuation exercise as at 31 December 2018.

Investment properties are stated at RMB4,535.90 million in the statement of financial position of the Group as at 31 December 2018 which is the sum of the fair value of the investment properties of RMB4,522.90 million and deferred lease incentives of RMB13.00 million. Deferred lease incentives relate to costs assumed by the Group on leasehold improvements to investment properties leased to tenants under operating leases. The lease incentives are recognised as an expense over the lease term on the same basis as the lease income.

The 8 investment properties are as follows:

	Property and location (Chongqing, PRC)	**Name of project**	**Description**	**Gross floor area as at 31 Dec 2018 (sq. meters)**	**Group's effective interest in the property**	**Market value as at 31 Dec 2018 (RMB'000)**
1.	Project Yingli International Financial Center (英利国际金融中心) located at Nos. 26 & 28 Minquan Road, Yuzhong District	Ying Li International Financial Center	Retail, office and car parks	95,114.39	97%	1,742,900

	Property and location (Chongqing, PRC)	Name of project	Description	Gross floor area as at 31 Dec 2018 (sq. meters)	Group's effective interest in the property	Market value as at 31 Dec 2018 (RMB'000)
2.	Project Yingli International Plaza (英利国际广场) located at No. 19 Daping Zheng Street, Yuzhong District	Ying Li International Plaza	Retail and car parks	133,245.80	100%	1,573,700
3.	Project Bashu Cambridge (巴蜀剑桥项目) located at No. 8 Bashu Road, Yuzhong District	Bashu Cambridge	Retail and car parks	6,863.30	97%	16,700
4.	Project Future International (未来国际项目) located at No. 6 Guanyinqiao Pedestrian Street, Jiangbei District	Future International	Retail, storage and car parks	82,227.46	97%	1,018,600
5.	Project New York New York (纽约纽约项目) located at No. 108 Bayi Road, Yuzhong District	New York, New York	Car parks	277.15	97%	1,100
6.	Project Southland Garden (南国丽景项目) located at Nos. 46 to 52 Cangbai Road, Yuzhong District	Southland Garden	Office, retail, storage and car parks	13,129.85	97%	96,700
7.	Project Minsheng Mansion (民生大厦项目) located at No. 181 Minsheng Road, Yuzhong District	Minsheng Mansion	Office, retail, storage and car parks	6,431.24	97%	36,000
8.	Project Zou Rong Plaza (邹容广场项目) located at Nos. 141 to 155 Zourong Road, Yuzhong District	Zou Rong Plaza	Retail, office and car parks	6,805.51	97%	37,200
	Total					**4,522,900**

We note that Project Yingli International Plaza and Project Yingli International Financial Center also have a portion of the properties held for sale and are classified and valued under Group I in the JLL valuation report. These are reflected as "development properties – completed properties for sale" in the audited financial statements of the Group for FY2018.

In addition, Project Yingli International Financial Center has a portion of the property classified and valued under Group IV in the JLL valuation report. These are reflected as "leasehold land and buildings" under PPE in the audited financial statements of the Group for FY2018.

In determining the market value of the investment properties, JLL had adopted a combination of the valuation approaches using the comparison method, income approach and discounted cash flow method. The comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The income approach involves the estimation and projection of net rental incomes over a period, which have then been capitalised to determine the market value at an appropriate capitalisation rate. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with appropriate discount rates to arrive at the market value.

Development properties

The development properties are in relation to completed development properties held for sale and properties under development by the Group. They are all located in Chongqing, PRC with total net book value of RMB1,845.28 million as at 31 December 2018.

In connection with the Offer, JLL had determined the market value of these development properties which are classified in its valuation report under Group I for properties held for sale and Group III for properties held for future development.

There are 4 development projects in total as at 31 December 2018 of which 2 of the projects, namely Project Yingli International Financial Center and Project Yingli International Plaza, also have portions which are classified as investment properties and valued under Group II in the JLL valuation report, as mentioned above. In addition, Project Yingli International Financial Center has a portion classified and valued under Group IV in the JLL valuation report which refers to the "leasehold land and buildings" under PPE in the audited financial statements of the Group for FY2018.

The other 2 projects, namely Project Yingli San Ya Wan and Project Yingli International Electrical Center, have partly completed properties held for sale and partly properties under development, and are valued and classified under Group I and Group III respectively.

The total market value of the development properties determined by JLL was RMB2,408.40 million as at 31 December 2018, resulting in a revaluation surplus of RMB563.12 million above the net book value of the development properties of RMB1,845.28 million as at 31 December 2018.

A profile of the development properties as extracted from the Company's annual report for FY2018 is set out below:

	Description	Intended use	Stage of completion	Expected date of completion	Approximately gross floor area (sq. meters)	Group's effective interest
	Properties under development					
1.	Ying Li International Hardware and Electrical Centre Phase 3 No. 9 Shan Hu Avenue, Shuangfu Area, Jiangjin District	Built-to-Order showrooms, warehouse and car parks	17%	2019 and beyond (in phases)	143,210	97%
2.	San Ya Wan Phase 2 Jinshi Avenue National Agricultural and Technology Zone, Yubei District	Retail, residential and car parks	43%	2020 (in phases)	18,288	77.6%
	Completed properties for sale					
3.	Ying Li International Plaza No. 19 Daping Zheng Jie, Yuzhong District	Office and car parks			64,502	100%
4.	Ying Li International Financial Centre No. 26 & 28 Minquan Road, Yuzhong District	Office and car parks			39,051	97%
5.	San Ya Wan Phase 2 Jinshi Avenue, National Agricultural and Technology Zone, Yubei District	Retail, residential and car parks			89,860	77.6%

In determining the market value of the development properties, JLL had mainly adopted the comparison method. The comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.

A summary of the net book values and market values of the development properties is shown in the table below:

	Property and location (Chongqing, PRC)	Net book value as at 31 Dec 2018 (RMB'000)	Market value as at 31 Dec 2018 (RMB'000)	Revaluation surplus (RMB'000)
1.	Project Yingli International Financial Center (英利国际金融中心) located at Nos. 26 and 28 Minquan Road Yuzhong District	419,057	719,200	300,143
2.	Project Yingli International Plaza (英利国际广场) located at No. 19 Daping Zheng Street Yuzhong District	488,656	499,900	11,244

Property and location (Chongqing, PRC)	Net book value as at 31 Dec 2018 (RMB'000)	Market value as at 31 Dec 2018 (RMB'000)	Revaluation surplus (RMB'000)
3. Project Yingli San Ya Wan (英利三亚湾项目) located at No. 428 Jinshi Avenue Yubei District			
- Group I: properties held for sale	330,801	335,000	4,199
- Group III: properties held for future development	97,220	246,500	149,280
4. Project Yingli International Electrical Center (英利国际五金机电城项目) located at No.9 Shan Hu Avenue Shuangfu Area Jiangjin District			
- Group I: properties held for sale	364,899	462,600	97,701
- Group III: properties held for future development	144,643	145,200	557
Total	**1,845,275**(1)	**2,408,400**	**563,124**

Note:

(1) Does not add up due to rounding

We note that the development properties are recorded as current assets of the Group as they are expected to be realised or are intended for sale in the Group's ordinary course of business. In assessing the above revaluation surplus, we have also considered whether there is any potential tax liability which would arise on the sale of these development properties. As advised by the Company, potential tax liabilities would be incurred on the sales of the properties, and they are mainly surcharges relating to PRC value added tax, PRC corporate income tax, PRC land appreciation tax and PRC stamp duty. To the best of their knowledge, the Company had estimated that the total potential tax liability would be RMB278.44 million based on the assumption that the properties were to be sold at the market values as stated above.

Accordingly, after taking into consideration the estimated total potential tax liability, the net revaluation surplus on the development properties is RMB284.68 million.

Leasehold land and buildings

The leasehold land and buildings which are classified under PPE are in relation to the Group's corporate office in the PRC which are located within the Ying Li International Financial Center. The leasehold land and buildings were transferred from investment properties to PPE during FY2014 based on the then prevailing fair values of the properties as at 31 December 2013 as determined by an independent market valuation. Since then, the leasehold land and buildings were recorded at cost less depreciation in accordance with the Company's accounting policy.

As at 31 December 2018, the net book value of the leasehold land and buildings was RMB38.15 million.

In connection with the Offer, JLL had determined the market value of the leasehold land and buildings as at 31 December 2018 to be RMB55.10 million. JLL had classified the leasehold land and buildings under Group IV in its valuation report. In determining the market value of the leasehold land and buildings, JLL had adopted the comparison method. The comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.

The valuation of the leasehold land and buildings will result in a revaluation surplus of RMB16.95 million as shown below:

Property and location (Chongqing, PRC)	Net book value as at 31 Dec 2018 (RMB'000)	Market value as at 31 Dec 2018 (RMB'000)	Revaluation surplus (RMB'000)
Project Yingli International Financial Center (英利国际金融中心) located at Nos. 26 and 28 Minquan Road Yuzhong District	38,150	55,100	16,950

In assessing the above revaluation surplus, we have also considered whether there is any potential tax liability which would arise on the sale of the above properties in a hypothetical scenario. The Company had advised that, to the best of their knowledge, if the above properties were to be sold, there would be potential tax liability of RMB10.96 million which relates mainly to surcharges relating to PRC value added tax, PRC corporate income tax, PRC land appreciation tax and PRC stamp duty.

Accordingly, after taking into consideration the estimated potential tax liability, the net revaluation surplus on the leasehold land and buildings is RMB5.99 million.

Other investment

Other investment pertains to the Company's unquoted investment (relating to the 26% of the subordinated shares) in the limited partnership of Shanghai Zhaoli, which invested in Shanghai Shengke Investment Center (LLP) ("**Shengke**") and which in turn invested in the Beijing Tongzhou Project. The Beijing Tongzhou Project is a proposed office, apartment and commercial complex located in the Canal Core Area of Tongzhou District in Beijing, PRC. Upon completion, the development will have a total planned gross floor area of approximately 710,187.67 sq. meters. Shengke owns 80% of the shares of the 3 real estate investment companies which act as the main body for the development and construction of the Beijing Tongzhou Project. The Beijing Tongzhou Project is scheduled to be developed in three phases. As at 31 December 2018, phase I was completed and held for sale, and phase II and III are under construction and are scheduled to be completed in February and October 2021 respectively.

The above investment was stated at fair value of RMB1,008.00 million in the audited financial statements of the Group for FY2018, as determined by JLL for accounting reference purposes.

In connection with the Offer, the Company had commissioned JLL to carry out an independent valuation exercise to determine the market value of the investment as at 31 December 2018. JLL had prepared a separate valuation report dated 24 April 2019. JLL had determined the market value of the above investment to be RMB1,008.00 million as at 31 December 2018. As such, there is no surplus or deficit from the book value of this investment arising from the valuation exercise as at 31 December 2018.

JLL had determined the valuation of the unquoted investment in Shanghai Zhaoli based on the market value of the Beijing Tongzhou Project, which is measured using the comparison approach for Phase I of the project and residual method for Phases II and III, depending on the stage of development of the individual project phases. The comparison approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the properties. The residual method derives the value of the property under development after deducting the total gross development costs and developer's profit from the gross development value.

Summary of net revaluation surpluses

Following from the above valuation exercises by JLL, we note that there is no revaluation surplus or deficit on the investment properties and the unquoted investment in Shanghai Zhaoli as these assets are already stated at fair value as at 31 December 2018 in the audited financial statements of the Group for FY2018. The net revaluation surpluses (net of any potential tax liabilities) arise from the valuation on the development properties and leasehold land and buildings, as follows:

RMB'000	**Net revaluation surplus as at 31 December 2018**
Development properties	284,681
Leasehold land and buildings	5,993
Total	**290,674**

(b) Trade and other receivables

The Group has substantial trade and other receivables of RMB2,031.39 million (representing 19.8% of total assets) as at 31 December 2018, comprising mainly consideration receivable from disposal of subsidiaries (RMB415.35 million) and consideration receivable from disposal of a land parcel (RMB1,250.00 million).

The disposal of subsidiaries is in relation to the sale of the Group's wholly-owned subsidiary, Shiny Profit Enterprises Limited ("**Shiny Profit**") to Shengyu (BVI) Limited ("**Shengyu**"), a subsidiary of China Evergrande Group, a company listed on SEHK. Shiny Profit holds, *inter alia*, the interests in the Ying Li International Commercial Centre Project. Of the sale consideration for Shiny Profit of RMB2.04 billion, the Group had received RMB1.62 billion in April 2018. The balance as at 31 December 2018 is the remaining outstanding receivable from the China Evergrande Group.

The disposal of a land parcel is in relation to the transfer to Shengyu of the legal ownership of an entity that has legal ownership of the land parcel. As the disposal was completed in FY2018, the Group had recognised a gain on disposal in FY2018 and the sale consideration of RMB1.25 billion as a receivable as at 31 December 2018.

Pursuant to the audit of the financial statements of the Group for FY2018, the auditors of the Company had obtained confirmation from Shengyu of the outstanding receivables of RMB1.67 billion as at 31 December 2018.

LIABILITIES AND EQUITY

As at 31 December 2018, total liabilities of the Group amounted to RMB4,852.36 million, of which total borrowings of RMB3,293.52 million constituted the largest component (67.9% of total liabilities). After deducting cash and bank balance, the net borrowings of the Group amounted to RMB2,543.01 million as at 31 December 2018, representing a net gearing ratio of 0.47 times of total equity.

Total equity of the Group as at 31 December 2018 was RMB5,388.89 million, of which RMB5,332.29 million (98.9%) was attributable the owners of the Company and RMB56.61 million (1.1%) attributable to non-controlling interests. Equity attributable to owners of the Company includes the S$185 million Perpetual Convertible Securities which are recorded as RMB878.97 million as at 31 December 2018. These Perpetual Convertible Securities are convertible into 581,761,006 new Shares at the conversion price of S$0.318 per Share ("**Conversion Price**"), which we note is substantially higher than the prevailing market Share prices and therefore unlikely to be converted into new Shares.

Accordingly, the NAV of the Group as at 31 December 2018 was RMB5,332.29 million, representing NAV per Share of RMB2.0853 (S$0.4205) based on 2,557,040,024 Shares as at 31 December 2018. As the Group does not have any intangible assets, its NAV is the same as its NTA.

There is no change to the number of issued Shares since 31 December 2018 to the Latest Practicable Date.

On a fully diluted basis on the assumption that the Perpetual Convertible Securities are fully converted into the new Shares, the Company will have an enlarged share capital comprising 3,138,801,030 Shares. The NAV per Share (on a fully diluted basis) will be RMB1.6988 (S$0.3425) as at 31 December 2018.

Price-to-NAV ("**P/NAV**") ratio implied by the Offer Price

The net asset backing of the Group is measured by its NAV, NTA or revalued NAV, revalued NTA value.

The NAV and NTA based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

The NAV and NTA based valuation approach shows the extent to which the value of each Share is backed by the Group's tangible and intangible assets. NTA is derived by deducting intangible assets from the NAV and the NTA based valuation approach shows the extent to which the value of each Share is backed by its net tangible assets.

The P/NAV ratio implied by the Offer Price is **0.33 times** based on the NAV per Share of RMB2.0853 (S$0.4205) as at 31 December 2018, that is, the Offer Price is at a discount of **66.7%** to the NAV per Share.

As analysed above, the NAV of the Group includes investment properties and other investments which have been fair valued as at 31 December 2018, but has not taken into consideration any potential revaluation surpluses arising from the market valuation of its development properties and leasehold land and buildings.

Revalued NAV ("**RNAV**") of the Group

Accordingly, after taking into consideration the net revaluation surpluses arising from the independent valuation of the development properties and leasehold land and buildings, the RNAV of the Group as at 31 December 2018 is computed as follows:

	RMB'000	**Per Share(2) (RMB)**	**Per Share(2) (S$ equivalent)**
NAV of the Group as at 31 December 2018	5,332,285	2.0853	0.4205
Add: net revaluation surplus on development properties	284,681	0.1113	0.0224
Add: net revaluation surplus on leasehold land and buildings	5,993	0.0023	0.0005
RNAV of the Group as at 31 December 2018	**5,622,959**	**2.1990(1)**	**0.4434**

Notes:

(1) does not add up due to rounding; and

(2) based on 2,557,040,024 issued Shares.

Based on the RNAV per Share of S$0.4434 as at 31 December 2018, the Offer Price of S$0.140 represents a P/RNAV of **0.32** times, or a slightly higher discount of **68.4%** to the RNAV per Share.

For illustration purposes, based on a fully diluted NAV per Share basis, the RNAV per Share (on a fully diluted basis) as at 31 December 2018 would be RMB1.7914 (S$0.3612). The Offer Price is also at a substantial discount of 61.2% to the above RNAV per Share (on a fully diluted basis).

As discussed in Section 7.2.1 above, an earnings approach in assessing the valuation of the Group (implied by the Offer Price) may not appropriate. We have therefore considered the asset backed approach in assessing the valuation of the Group (implied by the Offer Price). The asset backed approach based on the P/RNAV ratio is a more meaningful approach to assess the valuation of the Group (implied by the Offer Price) in view of the significant asset holdings by the Group comprising the investment properties, development properties, other investment and leasehold land and buildings which have been revalued in connection with the Offer.

Confirmation by the Company

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2018, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV as at 31 December 2018.

In respect of the above, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, and save as disclosed in the JLL valuation reports and the Company's estimation of the potential tax liabilities on the revaluation surpluses as disclosed in this Letter and save for the announcements made by the Company since 31 December 2018 to the Latest Practicable Date:

(a) there are no material differences between the realisable value of the Group's assets and their respective book values as at 31 December 2018 which would have a material impact on the NAV of the Group;

(b) other than that already provided for or disclosed in the Group's financial statements as at 31 December 2018, there are no other contingent liabilities (save for corporate guarantees provided in the ordinary course of business of the Group), bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;

(c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;

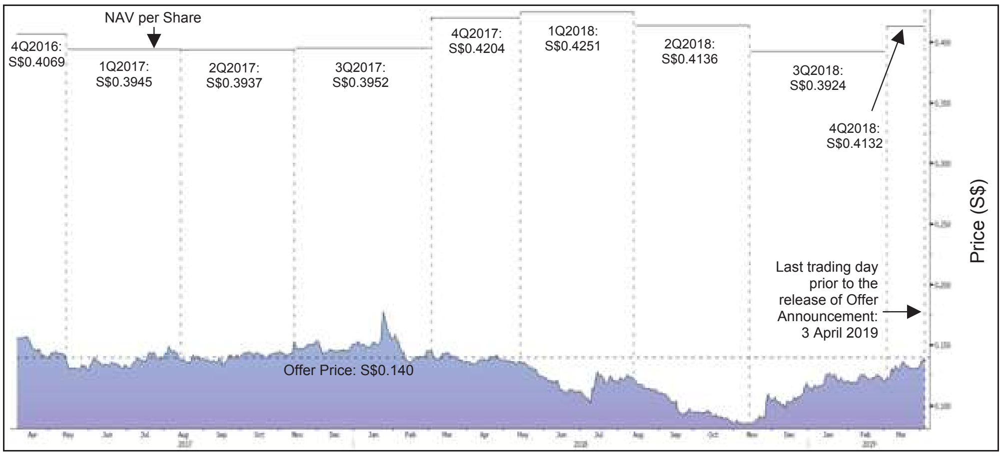
(d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group; and

(e) there are no material acquisitions and disposals of assets by the Group between 31 December 2018 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business, save for the sales of development properties which is in the ordinary course of business of the Group and any plans and intentions that the Offeror may have for the Group.

7.3 Historical Share price performance compared to the historical NAV per Share

We note that the Shares have historically been trading at significant discounts to the reported NAV per Share. In this regard, we have assessed the reported historical NAV per Share based on the quarterly financial statements of the Group and compared them against the Share price performance over the last 2 years from 4 April 2017 to 3 April 2019, being the last trading day prior to the release of the Offer Announcement:

Share price vs historical NAV per Share



Source: *Bloomberg L.P. and the Company's announcements relating to the unaudited financial results of the Group for the relevant periods*

	Discount of the average Share price to the NAV per Share for the relevant period(1) (%)
Maximum	76.2
Minimum	62.6
Mean	67.8
Median	66.2
The Company (implied by the Offer Price)	**66.7 (based on NAV per Share as at 31 December 2018)** **68.4 (based on RNAV per Share as at 31 December 2018)**

Note:

(1) The NAV per Share for the relevant periods were calculated based on the exchange rates prevailing at the respective relevant dates as extracted from published information from Bloomberg L.P..

From the above, we note that:

(a) the Shares have been trading at significant discounts to the respective reported NAV per Share for the relevant periods, with the mean and median discounts of 67.8% and 66.2%;

(b) the discount of 66.7% implied by the Offer Price to the NAV per Share as at 31 December 2018 is close to and between the mean and median discounts; and

(c) the discount inferred by the Offer Price is slightly higher at 68.4% when compared to the RNAV per Share as at 31 December 2018.

7.4 Comparison with recently completed unconditional non-privatisation takeover offers of companies listed on the SGX-ST

It is the present intention of the Offeror to maintain the listing status of the Company on the SGX-ST and the Offer made by the Offeror is an unconditional takeover offer as the Concert Party Group has already acquired statutory control of the Company.

Therefore, in our assessment on the reasonableness of the Offer Price, we have compared the financial terms implied by the Offer Price with those of selected recently completed unconditional takeover offers in cash for companies listed on the SGX-ST (excluding real estate investment trusts and business trusts) that were announced since January 2017 and completed as at the Latest Practicable Date, where the offeror has indicated similar intentions to maintain the listing status of the offeree company and these companies continued to be listed after the close of their respective offers ("**Unconditional Non-Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the offeree companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

(a) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the announcement of the respective transactions; and

(b) the premium or discount represented by each of the respective offer prices to the NAV of the respective target companies. We note that certain transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or adjusted NTA of the respective target companies.

We wish to highlight that the target companies listed in the Unconditional Non-Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular Unconditional Non-Privatisation Transaction varies in different specific circumstances depending on, *inter alia*, factors such as the intention of the offeror, the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Unconditional Non-Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

			Premium/(Discount) of Offer Price over/(to)			
Name of company	**Sector**	**Date of announcement**	**Last transacted price prior to announcement (%)**	**1-month VWAP prior to announcement (%)**	**3-month VWAP prior to announcement (%)**	**P/NAV (times)**
International Healthway Corporation Limited	Provides, develops and manages healthcare services	16 Feb 2017	0.0	14.0	20.5	1.1[(1)]
CMC Infocomm Limited	Provider of integrated communication solutions and services	07 May 2017	18.8	34.6	30.5	1.7[(2)]

Name of company	Sector	Date of announce-ment	Premium/(Discount) of Offer Price over/(to) Last transacted price prior to announce-ment (%)	1-month VWAP prior to announce-ment (%)	3-month VWAP prior to announce-ment (%)	P/NAV (times)
Cityneon Holdings Limited	Provider of events management and exhibition services, design and build services for museums and galleries and interior architecture services	12 May 2017	(5.4)	0.6	3.9	3.2(3)(9)
Blumont Group Limited	Investment holding, sterilisation, property, mineral and energy resources	24 Aug 2017	(81.8)	(87.9)	(86.0)	0.6(4)
Mary Chia Holdings Limited	Provision of lifestyle and wellness services	24 Aug 2017	68.2	93.0	96.1	2.8(5)(9)
TMC Education Corporation Ltd.	Provides commercial, academic, and technical education and providing expertise in setting up and administering schools	14 Dec 2017	68.8	50.0	29.8	1.5(6)
CH Offshore Ltd.	Offshore support service provider in oil and gas	26 Jul 2018	0.0	(11.0)	(11.6)	0.5(7)
Chew's Group Limited	Food products	22 Aug 2018	26.2(10)	30.9(10)	33.4(10)	1.2(8)

High	68.8	93.0	96.1	3.2
Low	(81.8)	(87.9)	(86.0)	0.5
Mean	11.8	15.5	14.6	1.1
Median	9.4	22.5	25.2	1.2

Company (implied by the Offer Price)	**03 Apr 2019**	**0.7**	**5.7**	**10.5**	**0.3 (based on RNAV as at 31 Dec 2018)**

Source: *SGX-ST announcements and circulars to shareholders in relation to the Unconditional Non-Privatisation Transactions*

Notes:

(1) Based on the revalued NTA per share of International Healthway Corporation Limited as at 30 September 2016;

(2) Based on the NTA per share of CMC Infocomm Limited as at 30 November 2016;

(3) Based on the NAV per share of Cityneon Holdings Limited as at 31 December 2016;

(4) Based on the revalued NTA per share of Blumont Group Limited as at 30 June 2017;

(5) Based on the revalued NAV per share of Mary Chia Holdings Limited as at 31 March 2017;

(6) Based on the adjusted NTA per share of TMC Education Corporation Ltd. as at 30 June 2017;

(7) Based on the revalued NAV per share of CH Offshore Ltd. as at 30 June 2018;

(8) Based on the adjusted NAV per share of Chew's Group Limited as at 31 March 2018;

(9) Excluded as statistical outlier in the mean and median computations; and

(10) Unlike the rest of the Unconditional Non-Privatisation Transactions, the benchmark VWAP share prices of Chew's Group Limited used by the IFA to compute the premium of the Offer Price to market share prices were

based on the date of the announcement of the term sheet on 8 June 2018 instead of the date of the offer announcement on 22 August 2018.

Based on the above, we note that:

(a) The premia implied by the Offer Price over the last transacted price and the VWAP for the 1-month period and 3-month period prior to the Offer Announcement Date are within the range and significantly lower than the mean and median of the corresponding premia of the Unconditional Non-Privatisation Transactions; and

(b) The P/RNAV ratio of 0.3 times implied by the Offer Price is within the range but lower than the mean and median of the corresponding P/NAV ratios of the Unconditional Non-Privatisation Transactions.

It should be noted that the companies that are the subject of the takeover offers in these Unconditional Non-Privatisation Transactions are not directly comparable to the Group as they are engaged in business activities which are in varied industries. As such, Shareholders should note that the above comparison with the Unconditional Non-Privatisation Transactions is purely for illustrative purposes only.

7.5 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

The Group is principally engaged in property development and property investments in the PRC. For the purpose of assessing the Offer Price, we have attempted to compare the P/RNAV ratio of the Company implied by the Offer Price with those of selected companies listed on the SGX-ST that are involved in businesses which can be considered as broad proxies to the principal business of the Group, that is, listed companies that are engaged in property development and property investments ("**Comparable Peer Companies**"). For a meaningful comparison, we have selected Comparable Peer Companies with a market capitalisation of S$1 billion and below but above S$100 million as at the Offer Announcement Date as broad proxies to the Group. There are 14 such Comparable Peer Companies.

We have had discussions with Management about the suitability and reasonableness of the selected Comparable Peer Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Peer Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the selected Comparable Peer Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

We wish to highlight that the selected Comparable Peer Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Peer Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Peer Companies, as extracted from Bloomberg L.P. is set out below:

Company name	**Principal Business**
First Sponsor Group Limited ("**First Sponsor Group**")	First Sponsor Group is engaged in property development and investment activities primarily in the PRC. Its properties include residential and commercial properties.
Hong Fok Corporation Limited ("**Hong Fok**")	Hong Fok's principal activities consist of property investment, property development, property management and investment trading.

Company name	Principal Business
Yoma Strategic Holdings Ltd. ("**Yoma**")	Yoma develops real estate, sells private residential properties, and designs, constructs and project manages real estate developments in Myanmar and the PRC.
Chip Eng Seng Corporation Limited ("**Chip Eng Seng**")	Chip Eng Seng specializes in building construction activities in the private and public sector. It also owns, develops and invests in properties.
Tuan Sing Holdings Limited ("**Tuan Sing**")	Tuan Sing is mainly in property development, property investment and hotel ownership.
Stamford Land Corporation Limited ("**Stamford Land**")	Stamford Land owns and manages hotels and travel agencies, and also develops and invests in properties.
Hiap Hoe Limited ("**Hiap Hoe**")	Hiap Hoe is an integrated property developer. It develops luxury and mid-tier residential properties. It also seeks out civil engineering and construction contracts but its main focus is developing its own residential properties.
SingHaiyi Group Limited ("**SingHaiyi**")	SingHaiyi is a diversified real estate company focusing on property development, real estate investment and property management services. The group also holds a diversified portfolio of income-generating assets in the commercial and retail sectors, with geographical reach into USA and widening exposure in Asia.
Hwa Hong Corporation Limited ("**Hwa Hong**")	Hwa Hong is an investment holding company. The group derives revenue mainly from rental of residential, commercial properties and warehouse, packing and trading of edible oils and other investments.
World Class Global Limited ("**World Class Global**")	World Class Global provides property development services. It constructs residential buildings as well as offers property investment services. World Class Global serves customers worldwide.
Astaka Holdings Limited ("**Astaka**")	Astaka, through its subsidiaries, constructs and manages apartments, complexes, residential houses, offices, malls and commercial spaces. Astaka serves customers in Asia.
Sing Holdings Ltd. ("**Sing Holdings**")	Sing Holdings develops residential, commercial and industrial properties, and retains a stake in certain properties.
Hatten Land Limited ("**Hatten Land**")	Hatten Land operates as a property developer. It develops malls, hotels, and residential properties. Hatten Land serves customers in Singapore and Malaysia.
SLB Development Ltd. ("**SLB**")	SLB operates as a property developer. It develops industrial, commercial and retail properties.

Source: *Bloomberg L.P.*

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Peer Companies using the P/NAV ratio or NAV approach to show the extent to which the value of each share is backed by its net assets. The NAV approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group.

Comparable Peer Companies	Last financial year end	Market capitalisation as at the Offer Announcement Date (S$' million)	P/NAV[1] (times)
First Sponsor Group	31 Dec 2018	850.1	0.6
Hong Fok	31 Dec 2018	760.2	0.4
Yoma	31 Mar 2018	625.6	0.9
Chip Eng Seng	31 Dec 2018	500.8	0.6
Tuan Sing	31 Dec 2018	498.2	0.5
Stamford Land	31 Mar 2018	410.0	0.8
Hiap Hoe	31 Dec 2018	406.7	0.5

Comparable Peer Companies	Last financial year end	Market capitalisation as at the Offer Announcement Date (S$' million)	P/NAV[(1)] (times)
SingHaiyi	31 Mar 2018	392.4	0.6
Hwa Hong	31 Dec 2018	208.9	1.1
World Class Global	31 Dec 2018	164.9	1.6
Astaka	30 Jun 2018	164.5	2.1
Sing Holdings	31 Dec 2018	160.4	0.6
Hatten Land	30 Jun 2018	148.8	2.2
SLB	31 May 2018	132.4	0.9
High			2.2
Low			0.4
Mean			1.0
Median			0.7
Company (implied by the Offer Price)	**31 Dec 2018**	**358.0**	**0.3 (based on RNAV as at 31 Dec 2018)**

Source: *Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Peer Companies as at Offer Announcement Date*

Note:

(1) The P/NAV ratios of the Comparable Peer Companies are computed based on (a) their market capitalisations as at the Offer Announcement Date; and (b) their NAV values as set out in their latest available published financial statements as at the Offer Announcement Date.

Based on the above, we note that the P/RNAV of 0.3 times implied by the Offer Price is lower than the lower end of the range of the P/NAV ratios of the Comparable Peer Companies and significantly lower than the mean and median of the P/NAV ratios of the Comparable Peer Companies.

Shareholders should also note that the above comparison with the Comparable Peer Companies is purely for illustrative purposes only.

7.6 Dividend track record of the Company

We note that the Company has not declared or paid any cash dividend to its Shareholders for the last 11 financial years since its listing on the SGX-ST following the completion of its RTO in September 2008 and up to the Latest Practicable Date.

As disclosed in Note 27 of the Company's audited financial statements for FY2018, the Group and the Company do not adopt any formal dividend policy.

In addition, the Company had disclosed on page 57 of its annual report for FY2018 that no dividend was declared for FY2018 as the Board has taken a conservative view which includes macro uncertainties, cash flow and working capital requirements, to mitigate financial risks by retaining a low gearing ratio. The Group will continue to monitor its cashflow situation and will consider rewarding Shareholders when the conditions are met.

7.7 Other relevant considerations in relation to the Offer

7.7.1 Unconditional Offer

The Offer is unconditional in all respects. Accordingly, all valid acceptances tendered by Shareholders before the close of the Offer will be accepted by the Offeror.

As stated in the Offer Document, the Offeror has given notice that the Offer will not be revised and has also given the shut-off notice for the Offer to close at 5.30 p.m. on 16 May 2019.

7.7.2 Statutory Control

Prior to the Acquisition, the CEL Group was already a strategic partner with the Group with a shareholding interest of 28.91% in the Company. In addition, the CEL Group is the holder of the Perpetual Convertible Securities.

Following the Acquisition, the CEL Group has secured its dominant position as the major Shareholder with a shareholding interest of 58.91% in the Company before the launch of the Offer. The Offer is made in compliance with the Code.

The CEL Group will be able to pass all ordinary resolutions of the Company, except where such resolutions pertain to Interest Person Transactions (as defined in the Listing Manual of the SGX-ST) where the CEL Group and its associates are deemed as Interested Persons (as defined in the Listing Manual of the SGX-ST) in the proposed transactions and will have to abstain from voting on these proposed transactions.

7.7.3 Offeror's intention for the listing status of the Company

It is the Offeror's present intention to maintain the listing status of the Company on the SGX-ST. However, as disclosed in Section 8.3 of the Offer Document and Section 6 of this Letter, if, for any reason, the free float requirements under the Listing Manual of the SGX-ST are not met at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable), taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

Accordingly, the Offeror has also stated that there is no assurance that it will take steps to preserve the listing status of the Company on the SGX-ST if the Company does not meet the free float requirements under the Listing Manual.

7.7.4 Likelihood of competing offers is remote

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

As the CEL Group is already the major Shareholder with 58.91% shareholding interest in the Company as at the Latest Practicable Date, the likelihood of a competing offer from any third party is remote.

7.7.5 Directors' intention with respect to their Shares

Among the Independent Directors, Ms Yang Xiao Yu and Mr Jack Chia Seng Hee hold 340,664 and 1,000 Shares respectively as at the Latest Practicable Date.

As disclosed in Section 6.9 of Appendix B to the Circular, Ms Yang Xiao Yu and Mr Jack Chia Seng Hee have informed the Company that they intend to reject the Offer in respect of all their Shares.

7.7.6 Perpetual Convertible Securities

As disclosed in Sections 3.6 and 5 of this Letter, pursuant to the SIC ruling, both EHML and EHHL had given an undertaking *inter alia*, not to dispose of the Perpetual Convertible Securities to any third party or convert any of the Perpetual Convertible Securities into new Shares without the prior written consent of the Offeror during the Offer period.

We note that the Conversion Price of the Perpetual Convertible Securities at S$0.318 per Share is significantly higher than the Offer Price and the market Share price for the Period Under Review. If the Perpetual Convertible Securities continue to be significantly out-of-money where the Conversion Price is significantly higher than the prevailing market Share prices after the close of the Offer, the Perpetual Convertible Securities are unlikely to be converted into new Shares.

However, for the purpose of illustration, based on the Conversion Price, 581,761,006 new Shares will be issued by the Company upon the full conversion of the Perpetual Convertible Securities. This would result in the CEL Group's shareholding interest in the Company increasing from 58.91% to 66.53% of the enlarged issued share capital of the Company, before taking into consideration any acceptances of the Offer tendered by Shareholders.

7.7.7 Brand equity of the Company

Since its establishment in 1993, the Group has built a strong reputation for its Ying Li brand name in the PRC, particularly in Chongqing, based on the corporate profile of the Group as disclosed in the annual report of the Company for FY2018 and the many industrial awards and accolades that the Group had won. Please see extracts of the corporate profile of the Group in Section 5 of this Letter.

Accordingly, the Group could have established significant brand equity in the Ying Li brand name. However, such brand equity has not be quantified in the financial statements of the Group based on the accounting policy of the Group, and no valuation has been carried out for such brand equity for the purpose of the Offer. Hence, in the assessment of the Offer, such brand equity value, if any, has not been considered in the computation of the RNAV of the Group.

7.7.8 Commentary by the Company in the results announcement for FY2018

The Company had made the following comments in relation to its business outlook in its announcement on the unaudited results for FY2018:

> *"Looking ahead, the on-going trade dispute negotiations and issues related to economic rivalry between United States and PRC contribute to global economic uncertainties. The PRC economy is also undergoing economic restructuring and reformation, which negates further market sentiments. In view of the above, the Group will remain watchful on the macro uncertainties and will cautiously scout for new developments and investment opportunities in Tier 1 and fast-growing lower tier cities to build pipelines for future growth."*

8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

(a) Market quotation and trading activity of the Shares;

(b) Financial analysis of the Group;

(c) Historical Share price performance compared to the historical NAV per Share;

(d) Comparison with recently completed unconditional non-privatisation takeover offers of companies listed on the SGX-ST;

(e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;

(f) Dividend track record of the Company; and

(g) Other relevant considerations in relation to the Offer.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall we are of the view that the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to reject the Offer.

Our recommendation is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

GENERAL INFORMATION

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Fang Ming	c/o 57th Floor, IFC, 28 Minquan Road, Yuzhong District Chongqing 400010, China	Executive Chairman and Group Chief Executive Officer
Mr. Pan Ying	c/o 57th Floor, IFC, 28 Minquan Road, Yuzhong District Chongqing 400010, China	Non-Executive and Non-Independent Deputy Chairman
Ms. Yang Xiao Yu	c/o 57th Floor, IFC, 28 Minquan Road, Yuzhong District Chongqing 400010, China	Executive Director
Mr. Hu Bing	c/o 57th Floor, IFC, 28 Minquan Road, Yuzhong District Chongqing 400010, China	Executive Director
Mr. Chia Seng Hee, Jack	c/o 12 Marina Boulevard, #18-05 Marina Bay Financial Centre Tower 3, Singapore 018982	Lead Independent Director
Mr. Tan Sek Khee	c/o 12 Marina Boulevard, #18-05 Marina Bay Financial Centre Tower 3, Singapore 018982	Independent Director
Mr. Xiao Zu Xiu	c/o 57th Floor, IFC, 28 Minquan Road, Yuzhong District Chongqing 400010, China	Independent Director

2. HISTORY

The Company is a public limited company incorporated in Singapore on 20 December 1991. The Company was admitted to the Official List of the SGX-ST on 24 October 2008.

3. PRINCIPAL ACTIVITIES

The Company is a premier Chongqing-based property developer, principally engaged in the development, sale, rental, management and long-term ownership of high quality commercial, residential and bespoke properties in the prime locations of Chongqing.

4. SHARE CAPITAL

4.1 Issued Share Capital

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$855,835,508.311, comprising 2,557,040,024 Shares. There is only one class of shares in the capital of the Company, comprising the Shares. The Shares are ordinary shares carrying equal ranking rights to dividend, voting at general meetings and return of capital.

The Company does not have any Shares held in treasury. During the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, the Company has not purchased any Company Securities.

There are no restrictions under the Constitution on the right to transfer any Shares, which has the effect of requiring the holders of Offer Shares, before transferring them, to first offer them for purchase to Shareholders or to any other person.

4.2 Rights in Respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are set out in the Articles. For ease of reference, selected texts of the Articles relating to the same have been extracted and reproduced in **Appendix F** to this Circular.

4.3 Number of Shares issued since the End of the Last Financial Year

As at the Latest Practicable Date, no new Shares have been issued by the Company since the end of FY2018. The Company does not have any other class of share capital as at the Latest Practicable Date.

5. CONVERTIBLE SECURITIES

As at the Latest Practicable Date, save for the Perpetual Convertible Securities, there are no outstanding instruments convertible into, rights to subscribe for, and options or Derivatives in respect of, the Shares or securities which carry voting rights affecting the Shares.

Details of the Perpetual Convertible Securities are as follows:

Name of Holder	Issue Date	Terms		
EHML (as nominee of EHHL)	17 October 2014	Aggregate principal amount	:	S$185,000,000 comprising two tranches
		Number of Shares to be issued upon conversion	:	581,761,006, based on the initial conversion price and assuming no adjustments thereto
		Initial conversion price	:	S$0.318 per Share, subject to adjustments in accordance with the terms of the Perpetual Convertible Securities

6. DISCLOSURE OF INTERESTS

6.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, none of the Group Companies has any direct or indirect interest in any Offeror Securities.

6.2 Dealings in Offeror Securities by the Company

During the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Group Companies has dealt for value in any Offeror Securities.

6.3 Interests of Directors in Offeror Securities

As at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Offeror Securities.

6.4 Dealings in Offeror Securities by Directors

During the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Directors has dealt for value in any Offeror Securities.

6.5 Interests of Directors in Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has an interest, direct or indirect, in any Company Securities.

	Direct Interest		Deemed Interest		Total Interest	
Director	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Mr. Chia Seng Hee, Jack	1,000	n.m.(2)	–	–	1,000	n.m.(2)
Ms. Yang Xiao Yu	340,664	0.01	–	–	340,664	0.01

Notes:

(1) Based on 2,557,040,024 issued Shares as at the Latest Practicable Date and rounded to the nearest two decimal places.

(2) Not meaningful.

6.6 Dealings in Company Securities by Directors

Save as disclosed in below, during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the Directors has dealt for value in any Company Securities.

Name	Date	No. of Shares Sold	Transaction Price Per Share	Nature of Transaction
Mr. Fang Ming	3 April 2019	767,052,161	S$0.14	On 3 April 2019, Newest Luck Holdings Limited sold 767,052,161 Shares to the Offeror. Mr. Fang Ming holds 100 per cent. of the issued share capital of Newest Luck Holdings Limited.

6.7 Interests of the IFA in Company Securities

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or funds whose investments are managed by Provenance Capital or its related corporations on a discretionary basis, owns or controls any Company Securities.

6.8 Dealings in Company Securities by the IFA

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or funds whose investments are managed by Provenance Capital or its related corporations on a discretionary basis, has dealt for value in the Company Securities during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.9 Accepting or Rejecting the Offer

The following Directors who have direct interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

Name	Accept/Reject
Mr. Chia Seng Hee, Jack	Reject
Ms. Yang Xiao Yu	Reject

7. ARRANGEMENTS AFFECTING DIRECTORS

7.1 Directors' Service Contracts

As at the Latest Practicable Date, there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation.

In addition, there were no service contracts entered into or amended between any Director or proposed director with, the Company or any of its subsidiaries during the period between the start of six months preceding the Offer Announcement Date and ending on the Latest Practicable Date.

7.2 No Payment or Benefit to Directors

There is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any Director or to any director of any other related corporation of the Company as compensation for loss of office or otherwise in connection with the Offer.

7.3 No Agreement Conditional upon Outcome of Offer

As at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.

7.4 No Material Contracts entered into by Offeror

Save as otherwise disclosed in the Offer Document, as at the Latest Practicable Date, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

8. FINANCIAL INFORMATION ON THE GROUP

Set out below is certain financial information extracted from the Annual Reports for FY2016, FY2017 and FY2018 respectively. The audited consolidated financial statements of the Group for FY2018 is set out in **Appendix D** to this Circular. The summary of the financial information set out below should be read in conjunction with the audited consolidated financial statements of the Group for FY2018 and the accompanying notes as set out in the Annual Reports for FY2016, FY2017 and FY2018 respectively, copies of which are available for inspection at the registered address of the Company at 12 Marina Boulevard, #18-05 Marina Bay Financial Centre Tower 3, Singapore 018982 during normal business hours for the period during which the Offer remains open for acceptance.

8.1 Consolidated Income Statements

	Audited FY2016 RMB'000	Audited FY2017 RMB'000	Audited FY2018 RMB'000
Revenue	1,079,543	1,100,189	821,053
Profit/(loss) before tax	132,982	437,665	290,810
Profit/(loss) after tax	89,330	350,802	247,962
Non-controlling interests	1,658	558	(2,595)
Basic earnings per Share (cents)(1)	0.03	0.14	0.10
Diluted earnings per Share (cents)(1)	0.03	0.11	0.08

Note:

(1) Net earnings per Share is calculated on the same basis as basic earnings per Share and diluted earnings per Share.

No dividend was declared by the Company on the Shares for each of FY2016, FY2017 and FY2018. This information was extracted from the Annual Reports for FY2016, FY2017 and FY2018.

8.2 Consolidated Balance Sheet

	Audited As at 31 December 2018 RMB'000
<u>**ASSETS**</u>	
Non-current assets	
Property, plant and equipment	42,652
Investment properties	4,535,896
Other investment	1,008,000
Deferred tax assets	27,529
Total non-current assets	5,614,077
Current assets	
Development properties	1,845,275
Trade and other receivables	2,031,392
Cash and bank balances	750,510
Total current assets	4,627,177
Total assets	10,241,254
<u>**LIABILITIES**</u>	
Non-current liabilities	
Deferred tax liabilities	641,795
Borrowings	2,166,724
Total non-current liabilities	2,808,519
Current liabilities	
Trade and other payables	746,702
Borrowings	1,126,795
Current tax payable	170,346
Total current liabilities	2,043,843
Total liabilities	4,852,362
<u>**EQUITY**</u>	
Equity attributable to equity holders of the Company	
Share capital	4,028,372
Perpetual convertible securities	878,970
Retained earnings	2,347,351
Other reserves	(1,922,408)
Non-controlling interests	56,607
Total equity	5,388,892
Total equity and liabilities	10,241,254

9. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in the FY2018 Results and any other information on the Group which is publicly available (including without limitation, the announcements released by the Company on the SGX-ST), there have been no material changes to the financial position of the Group since 31 December 2018, being the date of the last audited accounts of the Group laid before the Shareholders in general meeting.

10. MATERIAL CHANGE IN INFORMATION

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

11. ACCOUNTING POLICIES

The significant accounting policies of the Group which are disclosed in Note 2 of the FY2018 Results are reproduced in **Appendix D** to this Circular.

As at the Latest Practicable Date, save as disclosed above and in publicly available information on the Group (including, without limitation, the announcements released by the Company on the SGX-ST):

(i) there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group; and

(ii) there are no changes in the accounting policies of the Group which will cause the financial information disclosed in this Circular to not be comparable to a material extent.

12. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group (including, without limitation, the announcements released by the Company on the SGX-ST), none of the Group Companies has entered into any material contracts with interested persons (other than those entered into in the ordinary course of business) during the period commencing three years before the Offer Announcement Date, and ending on the Latest Practicable Date.

13. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in publicly available information on the Group (including, without limitation, the announcements released by the Company on the SGX-ST):

(i) none of the Group Companies is engaged in any material litigation or arbitration proceedings as plaintiff or defendant, which might materially and adversely affect the financial position of the Group as a whole; and

(ii) the Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against any of the Group Companies or of any facts likely to give rise to any such proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

14. VALUATION REPORTS

The Company has commissioned the Valuer to conduct an independent valuation of the Subject Properties. Copies of the Valuation Reports are set out in Appendix E to this Circular.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation.

It is estimated that a total potential tax liability of approximately RMB932,167,808 (of which RMB642,767,752 has already been accounted for as a deferred tax liability provision in the FY2018 Results) may be incurred if the Subject Properties were to be sold at the valuation ascribed to them by the Valuer. These are liabilities associated mainly with surcharges relating to PRC value added tax, PRC corporate income tax, PRC land appreciation tax and PRC stamp duty.

The Company at this juncture expects the aforesaid tax liabilities to crystallise as and when the Group disposes of its interests in the Subject Properties.

15. GENERAL

15.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

15.2 Consent of the Share Registrar

The Share Registrar has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all the references to its name in the form and context in which it appears in this Circular.

15.3 Consent of the Auditors

The Auditors have given and have not withdrawn their written consent to the issue of this Circular with the inclusion herein of its name and the independent auditors' report relating to the FY2018 Audited Results as set out in **Appendix D** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

15.4 Consent of the IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, its advice and recommendation to the Independent Directors set out in **paragraph 9.3** of the Letter to Shareholders in this Circular and the IFA Letter as set out in **Appendix A** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

15.5 Consent of the Valuer

The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Valuation Reports set out in **Appendix E** to this Circular and all references thereto, in the form and context in which they appear in this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 12 Marina Boulevard, #18-05 Marina Bay Financial Centre Tower 3, Singapore 018982, during normal business hours for the period which the Offer remains open for acceptance:

(a) the Constitution;

(b) the Annual Reports for FY2016, FY2017 and FY2018;

(c) the IFA Letter as set out in **Appendix A** to this Circular;

(d) the Valuation Reports as set out in **Appendix E** to this Circular; and

(e) the letters of consent referred to in paragraphs 15.2, 15.3, 15.4 and 15.5 of this **Appendix B** above.

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INFORMATION ON THE OFFEROR AND CEL

1. THE OFFEROR

The following information on the Offeror has been extracted from Appendix III to the Offer Document and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***1. DIRECTORS OF THE OFFEROR***

The names, addresses and descriptions of the directors of the Offeror as at the Latest Practicable Date are as follows:

Name	*Address*	*Description*
Mr. Chen Shuang	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Director*
Mr. Tang Chi Chun	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Director*
Mr. Tsang Sui Cheong Frederick	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Director*

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

3. PRINCIPAL ACTIVITIES OF THE OFFEROR

The principal activity of the Offeror is that of an investment holding company. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$28,400,001 comprising 28,401 ordinary shares.

4. SUMMARY OF FINANCIAL INFORMATION

The Offeror is an investment holding company incorporated to hold the investment in the Company and has not carried on any other business except to enter into certain arrangements in connection with the Acquisition and the Offer. As such, no audited financial statements of the Offeror have been prepared since the date of its incorporation.

As no audited financial statements of the Offeror have been prepared as at the Latest Practicable Date, there are no significant accounting policies to be noted.

5. MATERIAL CHANGE IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document, the investment in the Company, and the making and financing of the Offer, there has been no known material change in the financial position of the Offeror since the date of its incorporation."

2. CEL

The following information on CEL has been extracted from Appendix IV to the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"***1. <u>DIRECTORS OF CEL</u>***

The names, addresses and descriptions of the directors of CEL as at the Latest Practicable Date are as follows:

Name	***Address***	***Description***
Dr. Cai Yunge	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Chairman and Executive Director*
Mr. Chen Shuang	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Executive Director and Chief Executive Officer*
Mr. Tang Chi Chun	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Executive Director and Chief Financial Officer*
Mr. Zhang Mingao	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Executive Director and Chief Investment Officer*
Mr. Yin Lianchen	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Executive Director and Chief Investment Officer*
Dr. Lin Zhijun	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Independent Non-Executive Director*
Dr. Chung Shui Ming, Timpson	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Independent Non-Executive Director*
Mr. Law Cheuk Kin, Stephen	*c/o China Everbright Limited 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong*	*Independent Non-Executive Director*

2. <u>REGISTERED OFFICE OF CEL</u>

The registered office of CEL is at 46/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

3. PRINCIPAL ACTIVITIES OF CEL

CEL is a listed company which was established in Hong Kong, and is a leading cross-border investment and asset management company. The CEL Group manages or advises numerous private equity funds, venture capital funds, sector focus funds, mezzanine funds, fund of funds, fixed income and equity funds.

…

5. MATERIAL CHANGE IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document and save for (a) information on CEL which is publicly available (including without limitation, the announcements released by CEL on the SEHK), and (b) the financing of the Offer, there has been no known material change in the financial position of CEL since 31 December 2018, being the date of the last audited consolidated financial statements of CEL.

6. SIGNIFICANT ACCOUNTING POLICIES

Save as disclosed in the notes to the audited consolidated financial statements of CEL for FY2016, FY2017 and FY2018 which have been prepared in accordance with the Hong Kong Financial Reporting Standards, there are no significant accounting policies from the notes of the financial statements of CEL which are of any major relevance for the interpretation of the financial statements of CEL.

A summary of the general accounting principles of CEL is set out in Note 2 to the audited consolidated financial statements of CEL for FY2016, FY2017 and FY2018 (copies of which are available for inspection as set out in paragraph 4 of ***Appendix VI*** *to this Offer Document).*

7. CHANGES IN ACCOUNTING POLICIES

As at the Latest Practicable Date, there has been no change in the accounting policies of CEL which will cause the figures set out in paragraph 4 of this ***Appendix IV*** *to be not comparable to a material extent.*"

3. HOLDINGS AND DEALINGS IN THE SHARES

The following information on the holdings of, and dealings in, the Shares and Company Securities by the Offeror and certain parties acting in concert with the Offeror has been extracted from Appendix VI to the Offer Document and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

*"1. **DISCLOSURE OF INTERESTS***

*(a) As at the Latest Practicable Date, save as disclosed below, none of the Offeror or any party acting in concert with it owns, controls or has agreed to acquire any (i) Shares, (ii) securities which carry voting rights in the Company, or (iii) convertible securities, warrants, options or derivatives in respect of such Shares or securities which carry voting rights in the Company (collectively, the "**Company Securities**").*

Name	*Direct Interest No. of Shares*	*Direct Interest %(1)*	*Deemed Interest No. of Shares*	*Deemed Interest %(1)*
Offeror	*1,125,474,562*	*44.01*	*–*	*–*
Everbright Hero Limited(2)	*381,000,000*	*14.90*	*–*	*–*
Everbright Hero Holdings Limited(3)	*–*	*–*	*381,000,000*	*14.90*
Everbright Hero, L.P.(4)	*–*	*–*	*381,000,000*	*14.90*
Everbright Hero LP Limited(5)	*–*	*–*	*381,000,000*	*14.90*
Aerial Victory Limited(6)	*–*	*–*	*381,000,000*	*14.90*
China Everbright Venture Capital Limited(7)	*–*	*–*	*1,125,474,562*	*44.01*
China Everbright Limited(8)	*–*	*–*	*1,506,474,562*	*58.91*
DBS Bank	*364*	*n.m.(9)*	*–*	*–*

Notes:

(1) The shareholding percentage is calculated based on 2,557,040,024 Shares in issue and rounded to the nearest two (2) decimal places.

(2) Everbright Hero Limited has a total beneficial interest in 381,000,000 Shares, of which all of such 381,000,000 Shares are held in the names of nominees.

(3) Everbright Hero Holdings Limited holds 100% of the shareholding in Everbright Hero Limited and is therefore deemed interested in the Shares held by Everbright Hero Limited.

(4) Everbright Hero, L.P. holds 100% of the shareholding in Everbright Hero Holdings Limited which in turn holds 100% of the shareholding in Everbright Hero Limited. Everbright Hero, L.P. is therefore deemed interested in the Shares held by Everbright Hero Limited.

(5) Everbright Hero LP Limited holds a majority shareholding interest in Everbright Hero, L.P.. Everbright Hero, L.P. in turn holds 100% of the shareholding in Everbright Hero Holdings Limited which in turn holds 100% of the shareholding in Everbright Hero Limited. Everbright Hero LP Limited is therefore deemed interested in the Shares held by Everbright Hero Limited.

(6) Aerial Victory Limited holds 100% of the shareholding in Everbright Hero LP Limited. Everbright Hero LP Limited holds a majority shareholding interest in Everbright Hero, L.P.. Everbright Hero, L.P. in turn holds 100% of the shareholding in Everbright Hero Holdings Limited which in turn holds 100% of the shareholding in Everbright Hero Limited. Aerial Victory Limited is therefore deemed interested in the Shares held by Everbright Hero Limited.

(7) China Everbright Venture Capital Limited holds 100% of the shareholding in the Offeror and is therefore deemed interested in the Shares held by the Offeror.

(8) China Everbright Limited holds 100% of the shareholding in Aerial Victory Limited, which in turn is deemed interested in the shares held by Everbright Hero Limited. China Everbright Limited also holds 100% of the shareholding in China Everbright Venture Capital Limited, which in turn holds 100% of the shareholding in the Offeror. China Everbright Limited is therefore deemed interested in the Shares held by Everbright Hero Limited and the Offeror.

(9) Not meaningful.

(b) *Save as disclosed below, none of the Offeror or any party acting in concert with it has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.*

Name	***Date of Transaction***	***No. of Shares Acquired***	***Price per Share (S$)***
Offeror	*3 April 2019*	*767,052,161*	*0.140*

(c) *As at the Latest Practicable Date, none of the Offeror or any party acting in concert with it has received any irrevocable undertaking from any other party to accept or reject the Offer.*

(d) *As at the Latest Practicable Date, none of the Offeror or any party acting in concert with it has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the Company Securities which may be an inducement to deal or refrain from dealing in the Company Securities.*

(e) *As at the Latest Practicable Date, none of the Offeror or any party acting in concert with it has (i) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise, (ii) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold), or (iii) lent any Company Securities to another person.*

(f) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding between (i) the Offeror or any party acting in concert with it, and (ii) any of the current or recent directors of the Company, or any of the current or recent Shareholders or any other person having any connection with or is dependable upon the Offer.*

(g) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired by the Offeror pursuant to the Offer will or may be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to any of its related corporations (as defined in the Companies Act) or for the purpose of granting security in favour of financial institutions which may extend credit facilities to it from time to time.*

(h) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding between (i) the Offeror, and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or otherwise in connection with the Offer.*

(i) *As at the Latest Practicable Date, there is no agreement, arrangement or understanding for payment or other benefit being made or given to any director of the Company or any of its related corporations (as defined in the Companies Act), as compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer.*

(j) *Save as disclosed in this Offer Document, there has been no material change in any information previously published by or on behalf of the Offeror during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date."*

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SIGNIFICANT ACCOUNTING POLICIES

The (i) FY2018 Results and (ii) Note 2 of the FY2018 Results set out below have been reproduced from the Company's Annual Report for FY2018, and was not specifically prepared for inclusion in this Circular.

Financial Statements

Ying Li International Real Estate Limited and its subsidiaries

31 December 2018

Contents

Company information

Company registration number	199106356W
Registered office	12 Marina Boulevard #18-05 Marina Bay Financial Centre Tower 3 Singapore 018982 Tel: +65 6334 9052 Fax: +65 6334 9058 Email Address: ir@yinglicj.com
Directors	Fang Ming (Executive Chairman and Group Chief Executive Officer) Pan Ying (Non-Executive and Non-Independent Deputy Chairman) Yang Xiao Yu (Executive Director) Hu Bing (Executive Director) Tan Sek Khee (Independent Director) Xiao Zu Xiu (Independent Director) Chia Seng Hee, Jack (Lead Independent Director) (Appointed on 27 July 2018) Lim Yeow Hua @ Lim You Qin (Independent Director) (Resigned on 27 April 2018)
Company Secretary	Angela Toh Liping
Share Registrar	B.A.C.S. Private Limited 8 Robinson Road #03-00 ASO Building Singapore 048544
Principal Bankers	China Construction Bank DBS Bank Hang Seng Bank Ping An Bank Shanghai Pudong Development Bank Standard Chartered Bank United Overseas Bank Xiamen Bank
Auditor	Foo Kon Tan LLP Public Accountants and Chartered Accountants 24 Raffles Place #07-03 Clifford Centre Singapore 048621 Partner-in-charge: Kong Chih Hsiang Raymond (With effect from financial year ended 31 December 2018)

Directors' statement
for the financial year ended 31 December 2018

We are pleased to submit this statement to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the accompanying financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Name of directors
The directors of the Company in office at the date of this report are as follows:

Fang Ming	(Executive Chairman and Group Chief Executive Officer)
Pan Ying	(Non- Executive and Non-Independent Deputy Chairman)
Hu Bing	(Executive Director)
Yang Xiao Yu	(Executive Director)
Chia Seng Hee, Jack	(Independent Director) (Appointed on 27 July 2018)
Tan Sek Khee	(Independent Director)
Xiao Zu Xiu	(Independent Director)

Directors' interests in shares or debentures
According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Directors' interests in shares or debentures (Cont'd)

	Direct interest		Deemed interest	
	As at 1.1.2018	As at 31.12.2018	As at 1.1.2018	As at 31.12.2018
Ordinary shares of the Company (Ying Li International Real Estate Limited)				
Fang Ming [(1)]	24,167,774	-	896,306,788	767,052,161
Yang Xiao Yu	340,664	340,664	-	-
Chia Seng Hee, Jack[(2)]	1,000	1,000	-	-
Ordinary shares of USD1 each of the significant shareholder (Newest Luck Holdings Limited)				
Fang Ming	10,000	10,000	-	-

Note:
(1) Mr. Fang Ming is deemed interested in the shares of the Company through his shareholding in Newest Luck Holdings Limited, a significant shareholder of Ying Li International Real Estate Limited.
(2) Mr Chia Seng Hee, Jack was appointed as the Lead Independent Director of the Company on 27 July 2018.

Mr Fang Ming, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to have an interest in the whole of the issued share capital of all the wholly-owned subsidiaries of Ying Li International Real Estate Limited and Newest Luck Holdings Limited.

There are no changes to the above shareholdings as at 21 January 2019.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Chia Seng Hee, Jack (Chairman)
Tan Sek Khee
Pan Ying

The Audit Committee performs the functions set out in Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:-

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

Audit Committee (Cont'd)

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact to the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate;

(xi) reviewed with the Board of Directors and management the possible risks or exposures that may exist and identifying the necessary steps to take in order to minimise such risks to the Company; and

(xii) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing auditors of the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
FANG MING

....
YANG XIAO YU

Dated: 29 March 2019

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ying Li International Real Estate Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

Valuation of investment properties (Note 4)

The Group owns a portfolio of investment properties comprising commercial properties, shopping malls and car parks, located in China. Investment properties represent the single largest category of assets on the Group's statement of financial position, at RMB4,535.9 million as at 31 December 2018.

The investment properties are stated at their fair values determined by independent real estate valuers (the "Valuers"). In determining the fair values of the investment properties, two valuation techniques are used by the Valuers, depending on the nature of each investment property. These valuation techniques used include (i) income capitalisation approach and (ii) direct comparison approach.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.

Our response and work performed:

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuations reported by the external valuers. We also read the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. We have evaluated the competence, qualification and objectivity of management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion.

Through our appointed auditor's expert, we considered the valuation methodologies used against those applied by the external valuers for similar property types. We tested the integrity of inputs of the projected cashflows used in the valuations to supporting leases and other documents. We have evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes.

We challenged the key assumptions used in the valuation, which included capitalisation, discount and terminal yield rates by comparing them against historical rates and available industry rate, taking into consideration comparability and market factors. We have reviewed the mathematical correctness of fundamental calculation steps.

We also considered the adequacy of the descriptions in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

Valuation of other investment (Note 6)

The Group's other investment at fair value through profit or loss comprises the unquoted investment in a limited partnership of RMB 1,008.0 million as at 31 December 2018, which is determined by an independent firm of professional valuers. The underlying assets pertain to an integrated property project (the "Project") in Tongzhou District, Beijing, to be developed in three phases, which were undertaken by three project companies acting as the contracting body for the Project.

In determining the fair value of the Company's unquoted investment in the limited partnership, the independent valuation expert computed the projected benefits generated from the Project and distributed it sequentially in accordance with the related Investment Agreements and Partnership Agreement.

Estimating the fair value is a complex process which involves a number of judgements and estimates regarding various inputs. Due to the nature of the underlying assets and multi-phase development, the valuation of other investment is determined using the direct comparison method and residual method that involve the use of unobservable inputs.

Consequently, we have determined the valuation of other investment at fair value through profit or loss to be a key audit matter.

Our response and work performed:

We used our auditor's expert to assist in evaluating the appropriateness of the valuation techniques and assumptions applied in determining the fair value of other investment. We evaluated the competence, capabilities and objectivity of the auditor's expert.

We assessed the completeness and appropriateness of the valuation report of the independent valuation expert and assessed the competence, objectivity and independence of this management expert. We have reviewed the mathematical correctness of the fundamental calculation steps, including the bases of distribution in accordance with the related Investment Agreements and Partnership Agreement.

We also assessed adequacy of the classification and disclosures of other investment in the financial statements, including disclosure of significant judgements, estimates and assumptions. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

Consideration receivables from Shengyu (BVI) Limited ("Shengyu") (Note 8)

In November 2017, the Group entered into a sale and purchase ("S&P") agreement with Shengyu, a subsidiary of China Evergrande Group, a company listed on the Stock Exchange of Hong Kong Limited, in relation to a transaction, comprising:

(a) the sale of the entire issued and paid-up share capital in Shiny Profit Enterprises Limited ("Shiny Profit"), a wholly-owned subsidiary of the Company, which holds the rights, powers, interests and benefits in relation to the Ying Li International Commercial Centre ("ICC") Project (the "Project").

The sale consideration on the sale of Shiny Profit was RMB 2.04 billion, receivable in four tranches. The disposal was deemed completed in December 2017 as the Group had handed over the control of Shiny Profit to Shengyu. The Group has received RMB 1.62 billion in April 2018. Approximately RMB 80 million arising from Tranche 3 payment of the remaining outstanding receivable of RMB 415 million as set out in the S&P agreement is currently past due but not impaired as at 31 December 2018. Tranche 4 payment of RMB 335 million is due 180 days from the receipt of Tranche 3 payment.

(b) the transfer of the legal ownership of an entity who has the legal ownership over a separate parcel of land, not connected to the Project in (a) amounting to RMB 1.25 billion was completed in 2018. As disclosed in Note 8 to the financial statements, the Group made total payments of approximately RMB 515 million, comprising deposits and prepayments for the land tender as at 31 December 2017. The remaining payment for the land parcel acquisition was fully made in FY 2018.

Pursuant to the disposal of the equity interest in the entity that owns the land parcel, a gain on disposal was recorded in the consolidated statement of comprehensive income for the financial year ended 31 December 2018 (see Note 18).

As at 31 December 2018, the total sales consideration due from Shengyu was RMB 1.67 billion. We have determined the recoverability of the consideration receivable a key audit matter due to the amounts involved, as well as the inherent subjectivity that was involved in making judgement by the management in relation to credit risk exposure on the recoverability of the consideration receivables from Shengyu.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

Consideration receivables from Shengyu (BVI) Limited ("Shengyu") (Note 8)

Our response and work performed:

We assessed the Group's process and controls relating to the monitoring of the consideration receivables from Shengyu. We inquired with management if there are any known disputed receivables and discussed with management on the collectability of consideration receivables. We performed audit procedures including, amongst others, reviewing the appropriateness of the significant judgement used by management in assessing the recoverability of the consideration receivable, by corroborating our audit evidence using forward-looking information based on credit rating specific to China Evergrande Group found in public domains.

We have also obtained independent confirmation from Shengyu on the consideration receivables of RMB 1.67 billion as at 31 December 2018. We have verified the cash receipts of RMB1.62 billion during the financial year.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Responsibilities of Management and Directors for the Financial Statements (Cont'd)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report
To the members of Ying Li International Real Estate Limited and its subsidiaries (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang, Raymond.

FooKonTanLLP

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 29 March 2019

Statements of financial position
as at 31 December 2018

		The Group			The Company		
	Note	**31 Dec 2018 RMB'000**	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000	**31 Dec 2018 RMB'000**	31 Dec 2017 RMB'000 (Restated)	1 Jan 2017 RMB'000
ASSETS							
Non-Current Assets							
Property, plant and equipment	3	**42,652**	48,493	54,656	**529**	979	1,431
Investment properties	4	**4,535,896**	4,486,742	4,457,926	**-**	-	-
Subsidiaries	5	**-**	-	-	**2,966,326**	2,966,326	2,966,258
Other investment	6	**1,008,000**	880,000	620,000	**-**	-	-
Deferred tax assets	14	**27,529**	27,529	28,108	**-**	-	-
		5,614,077	5,442,764	5,160,690	**2,966,855**	2,967,305	2,967,689
Current Assets							
Development properties	7	**1,845,275**	2,099,791	5,187,210	-	-	-
Trade and other receivables	8	**2,031,392**	2,917,625	841,759	**103,682**	1,211,796	6,691
Amounts owing from subsidiaries (non-trade)	9	**-**	-	-	**2,587,708**	1,368,768	2,417,534
Cash and bank balances	10	**750,510**	626,910	676,315	**15,488**	9,184	12,109
		4,627,177	5,644,326	6,705,284	**2,706,878**	2,589,748	2,436,334
Total assets		**10,241,254**	11,087,090	11,865,974	**5,673,733**	5,557,053	5,404,023
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	11	**4,028,372**	4,028,372	4,028,372	**4,028,372**	4,028,372	4,028,372
Perpetual convertible securities	12	**878,970**	878,970	878,970	**878,970**	878,970	878,970
Retained earnings/ (accumulated losses)		**2,347,351**	2,204,600	1,953,241	**(705,285)**	(554,399)	(749,635)
Other reserves	13	**(1,922,408)**	(1,877,435)	(1,857,216)	**33,882**	18,075	(3,045)
Equity attributable to owners of the Company		**5,332,285**	5,234,507	5,003,367	**4,235,939**	4,371,018	4,154,662
Non-controlling interests	5	**56,607**	59,202	58,644	**-**	-	-
Total equity		**5,388,892**	5,293,709	5,062,011	**4,235,939**	4,371,018	4,154,662
Non-Current Liabilities							
Deferred tax liabilities	14	**641,795**	634,322	573,209	-	-	-
Borrowings	15	**2,166,724**	2,820,427	1,804,559	**-**	325,997	347,503
		2,808,519	3,454,749	2,377,768	**-**	325,997	347,503
Current Liabilities							
Amount owing to subsidiaries (non-trade)	9	**-**	-	-	**820,341**	762,192	786,139
Trade and other payables	16	**746,702**	1,098,922	1,265,015	**85,915**	69,555	62,380
Borrowings	15	**1,126,795**	1,092,662	3,004,222	**531,538**	28,291	53,339
Current tax payables		**170,346**	147,048	156,958	**-**	-	-
		2,043,843	2,338,632	4,426,195	**1,437,794**	860,038	901,858
Total liabilities		**4,852,362**	5,793,381	6,803,963	**1,437,794**	1,186,035	1,249,361
Total equity and liabilities		**10,241,254**	11,087,090	11,865,974	**5,673,733**	5,557,053	5,404,023

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of comprehensive income
for the financial year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	17	**821,053**	1,100,189
Cost of sales		**(521,751)**	(798,222)
Gross profit		**299,302**	301,967
Other income			
- Interest income	18	**5,821**	31,017
- Others	18	**424,397**	424,178
Selling expenses		**(88,220)**	(72,333)
Administrative expenses		**(147,208)**	(110,883)
Finance costs	19	**(203,282)**	(136,281)
Profit before tax	19	**290,810**	437,665
Tax expense	20	**(42,848)**	(86,863)
Profit for the year		**247,962**	350,802
Other comprehensive loss after tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences (at nil tax)		**(47,403)**	(28,237)
Other comprehensive loss for the year, net of tax		**(47,403)**	(28,237)
Total comprehensive income for the year		**200,559**	322,565
Profit attributable to:			
Owners of the Company		**250,557**	350,244
Non-controlling interests		**(2,595)**	558
		247,962	350,802
Total comprehensive income attributable to:			
Owners of the Company		**203,154**	322,007
Non-controlling interests		**(2,595)**	558
		200,559	322,565
Earnings per share (RMB):			
Basic	21	**0.10**	0.14
Diluted	21	**0.08**	0.11

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of changes in equity
for the financial year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Perpetual convertible securities RMB'000	Retained earnings RMB'000	Reverse acquisition reserve RMB'000	Convertible bonds reserve RMB'000	Statutory common reserve RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	4,028,372	878,970	2,204,600	(1,993,712)	42,458	88,588	(14,769)	5,234,507	59,202	5,293,709
Total comprehensive income for the year:										
Profit for the year	-	-	**250,557**	-	-	-	-	**250,557**	**(2,595)**	**247,962**
Other comprehensive income:										
- *Foreign currency translation differences*	-	-	-	-	-	-	**(47,403)**	**(47,403)**	-	**(47,403)**
Total comprehensive income for the year	-	-	**250,557**	-	-	-	**(47,403)**	**203,154**	**(2,595)**	**200,559**
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
- Transfer to statutory common reserve	-	-	**(2,430)**	-	-	**2,430**	-	-	-	-
- Distribution on perpetual convertible securities (Note 12)	-	-	**(105,376)**	-	-	-	-	**(105,376)**	-	**(105,376)**
Total transactions with owners, recognised directly in equity	-	-	**(107,806)**	-	-	**2,430**	-	**(105,376)**	-	**(105,376)**
At 31 December 2018	**4,028,372**	**878,970**	**2,347,351**	**(1,993,712)**	**42,458**	**91,018**	**(62,172)**	**5,332,285**	**56,607**	**5,388,892**

Consolidated statement of changes in equity (Cont'd)
for the financial year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Perpetual convertible securities RMB'000	Retained earnings RMB'000	Reverse acquisition reserve RMB'000	Convertible bonds reserve RMB'000	Statutory common reserve RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	4,028,372	878,970	1,953,241	(1,993,712)	42,458	80,570	13,468	5,003,367	58,644	5,062,011
Total comprehensive income for the year:										
Profit for the year	-	-	350,244	-	-	-	-	350,244	558	350,802
Other comprehensive income:										
- *Foreign currency translation differences*	-	-	-	-	-	-	(28,237)	(28,237)	-	(28,237)
Total comprehensive income for the year	-	-	350,244	-	-	-	(28,237)	322,007	558	322,565
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
- Transfer to statutory common reserve	-	-	(8,018)	-	-	8,018	-	-	-	-
- Distribution on perpetual convertible securities (Note 12)	-	-	(90,867)	-	-	-	-	(90,867)	-	(90,867)
Total transactions with owners, recognised directly in equity	-	-	(98,885)	-	-	8,018	-	(90,867)	-	(90,867)
At 31 December 2017	4,028,372	878,970	2,204,600	(1,993,712)	42,458	88,588	(14,769)	5,234,507	59,202	5,293,709

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of cash flows
for the financial year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Cash Flows from Operating Activities			
Profit before tax		**290,810**	437,665
Adjustments for:			
Depreciation of property, plant and equipment	3	**6,178**	6,581
Amortisation of deferred lease incentives	19	**5,936**	3,738
Fair value changes of investment properties	4,18	**(63,814)**	(39,327)
Fair value changes of unquoted investment in limited partnership	6,18	**(128,000)**	(260,000)
Interest income	18	**(5,821)**	(31,017)
Interest expense	19	**203,282**	136,281
Gain on disposal of a land parcel/subsidiaries	18	**(227,277)**	(118,355)
Loss on disposal of property, plant and equipment	19	**161**	386
Unrealised foreign exchange loss/(gain)		**32,413**	(27,685)
Operating profit before working capital changes		**113,868**	108,267
Change in investment properties	4	**13,824**	13,153
Change in development properties		**254,516**	584,849
Change in trade and other receivables		**1,076,254**	(848,266)
Change in trade and other payables		**(344,879)**	477,719
Cash generated from operations		**1,113,583**	335,722
Interest paid		**(196,176)**	(221,355)
Interest received		**5,610**	12,905
Income tax paid		**(20,698)**	(36,170)
Net cash generated from operating activities		**902,319**	91,102
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	3	**(475)**	(781)
Net cash outflow from disposal of subsidiaries	5	**-**	(480)
Net cash used in investing activities		**(475)**	(1,261)
Cash Flows from Financing Activities			
Change in cash at bank - restricted		**(204,965)**	286,702
Proceeds from loans from financial institutions		**252,663**	2,032,665
Repayment of loans from financial institutions		**(924,190)**	(2,080,673)
Payment of distribution on perpetual convertible securities		**(105,376)**	(90,867)
Net cash (used in)/generated from financing activities		**(981,868)**	147,827
Net (decrease)/increase in cash and cash equivalents		**(80,024)**	237,668
Cash and cash equivalents at beginning of the year		**460,422**	223,125
Effects of exchange rate fluctuations on cash held		**(1,341)**	(371)
Cash and cash equivalents at end of the year	10	**379,057**	460,422

Consolidated statement of cash flows
for the financial year ended 31 December 2018 (Cont'd)

The following is the disclosures of the reconciliation of liabilities arising from financing activities, excluding equity items:

	As at 1 January 2018 RMB'000	Cash flows - Proceeds from loans RMB'000	Cash flows - Repayment of loans RMB'000	Other non-cash flows - Foreign exchange movement RMB'000	**As at 31 December 2018 RMB'000**
Bank borrowings#	3,587,092	252,663	(924,190)	34,004	**2,949,569**
Floating Rate Notes (unsecured)	325,997	-	-	17,593	**343,950**
Total	3,913,089	252,663	(924,190)	51,597	**3,293,519**

	As at 1 January 2017 RMB'000	Cash flows - Proceeds from loans RMB'000	Cash flows - Repayment of loans RMB'000	Other non-cash flows - Disposal of subsidiaries (Note 5) RMB'000	Other non-cash flows - Foreign exchange movement RMB'000	As at 31 December 2017 RMB'000
Bank borrowings#	4,461,278	2,032,665	(2,080,673)	(820,000)	(6,178)	3,587,092
Floating Rate Notes (unsecured)	347,503	-	-	-	(21,506)	325,997
Total	4,808,781	2,032,665	(2,080,673)	(820,000)	(27,684)	3,913,089

Cash flow from financing activities presented in the consolidated statement of cash flow include interest expense paid of RMB 196.2 million (FY 2017 - RMB 221.4 million) which are included under accrued expense with "trade and other payables" in Note 16. There are no material non-cash changes associated with interest payables.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements
for the financial year ended 31 December 2018

1 General Information

The financial statements of the Group and the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

Ying Li International Real Estate Limited (the "Company") is a limited liability company incorporated in the Republic of Singapore. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST) on 24 October 2008.

The registered office of the Company is located at 12 Marina Boulevard, #18-05 Marina Bay Financial Centre, Tower 3, Singapore 018982. Its principal place of business is located at Level 57, Yingli International Financial Centre, No. 28, Minquan Road, Yuzhong District, Chongqing 400010, the People's Republic of China (the "PRC").

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The consolidated financial statements for the year ended 31 December 2018 relate to the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2(a) Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I) are issued by the Accounting Standards Council and comprise standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise stated. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS).

In adopting the new framework, management has performed an assessment of the impact of SFRS(I) for the transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).* The adoption of SFRS(I) did not have a significant impact on the Group and the Company. Accordingly, the comparative figures in respect of FY2017 were not restated.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi (RMB) to the nearest thousand, RMB'000. The functional currency of the Company is Singapore dollars. All financial information has been presented in RMB, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements
The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

(a) Significant judgements in applying accounting policies

Identification of functional currencies
The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. These financial statements are presented in RMB, which is the functional and presentational currency of most of the Group entities. Determination of functional currency involves significant judgment and other companies may make different judgments based on similar facts. The functional currency of each of the Group entities is principally determined by the primary economic environment in which the respective entity operates.

The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement.

Transfer from Development Properties to Investment Properties (Note 4)
From time to time, the Group will transfer some of its properties held under Development Properties to Investment Properties. In determining the amount of the properties to be classified as Investment Properties, the Group has consistently used the change of use and financial means test to evaluate whether the Group has the ability to retain these properties as the main criteria for the reclassification. On the date of the reclassification to Investment Properties, the property is measured at fair value by an independent firm of professional valuers. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. There was no transfer from development properties to investment properties in FY2018. The carrying amount of Investment Properties is disclosed in Note 4 to the financial statements.

Unquoted investment in limited partnership (Note 6)
An entity is accounted for using the equity method in the consolidated financial statements where the Group has significant influence over the entity. Significant influence arises where the Group has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an investor holds directly or indirectly 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Significant judgement is applied by management in assessing where significant influence exists. This involves assessment of the purpose and design of the entity, identification of the activities which significantly affect the entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Although the Group holds more than 20% of the interest in a limited partnership entity, management concluded that the Group neither has control nor significant influence over the investee in accordance with the partnership agreement. The Group has classified its unquoted investment in limited partnership as "other investments" as disclosed in Note 6 to the financial statements.

2(a) Basis of preparation (Cont'd)

(a) Significant judgements in applying accounting policies (Cont'd)

<u>Classification of development properties as current assets (Note 7)</u>
The Group's current assets include assets which are expected to be realised or are intended for sale in the Group's normal operating cycle. The Group is engaged in the development of properties for sale which has an operating cycle of over one year. Significant judgement is involved in determining the length of the normal operating cycle which is the basis for classifying development properties as "current assets" when those development activities have commenced and are expected to be completed within the normal operating cycle. Similarly, the bank loans which are directly attributable to these properties under development and are expected to be settled within the normal course of the Group's operating cycle are classified as "current liabilities". The carrying amounts of the development properties and borrowings are disclosed in Notes 7 and 15 to the financial statements.

<u>Recoverability of consideration receivables from disposal of a subsidiary and a separate land parcel (Note 8)</u>
As at 31 December 2018, the Group completed the disposal of (i) the Company's 100% equity interest in Shiny Profit Enterprises Limited ("Shiny Profit") and its subsidiary, Chongqing Yingli Shiny Profit Real Estate Co., Ltd., which is the project company for Ying Li International Commercial Centre (the "ICC Project") for a consideration of RMB2.035 billion to an unrelated third party - Shengyu (BVI) Limited ("Shengyu"), a subsidiary of China Evergrande Group, and (ii) the transfer of the legal ownership of an entity who solely holds the land title of a separate parcel of land not connected to the ICC Project to Shengyu for a consideration of RMB 1.25 billion, respectively.

As at 31 December 2018, the outstanding receivable due from Shengyu comprised of (i) a receivable of RMB 415.4 million arising from disposal of Shiny Profit which was completed in December 2017 and (ii) a receivable of RMB 1.25 billion arising from the disposal of the legal ownership in the entity that has title over the separate parcel of land. Of the outstanding receivable of RMB 415.4 million, an amount of RMB 80.0 million was past due but not impaired.

Management is following up closely on the collection. Shengyu has paid approximately 79.6% of the total consideration and has assumed 100% of the liabilities of Shiny Profit, approximately RMB 898 million as at the balance sheet date, and China Evergrande Group continues to demonstrate a healthy and stronger financial position in FY2018 and has been successful in raising fresh funds from the issuance of new bonds and senior notes in the capital markets in recent years to meet its operation needs.

<u>Perpetual Convertible Securities (Note 12)</u>
Pursuant to the terms of the Perpetual Convertible Securities, the Company, as an issuer of the Perpetual Convertible Securities, can at its option redeem the Perpetual Convertible Securities and at its discretion defer distributions on the Perpetual Convertible Securities. The Perpetual Convertible Securities impose no contractual obligation on the Group to repay its principal nor to pay any distributions, they do not meet the definition for classification as financial liabilities. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends. The carrying amount of the Perpetual Convertible Securities is RMB878,970,000 (2017 - RMB878,970,000).

<u>Deferred taxation on investment properties (Note 14)</u>
For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, management has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties. The carrying amount of deferred tax liabilities is disclosed in Note 14 to the financial statements.

2(a) Basis of preparation (Cont'd)

(a) Significant judgements in applying accounting policies (Cont'd)

Income tax (Note 20)
Significant judgement is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment (Note 3)
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 3 to the financial statements. A 5% difference in the estimated useful lives of property, plant and equipment from management's estimates will not have any material impact on the Group's profit for the year.

Impairment of non-financial assets (Notes 3 and 5)
Property, plant and equipment and investment in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash-generating-units, have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating-unit (or group of cash-generating-units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives of utilisation of the assets, discount rates and other factors.

The carrying amounts of property, plant and equipment and subsidiaries are RMB42,652,000 (2017 - RMB48,493,000) and RMB2,966,326,000 (2017 - RMB2,966,326,000), respectively. A reasonably possible change in key assumptions (1% increase in discount rate and 1% decrease in annual growth rate) would not cause the carrying amounts to exceed the recoverable amounts. The net carrying amount of property, plant and equipment and subsidiaries are disclosed in Note 3 and Note 5, respectively.

Valuation of investment properties (Note 4)
The Group's investment properties are stated at estimated fair value based on the valuation performed by independent professional valuers. The determination of the fair value of investment property requires the use of historical transaction comparables and estimates such as future cash flows from assets and capitalisation rates applicable to those assets. The carrying amount of investment properties is disclosed in Note 4 to the financial statements. If the market value used to estimate the fair value of the investment properties decreases/increases by 5% from management's estimates, the Group's profit for the year will decrease/increase by RMB2,393,000 (2017 - RMB1,475,000).

Valuation of unquoted investment in limited partnership (Note 6)
The fair value of unquoted investment in limited partnership is based on generally accepted valuation techniques. Valuation techniques use a maximum of market inputs and include the use of discounted cash flow analysis and other valuation techniques commonly used by market participants. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from the values that would be used if a ready market for the financial assets existed, and those differences could be material. The fair value measurement is categorised as level 3 within the fair value hierarchy. The carrying amount of the unquoted equity investment is disclosed in Note 6 to the financial statements. If the market value used to estimate the fair value of the investment in limited partnership decreases/increases by 5% from management's estimates, the Group's profit for the year will decrease/increase by RMB4,800,000 (2017 - RMB8,250,000).

2(a) Basis of preparation (Cont'd)

(b) Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Net realisable value of development properties (Note 7)
Net realisable value of properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value of completed properties for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Revisions to estimates are made where there is a change in market conditions. The Group's carrying amount of properties under development at the reporting date amounted to RMB241,863,000 (2017 - RMB778,822,000).

Impairment of trade and other receivables (Notes 8 and 9)
The Group's trade receivables relate mainly to the Group's customers who bought its residential and commercial units and tenants from its commercial buildings and shopping malls. Generally, the Group aims for full payment from its customers or notifications from financial institution on approval of loan applications submitted by the customers. In addition, the Group collects rental deposits from its tenants to mitigate their credit risks over rental receivables before delivery of properties. Impairment loss of financial assets carried at amortised cost are based on an assessment of the recoverability of trade and other receivables and amounts due from subsidiaries.

The Group uses a provision matrix to calculate the expected credit losses ("ECL") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates forecast economic conditions and ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amounts of trade and other receivables and amounts due from subsidiaries are disclosed in Notes 8 and 9 to the financial statements respectively. If the present value of estimated future cash flows from trade and other receivables and amounts due from subsidiaries decreases by 2% from management's estimates, the Group's and the Company's profit for the year will decrease by approximately RMB35,571,000 and RMB53,793,000 (2017 - RMB52,364,000 and RMB51,483,000) respectively, where applicable.

Recognition of deferred tax assets (Note 14)
The recognition of deferred tax assets is based upon whether it is probable that that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. The Group has recognised a deferred tax asset in respect of unabsorbed tax losses of certain subsidiaries in its financial statements which requires judgement for determining the extent of its recoverability at each balance sheet date. The recognition involves best estimation and judgement, including the subsidiaries' future financial performance based on the latest available profit forecasts. As at 31 December 2018, the carrying amounts of the Group's deferred tax assets, deferred tax liabilities and current tax payables amounted to RMB27,529,000, RMB641,795,000 and RMB170,346,000 (2017 - RMB27,529,000, RMB634,322,000 and RMB147,048,000), respectively.

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective

(i) Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's and the Company's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I) issued by ASC As a result, this will be the first set of financial statements prepared under SFRS(I)s.

In adopting the new framework, the Group and the Company applied the specific transition requirements in IFRS(I) 1 *First-time Adoption of International Financial Reporting Standards* and then SFRS(I)s.

In addition to the adoption of the new framework, the following relevant new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective from the same date.

Reference	**Description**
SFRS(I) 1	*First-time Adoption of Singapore Financial Reporting Standards (International)*
SFRS(I) 9	*Financial Instruments*
SFRS(I) 15	*Revenue from Contracts with Customers*
Amendments to SFRS(I)1-40	*Transfer of Investment Property*

The application of the above standards and interpretations does not have any material impact on the financial statements for the current or prior financial years.

<u>SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*</u>
When the Group and the Company adopt SFRS(I) in 2018, the Company applies SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group and the Company apply SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Management did not elect any of the mandatory exceptions and the optional exemptions in SFRS(I) 1.

<u>SFRS(I) 9 *Financial Instruments*</u>
SFRS(I) 9 *Financial Instruments* replaces FRS 39 and it is a package of improvements introduced by ASC. SFRS(I) 9 includes a logical model for:

- classification and measurement,
- a single, forward-looking "expected loss" impairment model for calculating impairment of financial assets, and
- a substantially reformed approach to hedge accounting

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

Full retrospective adjustment is required for Singapore companies listed on SGX currently reporting under SFRS.

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

(i) Applicable to 2018 financial statements (Cont'd)

SFRS(I) 9 *Financial Instruments (Cont'd)*

The Group and the Company have reassessed all its financial instruments and they have either be classified and measured under (i) the amortised cost model or (ii) fair value through profit or loss and the adoption of SFRS(I) 9 does not have any impact on the Group's and the Company's financial statements.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 *Revenue from Contracts with Customers* requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange.

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether an entity is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018.

Full retrospective adjustment is required for Singapore companies listed on SGX currently reporting under SFRS.

Management has considered the terms and conditions in the sale and purchase agreement of the development properties held for sale and assessed when and how control of the specified unit of the development property is transferred to the buyer. Management concluded that its performance obligation is transferred at a point in time, i.e. upon the completion of the development property and hand-over of the property unit to the buyer.

The revenue recognition and the classification of revenue under SFRS(I) 15 does not differ from that under FRS 18 and accordingly, the adoption of SFRS(I) 15 does not have an impact to the Group's financial statements.

Amendments to SFRS(I) 1-40 *Transfer of Investment Property*

Under the amendments in SFRS(I) 40 *Transfers of Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. However, earlier adoption is permitted. The amendments would be applied retrospectively in accordance with SFRS(I)1-8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The Group has already applied the "change in use" concept, and the Group has consistently reclassified its properties as "investment properties" when it has the financial resources to do so and when there is a change in use of the properties.

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

(ii) Issued but not yet effective

The following are the new or amended SFRS(I) issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	*Leases*	1 January 2019
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	*Presentation of Financial Statements* and *Accounting Policies, Changes in Accounting Estimates*	1 January 2020

SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it requires lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. Management does not plan to early adopt SFRS(I) 16.

Management does not expect the adoption of SFRS(I)16 to have a significant impact on the Group's financial statement as its existing office lease in Singapore will be expiring in the next financial year and management will account for such lease as "short-term leases" at the date of initial application.

Amendments to SFRS(I)1-1 *Presentation of Financial Statements* and SFRS(I)1-8 *Accounting Policies, Changes in Accounting Estimates*

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I)1-1 and SFRS(I)1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

Management is assessing the impact on the consolidated financial statements.

2(c) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2(c) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)
Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary
A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:
- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
  rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Change in ownership interest without loss of control
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
  recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2(c) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)
Change in ownership interest without loss of control (Cont'd)
When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Transactions with Non-Controlling Interest
Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Functional currencies
Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollar.

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

Conversion of foreign currencies
Foreign currency transactions and balances
Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the profit or loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

2(c) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)
Group entities
The results and financial position of all the Group entities *(none of which has the currency of a hyperinflationary economy)* and the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities (including comparatives) are translated at the closing exchange rates at the end of reporting period;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold buildings	20 to 30 years
Furniture and fittings	20 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Computers	3 to 5 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before that expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the income statement.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

2(c) Summary of significant accounting policies (Cont'd)

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Group. Investment properties are treated as non-current investments and are initially carried at cost and subsequently carried at fair value, representing open market value on the highest and best use basis determined annually by an independent firm of professional valuers. The Group has consistently reclassified properties as investment properties when it has the financial resources to do so and when there is a change in use of the properties. Gross changes in fair values and the related tax impact are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are de-recognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

<u>Transfers</u>

Transfers to, or from, investment properties are made where there is a change in use, evidenced by:

- commencement of an operating lease to another party coupled with possession of financial means to retain the properties, for a transfer from inventories to investment property;
- commencement of owner-occupation, for a transfer from investment properties to property, plant and equipment;
- commencement of development with a view to sell, for a transfer from investment properties to development properties; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment properties.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Development properties

Development properties are properties being constructed or developed for future sale. Development properties are recorded as current assets and are stated at specifically identified cost, including capitalised borrowing costs directly attributable to the development of the properties, exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs, aggregate cost of development, materials and supplies, wages and other direct expenses, less any allowance considered necessary by the directors.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. Capitalisation of borrowing costs ceases upon the completion of development. The capitalisation rate is determined by reference to the actual rate payable on borrowings for properties for sale under development, weighted average as applicable.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

2(c) Summary of significant accounting policies (Cont'd)

Development properties (Cont'd)
Completed properties for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Financial assets
The accounting for financial assets before 1 January 2018 are as follows:
Financial assets, other than hedging instruments, can be divided into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

As at 31 December 2017, the Group carries loans and receivables and financial assets at fair value through profit or loss on the statements of financial position. The Group does not have held for maturity investments or available-for-sale financial assets at 31 December 2017.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables, bank deposits and cash and cash equivalents. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss.

2(c) Summary of significant accounting policies (Cont'd)

The accounting for financial assets from 1 January 2018 are as follows:

Financial instruments

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

At subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cashflow characteristics of the asset. The three measurement categories for clarification of debt instruments are:

- At amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method

- Fair value through other comprehensive income (FVOCI)

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in OCI and accumulated in fair value reserve, except for the recognition of impairment, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income and other operating expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

- Financial assets at FVTPL

Financial assets that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

2(c) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)
Investments in equity instruments
On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent change in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances, fixed deposits and monies held in project accounts.

At derecognition
A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Impairment of financial assets
The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI, and financial guarantee contracts. For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month ECL at initial recognition for all other financial assets. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrow or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy of other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment properties and properties under development, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

2(c) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, are charged pro-rata to the assets in the cash-generating unit.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Financial liabilities
The Group's financial liabilities include bank borrowings, and trade and other payables, excluding advances from customers and contractors. They are included in the statement of financial position items under "non-current financial liabilities", "current financial liabilities" and "trade and other payables".

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the amortisation process.

2(c) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)
Borrowings which are due to be settled within 12 months after the reporting date are included in current borrowings in the statement of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Borrowings to be settled within the Group's normal operating cycle are considered as current. Other borrowings due to be settled more than 12 months after the reporting date are included in non-current borrowings in the statement of financial position.

Financial guarantee
The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under SFRS(I)9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Perpetual convertible securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Dividends
Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because of the articles of association of the Company which grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Operating leases
<u>Where the Group is a lessor</u>
Assets leased out under operating leases are included in investment properties and are stated at fair value and not depreciated. Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

<u>Where the Group is a lessee</u>
Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as a reduction of rental expense on a straight-line over the term of the lease term.

2(c) Summary of significant accounting policies (Cont'd)

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Borrowing costs
Borrowing costs are recognised in profit or loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

Employee benefits
Short-term employee benefits
Short-term employee benefit obligations, including accumulated compensated absences, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Pension obligations
The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Pursuant to the relevant regulations of the PRC government, the employees of the subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to the statement of comprehensive income as incurred. The assets of the Central Pension Scheme are held separately from those of the PRC subsidiaries in independently administered funds.

Income taxes
Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

2(c) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)
A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Government grants
Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

Related parties
A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

2(c) Summary of significant accounting policies (Cont'd)

Related parties (Cont'd)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain key executive officers are considered key management personnel.

Revenue

Development properties for sale

The Group develops and sells residential and commercial projects to customers through fixed-price contracts. Revenue is recognised when the control over the residential and commercial projects has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the residential and commercial projects over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The residential and commercial projects undertaken by the Group do not have alternative use for the Group due to the contractual restriction and the Group does not have enforceable right to payment for performance completed to date. Accordingly, revenue is recognised only when the legal title passes to the buyer or when the equitable interest in the property vests with the buyer upon signing of the property handover notice by the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as "advances from customers" and are classified as "current liabilities".

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Rental income

Rental income arising on investment and development properties is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental to be received.

Rental income from sub-leased property is recognised as other income.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2(c) Summary of significant accounting policies (Cont'd)

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise perpetual convertible securities.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

Additional disclosures on operating segments are shown in Note 24 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3 Property, plant and equipment

The Group	Leasehold buildings RMB'000	Office equipment, furniture and fittings RMB'000	Motor vehicles RMB'000	Computers RMB'000	Total RMB'000
Cost					
At 1 January 2017	48,733	17,278	11,721	5,697	83,429
Additions	-	26	453	302	781
Disposals	-	(151)	(2,555)	(13)	(2,719)
Exchange difference on translation	-	38	-	1	39
At 31 December 2017	48,733	17,191	9,619	5,987	81,530
Additions	-	-	-	**475**	**475**
Disposals	-	**(30)**	**(1,522)**	**(72)**	**(1,624)**
Exchange difference on translation	-	**86**	-	**3**	**89**
At 31 December 2018	**48,733**	**17,247**	**8,097**	**6,393**	**80,470**
Accumulated depreciation					
At 1 January 2017	5,911	9,581	10,187	3,094	28,773
Depreciation for the year	2,338	3,416	306	521	6,581
Disposals	-	(22)	(2,299)	(12)	(2,333)
Exchange difference on translation	-	15	-	1	16
At 31 December 2017	8,249	12,990	8,194	3,604	33,037
Depreciation for the year	**2,334**	**2,819**	**158**	**867**	**6,178**
Disposals	-	**(27)**	**(1,369)**	**(67)**	**(1,463)**
Exchange difference on translation	-	**65**	-	**1**	**66**
At 31 December 2018	**10,583**	**15,847**	**6,983**	**4,405**	**37,818**
Net carrying amount					
At 31 December 2018	**38,150**	**1,400**	**1,114**	**1,988**	**42,652**
At 31 December 2017	40,484	4,201	1,425	2,383	48,493
At 1 January 2017	42,822	7,697	1,534	2,603	54,656

3 Property, plant and equipment (Cont'd)

The Company	Office equipment, furniture and fittings RMB'000	Computers RMB'000	Total RMB'000
Cost			
At 1 January 2017	2,535	86	2,621
Exchange difference on translation	38	1	39
At 31 December 2017	2,573	87	2,660
Disposals	-	(40)	(40)
Exchange difference on translation	86	3	89
At 31 December 2018	**2,659**	**50**	**2,709**
Accumulated depreciation			
At 1 January 2017	1,118	72	1,190
Depreciation for the year	465	10	475
Exchange difference on translation	15	1	16
At 31 December 2017	1,598	83	1,681
Depreciation for the year	467	3	470
Disposals	-	(38)	(38)
Exchange difference on translation	65	2	67
At 31 December 2018	**2,130**	**50**	**2,180**
Net carrying amount			
At 31 December 2018	**529**	**-**	**529**
At 31 December 2017	975	4	979
At 1 January 2017	1,417	14	1,431

4 Investment properties

The Group	2018 RMB'000	2017 RMB'000
At fair value,		
At 1 January	**4,472,910**	4,446,736
Investment properties sold	**(13,824)**	(13,153)
Net fair value gain recognised in profit or loss (Note 18)	**63,814**	39,327
At 31 December	**4,522,900**	4,472,910
Deferred lease incentives *	**12,996**	13,832
Total investment properties	**4,535,896**	4,486,742

* Deferred lease incentives relate to costs assumed by the Group on leasehold improvements to investment properties leased to tenants under operating leases. The lease incentives are recognised as an expense over the lease term on the same basis as the lease income.

The investment properties are carried at fair value at the end of the reporting period as determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a Hong Kong independent firm of professional valuers who have the appropriate recognised professional qualification and recent experience in the location and category of the investment properties being valued. The fair values are made annually based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Investment properties are valued on a highest and best use basis. The current use of the Group's investment properties is considered to be the highest and best use, unless there is evidence to the contrary.

The fair value of investment properties, classified as Level 3, has been derived using the direct comparison method, income capitalisation approach and discounted cash flow method. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The income capitalisation approach involves the estimation and projection of net rental incomes over a period and discounting them to present value. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.

4 Investment properties (Cont'd)

The investment properties are leased to non-related parties under operating leases.

The following amounts are recognised in profit or loss:

The Group	2018 RMB'000	2017 RMB'000
Rental income from investment properties	**185,085**	180,970
Direct operating expenses arising from investment properties that generated rental income	**(60,232)**	(49,339)
Direct operating expenses arising from investment properties that did not generate rental income	**(2,510)**	(2,342)

Details of the investment properties are as follows:

Location (Chongqing, PRC)	Name of project	Description	Gross Floor Area At 31 Dec 2018 (sq. meters)	At 31 Dec 2017 (sq. meters)	At 1 Jan 2017 (sq. meters)	Group's effective interest in the property	Tenure (years)
No.46 to 52 Cangbai Road, Yuzhong District	Southland Garden	Office, retail, storage and car parks	**13,129.85**	13,129.85	13,129.85	97%	40-year land use rights for commercial use, expiring in November 2042.
No.108 Bayi Road, Yuzhong District	New York, New York	Car parks	**277.15**	277.15	277.15	97%	40-year land use rights for commercial use, expiring in January 2042.
No.181 Minsheng Road, Yuzhong District	Minsheng Mansion	Office, retail, storage and car parks	**6,431.24**	6,431.24	7,345.03	97%	40-year land use rights for commercial use, expiring in September 2033.
No.6 Guanyinqiao, Pedestrian Street, Jiangbei District	Future International	Retail, storage and car parks	**82,227.46**	82,227.46	82,227.46	97%	40-year land use rights for commercial use, expiring in March 2045.
No.141 to 155 Zourong Road, Yuzhong District	Zou Rong Plaza	Retail, office and car parks	**6,805.51**	6,805.51	6,805.51	97%	50-year land use rights for commercial use, expiring in January 2046.
No.8 Bashu Road, Yuzhong District	Bashu Cambridge	Retail and car parks	**6,863.30**	6,863.30	6,968.80	97%	40-year land use rights for commercial use, expiring in September 2044.
No.19 Daping Zheng Jie, Yuzhong District	Ying Li International Plaza	Retail and car parks	**133,245.80**	133,245.80	133,245.80	100%	40-year land use rights for commercial use, expiring in July 2050.
No. 26 & 28 Minquan Road, Yuzhong District	Ying Li International Financial Centre	Retail, office and car parks	**95,114.39**	95,642.02	95,859.89	97%	40-year land use rights for commercial use, expiring in December 2044.

4 Investment properties (Cont'd)

As at 31 December 2018, investment properties with carrying value of approximately RMB 4,419,100,000 (2017 - RMB4,332,193,000; 1 January 2017 – RMB4,053,021,000) are mortgaged to banks to secure the bank loans granted to the Group (Note 15).

5 Subsidiaries

The Company	2018 RMB'000	2017 RMB'000
Unquoted equity investments, at cost		
At 1 January	**2,966,326**	2,966,258
Additions	**-**	136
Disposals	**-**	(68)
At 31 December	**2,966,326**	2,966,326

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective equity interest held by the Group			Cost of investment		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	**31 Dec 2018 RMB'000**	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Held by the Company								
Fortune Court Holdings Limited	Hong Kong	Investment holding	**100**	100	100	**2,584,794**	2,584,794	2,584,794
Chongqing Yingli Real Estate Development Co., Ltd ("CQYL")	PRC	Property development	**97**	97	97	**241,925**	241,925	241,925
Luckzone International Limited	British Virgin Islands ("BVI")	Investment holding	**100**	100	100	**139,069**	139,069	139,069
Shiny Profit Enterprises Limited	BVI	Investment holding	**-**	-	100	**-**	-	68
Peak Century Holdings Limited	BVI	Investment holding	**100**	100	100	**68**	68	68
Top Accurate Holdings Limited	BVI	Investment holding	**100**	100	100	**68**	68	68
Verdant View Limited	BVI	Investment holding	**100**	100	100	**65**	65	65
Vast Speed Holdings Limited	BVI	Investment holding	**100**	100	100	**65**	65	65
Brandway Investment Limited	BVI	Investment holding	**100**	100	100	**65**	65	65
Ever Perfect Enterprise Limited	BVI	Investment holding	**100**	100	100	**63**	63	63
First Regent International Limited	Hong Kong	Investment holding	**100**	100	100	**8**	8	8
Oxleyville Investments Limited	BVI	Investment holding	**100**	100	-	**68**	68	-
Shining Valour Investments Limited	BVI	Investment holding	100	100	-	**68**	68	-
						2,966,326	2,966,326	2,966,258

5 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective equity interest held by the Group		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Held by Ever Perfect Enterprise Limited					
Fully Rich Industrial Limited	Hong Kong	Purchasing of construction material and equipment	**100**	100	100
Held by Luckzone International Limited					
Chongqing Yingli Qipaifang Real Estate Development Co., Ltd	PRC	Property development	**100**	100	100
Held by Fortune Court Holdings Limited					
Chongqing Yingli Real Estate Development Co., Ltd	PRC	Property development	**97**	97	97
Held by Chongqing Yingli Real Estate Development Co., Ltd.					
Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd ("San Ya Wan")	PRC	Property development	**77.6**	77.6	77.6
Chongqing Lu Zu Temple Real Estate Co., Ltd	PRC	Property development	**99.8**	99.8	99.8
Chongqing Ying Li Guangsheng Hardware and Electrical Market Development Co., Ltd ("Guangsheng")	PRC	Property development, property management, property leasing and carpark services	**97**	97	97
Held by Peak Century Holdings Limited					
Yingli International Commercial Properties Management Co., Ltd.	PRC	Property consultancy, sale, marketing and management services	**100**	100	100
Chongqing Lion Equity Investment Partnership	PRC	Investment holding	**100**	100	100
Held by Yingli International Commercial Properties Management Co., Ltd					
Chongqing Yingli Retail Management Co., Ltd	PRC	Property consultancy, sale, marketing and management services	**100**	100	100
Chongqing Yingli Zhuoyue Retail Management Co., Ltd	PRC	Property consultancy, sale, marketing and management services	**100**	100	100
Held by Top Accurate Holdings Limited					
Chongqing Lu Zu Temple Real Estate Co., Ltd	PRC	Property development	**99.8**	99.8	99.8
Held by Verdant View Limited:					
Chongqing Lion Equity Investment Partnership	PRC	Investment holding	**100**	100	100
Held by Chongqing Lion Equity Investment Partnership					
Chongqing Yingli Retail Management Co., Ltd	PRC	Property consultancy, sale, marketing and management services	**100**	100	100
Held by First Regent International Limited					
Perfect Summit Limited	Hong Kong	Investment holding	**100**	100	100
Held by Brandway Investment Limited					
Chongqing Kai Yi Yu Commercial Management Co., Ltd	PRC	Investment holding	**100**	100	-

5 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective equity interest held by the Group		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Held by Shiny Profit Enterprises Limited					
Chongqing Yingli Shiny Profit Real Estate Co., Ltd.	PRC	Property development	-	-	100

All subsidiaries of the Group, as listed above, are audited by Foo Kon Tan LLP for consolidation purposes.

Disposal of subsidiaries

In December 2017, the Company disposed of its 100% equity interests in Shiny Profit Enterprises Limited and Chongqing Yingli Shiny Profit Real Estate Co., Ltd. (collectively, "the Disposal Group") to an unrelated party for a consideration of RMB2,035,350,000 receivable in 4 tranches within one year.

The effect of the loss of control in subsidiaries on the cash flow of the Disposal Group was as follow:

	2017 RMB'000
Plant and equipment	109
Property under development	2,553,887
Trade and other receivables	825,738
Cash and bank balances	480
Borrowings	(820,000)
Trade and other payables	(643,219)
Net identified assets on disposal	1,916,995
Gain on disposal (Note 18)	118,355
Total consideration, to be satisfied in cash	2,035,350
Analysis of net flow of cash and bank balances arising on disposal:	
Cash consideration received	-
Cash and bank balances of the Disposal Group	480
Net cash outflow on disposal	(480)

Summarised financial information in respect of all the Group's subsidiaries in the PRC that have non-controlling interests (NCI) are set out below.

The summarised financial information below represents amounts before intra-group eliminations.

Summarised statement of financial position

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
As at 31 December 2018				
Current assets	2,466,153	587,264	1,176,077	4,229,494
Non-current assets	2,638,552	15,270	31,639	2,685,461
Total assets	5,104,705	602,534	1,207,716	6,914,955
Current liabilities	1,531,820	319,499	913,533	2,764,852
Non-current liabilities	1,956,926	-	-	1,956,926
Total liabilities	3,488,746	319,499	913,533	4,721,778
Equity attributable to owners of the Company	1,615,959	283,035	294,183	2,193,177
Net assets attributable to NCI	*	56,607	*	56,607

5 Subsidiaries (Cont'd)

Summarised statement of financial position (Cont'd)

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
As at 31 December 2017				
Current assets	2,327,913	664,528	1,459,387	4,451,828
Non-current assets	2,648,287	260	31,526	2,680,073
Total assets	4,976,200	664,788	1,490,913	7,131,901
Current liabilities	1,276,112	362,175	1,219,781	2,858,068
Non-current liabilities	2,052,275	6,587	-	2,058,862
Total liabilities	3,328,387	368,762	1,219,781	4,916,930
Equity attributable to owners of the Company	1,647,813	296,026	271,132	2,214,971
Net assets attributable to NCI	*	59,202	*	59,202

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
As at 1 January 2017				
Current assets	1,581,996	729,068	1,485,388	3,796,452
Non-current assets	2,635,900	392	112	2,636,404
Total assets	4,217,896	729,460	1,485,500	6,432,856
Current liabilities	639,476	424,755	1,244,120	2,308,351
Non-current liabilities	1,925,181	11,485	-	1,936,666
Total liabilities	2,564,657	436,240	1,244,120	4,245,017
Equity attributable to owners of the Company	1,653,239	293,220	241,380	2,187,839
Net assets attributable to NCI	*	58,644	*	58,644

Summarised statement of comprehensive income

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
2018				
Revenue	**130,760**	**36,821**	**349,253**	**516,834**
(Loss)/profit for the year	**(31,855)**	**(12,978)**	**23,051**	**(21,782)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive (loss)/income	**(31,855)**	**(12,978)**	**23,051**	**(21,782)**
Attributable to NCI:				
- Loss for the year	*****	**(2,595)**	*****	**(2,595)**
- Other comprehensive income	*****	**-**	*****	**-**
Total comprehensive loss attributable to NCI	*****	**(2,595)**	*****	**(2,595)**

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
2017				
Revenue	145,211	172,772	501,977	819,960
(Loss)/profit for the year	(5,425)	2,790	29,752	27,117
Other comprehensive income	-	-	-	-
Total comprehensive income	(5,425)	2,790	29,752	27,117
Attributable to NCI:				
- Profit for the year	*	558	*	558
- Other comprehensive income	*	-	*	-
Total comprehensive income attributable to NCI	*	558	*	558

5 Subsidiaries (Cont'd)

Other summarised information

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
2018				
Cash outflow from operating activities	(66,953)	(53,612)	(92,664)	(213,229)
Cash outflow from investing activities	(5)	-	-	(5)
Cash (outflow)/inflow from financing activities	(172,313)	50,549	102,175	(19,589)
Net cash (outflow)/inflow	(239,271)	(3,063)	9,511	(232,823)

	CQYL RMB'000	San Ya Wan RMB'000	Guangsheng RMB'000	Total RMB'000
2017				
Cash (outflow)/inflow from operating activities	(572,069)	166,343	(34,458)	(440,184)
Cash inflow from investing activities	(31)	–	(31,484)	(31,515)
Cash inflow/(outflow) from financing activities	785,543	(190,688)	69,927	664,782
Net cash inflow/(outflow)	213,443	(24,345)	3,985	193,083

* Non-controlling shareholders in CQYL have waived all their rights to receive dividends and/or other distributions (whether in the form of cash or as distributions-in-specie save for bonus shares) declared by CQYL out of its retained earnings or profits in any particular financial year to its shareholders following the Company's completion of the reverse acquisition of Fortune Court Holdings Limited in 2008.

6 Other investment

The Group	2018 RMB'000	2017 RMB'000
Unquoted investment in limited partnership at fair value through profit or loss		
At fair value,		
Balance at 1 January	880,000	620,000
Fair value gain recognised in profit or loss (Note 18)	128,000	260,000
Balance at 31 December	1,008,000	880,000

Unquoted investment in limited partnership relates to a subsidiary's investment of RMB559 million (at cost) to subscribe 26.0% of the subordinated shares in Shanghai Zhaoli Investment Centre (LLP)(the "Investee") where it invested directly in Shanghai Sheng Ke Investment Centre (LLP). The objective of the investment is to jointly participate in the Beijing Tongzhou Project as Shanghai Sheng Ke Investment Centre (LLP) owns the project companies holding the Beijing Tongzhou Project (the "Project").

Although the Group holds 26.0% equity interest in the Investee, management has assessed that the Group neither has control nor significant influence over the investee as it does not have the power to participate in the financial and operating policy decisions of the Investee.

The unquoted investment in limited partnership are carried at fair value at the end of the reporting period as determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a Hong Kong independent firm of professional valuers who have the appropriate recognised professional qualification and recent experience in the financial asset being valued.

The valuation of the unquoted investment in limited partnership is based on the fair value of the Project, which is measured using the direct comparison method and residual method, depending on the stage of development of the individual project phases.

6 Other investment (Cont'd)

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the properties. The residual method derives the value of the property under development after deducting the total gross development costs and developer's profit from the gross development value.

As at 31 December 2018, the mortgage over the unquoted investment in the limited partnership was discharged following the repayment of the loan of RMB 540,000,000 during the current financial year. As at 31 December 2017, the unquoted investment in the limited partnership was mortgaged to secure a loan for the Group (Note 15).

7 Development properties

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Properties under development, at cost	**241,863**	778,822	3,600,520
Completed properties for sale, at cost	**1,603,412**	1,320,969	1,586,690
	1,845,275	2,099,791	5,187,210
During the year:			
- Borrowing costs capitalised	**5,456**	89,303	218,354
- Transfer to investment properties	**-**	-	(49,673)
- Units sold included in cost of sales	**(469,253)**	(711,128)	(758,968)

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Properties under development, at cost			
Expected completion date:			
- within the next 12 months	**63,460**	600,419	910,701
- beyond 12 months	**178,403**	178,403	2,689,819
	241,863	778,822	3,600,520

Properties under development and completed properties for sale as at 31 December 2018 are as follows:

Properties under development

Location (Chongqing, PRC)	Intended use	Stage of completion	Expected date of completion	Site area (sq. meters)	Approximate gross floor area (sq. meters)	Group's effective interest
Ying Li International Hardware and Electrical Centre Phase 3 No. 9 Shan Hu Avenue, Shuangfu Area, Jiangjin District	Built-to-Order showrooms, warehouse and car parks	17%	2019 and beyond (in phases)	143,210	257,779	97%
San Ya Wan Phase 2 Jinshi Avenue National Agricultural and Technology Zone, Yubei District	Retail, residential and car parks	43%	2020 (in phases)	18,288	56,098	77.6%

7 Development properties (Cont'd)

Completed properties for sale

Location (Chongqing, PRC)	Intended use	Gross floor area (sq. meters)	Group's effective interest
Ying Li International Plaza No.19 Daping Zheng Jie, Yuzhong District	Office and car parks	**64,502**	**100%**
Ying Li International Financial Centre No. 26 & 28 Minquan Road, Yuzhong District	Office and car parks	**39,051**	**97%**
San Ya Wan Phase 2 Jinshi Avenue, National Agricultural and Technology Zone, Yubei District	Retail, residential and car parks	**89,860**	**77.6%**

At 31 December 2018, development properties with a carrying value totalling approximately RMB 1,071,589,000 (2017 - RMB1,248,334,000; 1 January 2017 – RMB3,709,849,000) were mortgaged to secure certain bank loans granted to subsidiaries of the Group (Note 15).

8 Trade and other receivables

	The Group			The Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (restated)	1 January 2017 RMB'000
Trade receivables	**47,149**	35,493	78,272	-	-	-
Less: Allowance for impairment losses	**(3,271)**	(3,271)	-	-	-	-
Net trade receivables	**43,878**	32,222	78,272	-	-	-
Deposits for land tender (Note A)	-	444,748	402,946	-	-	-
Other deposits	**625**	606	586	**613**	595	585
Refundable deposits	**19,868**	31,623	53,435	-	-	-
Consideration receivable from disposal of subsidiaries	**415,350**	2,035,350	-	**101,260**	1,204,734	-
Consideration receivable from disposal of a land parcel (Note B)	**1,250,000**	-	-	-	-	-
Others	**48,843**	73,660	29,730	**66**	62	152
Other receivables	**1,734,686**	2,585,987	486,697	**101,939**	1,205,391	737
Financial assets at amortised costs	**1,778,564**	2,618,209	564,969	**101,939**	1,205,391	737
Prepayments (Note C)	**243,703**	256,666	240,602	**1,743**	6,405	5,954
Advances to sub-contractors and vendors	**9,125**	42,750	36,188	-	-	-
	252,828	299,416	276,790	**1,743**	6,405	5,954
Total trade and other receivables	**2,031,392**	2,917,625	841,759	**103,682**	1,211,796	6,691

Note A:
As at 31 December 2017, deposit for land tender for the parcel of land as disclosed in Note B includes an amount of RMB267 million bearing interest at 13% per annum (1 January 2017 - RMB 267 million bearing interest at 13% per annum).

8 Trade and other receivables (Cont'd)

Note B
As at 31 December 2017, the Group made total payments of approximately RMB 515 million, comprising deposits and prepayments (See Notes A and C) in respect of the land parcel. An additional payment of RMB 522 million was made to the entity that owns the land parcel to fund the remaining acquisition costs of the parcel of land in FY2018. Pursuant to the disposal of the equity interest in the entity, a gain on disposal was recorded in the consolidated statement of comprehensive income for the financial year ended 31 December 2018.

Note C
Prepayments includes (i) Prepaid land related costs placed with third parties of RMB 70.0 million (31 December 2017 & 1 January 2017 – RMB 7.4 million); (ii) amounts for land tender of Nil (31 December 2017 & 1 January 2017 – RMB 75.0 million); (iii) sales and business taxes on pre-sold properties and loan upfront fees of RMB 140,816,000 (31 December 2017: - RMB136,096,000; 1 January 2017 – RMB106,225,000).

Financial assets that are neither past due nor impaired
Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Group and Company.

Financial assets that are past due but not impaired
The ageing of financial assets at amortised cost that are past due but not impaired at the reporting date is as follows:

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due but not impaired:			
- less than 3 months	80,258	-	-
- 3 months to less than 6 months	-	-	-
- 6 months to less than 9 months	-	-	-
- 9 months to less than 12 months	-	813	223
- 12 months and more	224	40	743
	80,482	853	966

Financial assets that are past due and impaired
The ageing of financial assets at amortised cost that are past due and impaired at the reporting date is as follows:

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Past due and impaired:			
- 12 months and more	3,271	3,271	-
	3,271	3,271	-

Movements in allowance for impairment loss for trade and other receivables were as follows:

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
At 1 January	3,271	-	-
Impairment loss recognised	-	3,271	-
At 31 December	3,271	3,271	-

9 Amounts owing from/to subsidiaries (non-trade)

The non-trade amounts owing from/to subsidiaries, comprising mainly advances, are unsecured, interest free and repayable on demand.

10 Cash and bank balances

	The Group			The Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (restated)	1 January 2017 RMB'000
Cash and bank balances	**415,360**	538,223	593,190	**15,488**	9,184	12,109
Fixed deposits	**335,150**	88,687	83,125	**-**	-	-
Cash and bank balances	**750,510**	626,910	676,315	**15,488**	9,184	12,109
Less: Restricted bank balance #	**(371,453)**	(166,488)	(453,190)	**-**	-	-
Cash and cash equivalents per consolidated cash flow statement	**379,057**	460,422	223,125	**15,488**	9,184	12,109

Bank balances have a weighted average interest rate of 2.05% (2017 - 3.05%) per annum.

Restricted bank balance represents: (i) bank balances of RMB 36,302,000 (31 December 2017 - RMB 65,420,000, 1 January 2017 - RMB 163,865,000) pledged to banks for sales of mortgaged properties to customers and interest reserve account on bank loans; and (ii) bank balances of RMB 250,150,000 (2017 - RMB 101,067,000; 1 January 2017 - RMB 289,325,000) pledged to banks to secure banking facilities granted to the Group entities (Note 15).

11 Share capital

The Company	No. of ordinary shares			Amount		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Issued and fully paid, with no par value						
At beginning and at end of year	**2,557,040,024**	2,557,040,024	2,557,040,024	**4,028,372**	4,028,372	4,028,372

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

12 Perpetual convertible securities

In October 2014, the Company issued perpetual subordinated convertible securities (the "Perpetual Convertible Securities") with an initial aggregate principal amount of Singapore dollars S$185 million comprising Tranche 1 and Tranche 2 amounting to S$165 million and S$20 million, respectively. The details of the Perpetual Convertible Securities are set out in the circular dated 18 August 2014 (the "Circular"). The issue of the Perpetual Convertible Securities generated gross proceeds of RMB 902,097,000 and net proceeds of RMB 878,970,000 after deducting RMB 23,127,000 of transaction costs. The Perpetual Convertible Securities have no fixed maturity.

12 Perpetual convertible securities (Cont'd)

The Perpetual Convertible Securities are convertible into 581,761,006 new shares of the Company at an initial conversion price of S$0.318 per share.

Tranche 1 Perpetual Convertible Securities can be redeemed by the Company after the date of the fifth anniversary of the relevant issue date. Tranche 2 Perpetual Convertible Securities can be redeemed by the Company during the following periods: (i) between the second anniversary of the issue date (including the date of the second anniversary of the issue date) and the third anniversary from the issue date (but excluding the date of the third anniversary from the Issue Date); and (ii) after the date of the fifth anniversary from the issue date.

The Perpetual Convertible Securities confer on the holder a right to receive a distribution at a pre-determined date at a rate of 8.75% per annum on principal till the third anniversary from the issue date (but excluding the date of the third anniversary from the issue date), and subsequently at other rates as detailed in the Circular. The Company may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

While any distributions are unpaid or deferred, the Company shall not declare or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on or redeem, reduce, cancel, buyback or acquire for any consideration any share capital thereof (including preference shares) or security issued by the Company which ranks or is expressed to rank pari passu with Perpetual Convertible Securities.

Distribution for the year ended 31 December 2018 was RMB 105,376,000 (2017 - RMB90,867,000).

The holder of the convertible securities has the right to convert such convertible securities into shares of the Company at any time between the expiry of three years from the issue date (including the date of the third anniversary from the issue date) and the expiry of six years from the issue date (excluding the date of the sixth anniversary of the issue date).

As the Perpetual Convertible Securities impose no contracted obligation on the Group to repay its principal or to pay any distributions, they do not meet the definition for classification of a financial liabilities. As a result, the whole instrument is classified as equity, and respective distributions, if and when declared, are treated as equity dividends.

13 Other reserves

		The Group			**The Company**	
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Reverse acquisition reserve	**(1,993,712)**	(1,993,712)	(1,993,712)	-	-	-
Statutory common reserve	**91,018**	88,588	80,570	-	-	-
Convertible bonds reserve	**42,458**	42,458	42,458	**42,458**	42,458	42,458
Translation reserve	**(62,172)**	(14,769)	13,468	**(8,576)**	(24,383)	(45,503)
	(1,922,408)	(1,877,435)	(1,857,216)	**33,882**	18,075	(3,045)

The reverse acquisition reserve relates to the excess of purchase consideration over the fair value of the net assets of Fortune Court Holdings Limited acquired under a reverse acquisition in 2008.

The statutory common reserve represents the amount transferred from profit after taxation of the subsidiaries incorporated in the PRC in accordance with the PRC requirement. The statutory common reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

13 Other reserves (Cont'd)

The convertible bonds reserve relates to the equity component of the convertible bonds issued in prior years retained within equity upon redemption.

The translation reserve records exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

14 Deferred tax assets/liabilities

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Deferred tax assets - to be recoverable beyond one year	**27,529**	27,529	28,108
Deferred tax liabilities - to be settled beyond one year	**(641,795)**	(634,322)	(573,209)

As at 31 December 2018, deferred tax assets of RMB 27,529,000 (2017 - RMB27,529,000; 1 January 2017 - RMB28,108,000) relates to temporary difference arising from unutilised tax losses of the PRC subsidiaries in which management expects to utilise in the foreseeable future.

As at 31 December 2018, deferred tax liabilities of RMB 641,795,000 (2017 - RMB634,322,000; 1 January 2017 - RMB573,209,000) mainly relates to temporary differences arising from fair value gain on investment properties and unquoted investment in limited partnership.

Movement in temporary differences during the year is as follows:

Group	At 1 January 2017 RMB'000	Recognised in profit or loss RMB'000 (Note 20)	At 31 December 2017 RMB'000	Recognised in profit or loss RMB'000 (Note 20)	At 31 December 2018 RMB'000
Deferred tax assets	28,108	(579)	27,529	-	27,529
Deferred tax (liabilities)	(573,209)	(61,113)	(634,322)	(7,473)	(641,795)
	(545,101)	(61,692)	(606,793)	(7,473)	(614,266)

At 31 December 2018, deferred tax liabilities amounting to RMB162,230,000 (2017 - RMB161,978,000; 1 January 2017 – RMB157,216,000) had not been recognised in respect of withholding tax payable on the undistributed profits of certain subsidiaries as the Group is able to control both the timing of distribution of profits and disposal of these subsidiaries.

15 Borrowings

		The Group			The Company		
	Maturity	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Loans from financial institutions (secured)							
- repayable within one year or less	2019	**602,845**	792,662	1,864,189	**187,588**	28,291	53,339
- repayable after one year but within the normal operating cycle	2019-2020	**180,000**	300,000	1,140,033	**-**	-	-
Floating Rate Notes (unsecured)	2019	**343,950**	-	-	**343,950**	-	-
Presented as current liabilities		**1,126,795**	1,092,662	3,004,222	**531,538**	28,291	53,339
Loans from financial institutions (secured)	2020-2028	**2,166,724**	2,494,430	1,457,056	**-**	-	-
Floating Rate Notes (unsecured)	2019	**-**	325,997	347,503	**-**	325,997	347,503
Presented as non-current liabilities		**2,166,724**	2,820,427	1,804,559	**-**	325,997	347,503
Total borrowings		**3,293,519**	3,913,089	4,808,781	**531,538**	354,288	400,842

Loans from financial institutions (secured)

Loans from financial institutions attributable to funding of property development due for repayment twelve months after the reporting date are classified as current liabilities in line with the normal operating cycle of the Group's business.

The Company has provided guarantees to banks in respect of banking facilities granted to Group entities amounting to RMB 998,975,000 (2017 – RMB995,664,000; 1 January 2017 – RMB967,101,000). The current interest rate charged by the lenders on the loans to the subsidiaries is at market rate and is consistent with the borrowing cost of the subsidiaries without corporate guarantees. The Company has assessed that the fair value of corporate guarantees is immaterial. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

As at 31 December 2018, the loans from financial institutions are secured by:

(a) mortgage over certain investment properties (Note 4) with carrying value of approximately RMB 4,419,100,000 (2017 – RMB4,332,193,000; 1 January 2017 – RMB4,053,021,000). The Group's shareholdings in certain subsidiaries are charged as part of the loan agreements;
(b) mortgage over certain development properties with carrying value totalling approximately RMB 1,071,589,000 (2017 – RMB1,248,334,000; 1 January 2017 – RMB3,709,849,000) (Note 7);
(c) intra-group corporate guarantees from certain Group entities;
(d) bank balances pledged amounting to RMB250,150,000 (2017 - RMB101,067,100; 1 January 2017 - RMB289,325,000) (Note 10); and
(e) personal guarantee from a director for a loan obtained from a financial institution.

The overall borrowings have a weighted average interest rate of 6.03% (2017 – 6.45%; 1 January 2017 - 6.91%) per annum at the reporting date.

Floating Rate Notes (unsecured)

On 14 April 2016, the Company issued unsecured floating rate notes (the "Notes") denominated in United States Dollars with a nominal value of US$50,000,000 to certain subscribers via an agent bank. The Notes bear interest based on the offer rate for six-month U.S. dollar deposits which was 7.219% (2017 - 6.475%; 1 January 2017 – 6.058%) at the reporting date. Interest is payable semi-annually. The notes are repayable three years from the issue date. Prior to the maturity of the Notes, the Company may redeem the Notes, in whole or in part, based on the stipulated redemption price at the point of redemption.

16 Trade and other payables

	The Group			The Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Trade payables	**266,411**	393,757	542,693	**-**	-	-
Other tax payables	**51,681**	43,695	101,539	**-**	-	-
Accrued expenses	**170,185**	143,101	91,525	**85,915**	69,555	62,380
Rental deposits received	**74,098**	60,526	64,474	**-**	-	-
Project security deposits	**3,000**	15,000	15,085	**-**	-	-
Others	**27,094**	31,809	7,223	**-**	-	-
Financial liabilities carried at amortised cost	**592,469**	687,888	822,539	**85,915**	69,555	62,380
Advances from customers	**154,233**	411,034	442,476	**-**	-	-
Total trade and other payables	**746,702**	1,098,922	1,265,015	**85,915**	69,555	62,380

17 Revenue

Disaggregation of revenue from contracts with customers excluding inter-company transactions as follows:-

The Group	**2018 RMB'000**	2017 RMB'000
Sale of properties (at a point in time)	**612,393**	892,967
Rental income (over time)	**208,660**	207,222
	821,053	1,100,189

18 Other income

The Group	**2018 RMB'000**	2017 RMB'000
Interest income from		
- fixed and other deposits	**3,462**	29,817
- bank balances	**2,359**	1,200
Total interest income	**5,821**	31,017
Sublet rental income	**365**	405
Government grants	**5**	803
Sundry income	**3,600**	4,079
Advertisement income	**1,336**	1,209
Gain on disposal of a land parcel/subsidiaries	**227,277**	118,355
Fair value gain on investment properties (Note 4)	**63,814**	39,327
Fair value gain on other investment (Note 6)	**128,000**	260,000
Others	**424,397**	424,178
Total other income	**430,218**	455,195

19 Profit before tax

The following items have been included in arriving at profit before tax:

The Group	Note	2018 RMB'000	2017 RMB'000
Amortisation of deferred lease incentives		5,936	3,738
Depreciation of property, plant and equipment	3	6,178	6,581
Exchange loss/(gain), net		17,924	(30,228)
Loss on disposal of property, plant and equipment		161	386
Operating lease expenses		2,390	2,592
Finance costs:			
- loans from financial institutions		178,792	114,800
- Floating Rate Notes		24,490	21,481
		203,282	136,281
Directors' fees		1,264	1,441
Directors' remuneration other than directors' fee			
- Salaries, wages and other related costs		10,668	4,769
- Contributions to defined contribution plans		97	128
Key management personnel (other than directors)			
- Salaries, wages and other related costs		9,291	13,130
- Contributions to defined contribution plans		323	434
		21,643	19,902
Other than directors and key management personnel			
- Salaries, wages and other related costs		34,552	30,998
- Contributions to defined contribution plans		3,990	4,790
Total staff costs		60,185	55,690

20 Tax expense

Major components of income tax expense

The major components of income tax expenses for the year ended 31 December 2018 and 31 December 2017 are:

The Group	2018 RMB'000	2017 RMB'000
Current tax expense		
Current year	35,375	25,171
Deferred tax expense		
Current year movements in temporary differences (Note 14)	7,473	61,692
	42,848	86,863

Relationship between tax expenses and profit before tax

The Company, which is established in Singapore, is subject to Singapore income tax at 17% (2017 - 17%). The Group's operating subsidiaries are located in PRC which are subject to PRC income tax rate at 25% (2017 - 25%).

The Group	2018 RMB'000	2017 RMB'000
Profit before tax	290,810	437,665
Tax at applicable statutory tax rates	72,703	109,416
Tax effects on non-deductible expenses	26,964	7,035
Tax effect on non-taxable income	(56,819)	(29,588)
	42,848	86,863

Non-deductible expense relates mainly to interest expense not deductible for tax purposes. Income not subject to tax comprises gain on disposal of subsidiaries not subject to tax.

21 Earnings per share

The Group	2018 RMB'000	2017 RMB'000
Profit attributable to ordinary shareholders of the Company	250,557	350,244

The Group		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,557,040,024	2,557,040,024
Adjustments for potential dilutive shares - perpetual convertible securities	581,761,006	581,761,006
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	3,138,801,030	3,138,801,030
Earnings per share (RMB):		
- Basic	0.10	0.14
- Diluted	0.08	0.11

22 Related party transactions

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

The Group	2018 RMB'000	2017 RMB'000
Fees paid / payable to a subsidiary of a substantial shareholder for securing credit facilities to fund the Group's property development projects	5,609	10,431
Interest expense charged by related corporations of a shareholder	24,701	41,167
Management fees charged by a joint venture of a shareholder	4,563	4,661
Staff costs paid to a joint venture of a shareholder	265	1,341
Distribution on perpetual convertible securities paid/payable to a substantial shareholder	105,376	90,867

23 Commitments

(a) Properties commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

The Group	2018 RMB'000	2017 RMB'000
Development and investment properties expenditure contracted but not provided for in the financial statements	1,877,286	1,060,399

(b) Loan arrangement fee commitment

The Group	2018 RMB'000	2017 RMB'000
Not later than one year	-	12,000
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	12,000

23 Commitments (Cont'd)

(c) Lease commitments - *Where the Group and the Company are lessee*

At the reporting date, the Group and the Company were committed to making the following rental payments in respect of non-cancellable operating lease of office premises.

	The Group		The Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**2,451**	2,372	**2,451**	2,372
Later than one year and not later than five years	**204**	2,569	**204**	2,569
Later than five years	**-**	-	**-**	-
	2,655	4,941	**2,655**	4,941

The lease on the Company's office premise will expire in January 2020, subject to an option to renew the lease after its expiry date.

(d) Lease commitments - *Where the Group is the lessor*

At the reporting date, the Group had the following rental receivable under non-cancellable operating leases for commercial premises with term of more than one year:

The Group	**2018** **RMB'000**	2017 RMB'000
Not later than one year	**167,336**	190,043
Later than one year and not later than five years	**413,581**	458,396
Later than five years	**305,786**	330,628
	886,703	979,067

The operating leases of these commercial premises expire between 2019 and 2030 and contain renewal options.

24 Operating segments

For management reporting purposes, the Group is organised into the following reportable operating segments which are the Group's strategic business units as follows:

(1) Property investment segment relates to the business of leasing properties to earn rentals;

(2) Property development segment relates to the sales of developed properties; and

(3) Others comprise mainly corporate office functions and investment in shares.

The Group Chief Executive Officer ("Group CEO") monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intersegment pricing is determined on an arm's length basis.

The Group's income taxes are managed on a group basis and are not allocated to operating segments.

24 Operating segments (Cont'd)

	31 December 2018				31 December 2017			
	Property investment RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000	Property investment RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Revenue	208,660	612,393	-	821,053	207,222	892,967	-	1,100,189
Segment results	63,283	56,601	(55,848)	64,036	55,746	15,629	47,554	118,929
Interest income	-	-	5,821	5,821	-	-	31,017	31,017
Interest expense	-	-	(203,282)	(203,282)	-	-	(136,281)	(136,281)
Sublet rental income	-	-	365	365	-	-	405	405
Government grants	-	5	-	5	-	803	-	803
Advertisement income	1,336	-	-	1,336	1,209	-	-	1,209
Sundry income	3,519	-	80	3,599	3,509	-	778	4,287
Fair value gain on investment properties	63,814	-	-	63,814	39,327	-	-	39,327
Gain on disposal of a land parcel/subsidiaries	-	227,277	-	227,277	-	118,355	-	118,355
Fair value gain on other investment	-	128,000	-	128,000	-	260,000	-	260,000
Loss on disposal of property	-	-	(161)	(161)	-	-	(386)	(386)
Profit before tax	131,952	411,883	(253,025)	290,810	99,791	394,787	(56,913)	437,665
Segment assets	4,640,408	4,290,331	1,282,986	10,213,725	4,592,097	4,812,674	1,654,790	11,059,561
Total assets				10,241,254				11,087,090
Segment liabilities	72,823	3,614,705	352,693	4,040,221	64,765	4,622,503	324,743	5,012,011
Total liabilities				4,852,362				5,793,381
Other information								
Exchange (loss)/gain, net	-	(17,924)	-	(17,924)	-	30,228	-	30,228
Capital expenditure	-	-	475	475	-	-	781	781
Depreciation of property, plant and equipment	-	-	(6,178)	(6,178)	-	-	(6,581)	(6,581)
Amortisation of deferred lease incentives	(5,936)	-	-	(5,936)	(,3,738)	-	-	(3,738)

The Group derived all of its revenue from the PRC and its non-current assets (i.e. investment properties and property, plant and equipment) are mainly located in the PRC. Therefore, no geographical segment information is presented.

There is no single external customer or group of customers who accounts for 10% or more of the Group's revenue. Therefore, no information about major customers is disclosed.

24 Operating segments (Cont'd)

Reportable segments' assets are reconciled to total assets as follows:

The Group	2018 RMB'000	2017 RMB'000
Segment assets	**10,213,725**	11,059,561
Unallocated assets		
Deferred tax assets (Note 14)	**27,529**	27,529
Total assets per consolidated financial statements	**10,241,254**	11,087,090

Reportable segments' liabilities are reconciled to total liabilities as follows:

The Group	2018 RMB'000	2017 RMB'000
Segment liabilities	**4,040,221**	5,012,011
Unallocated liabilities		
Deferred tax liabilities (Note 14)	**641,795**	634,322
Current tax payables	**170,346**	147,048
Total liabilities per consolidated financial statements	**4,852,362**	5,793,381

25 Financial risk management objectives and policies

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables. For the Group's trade receivables measured at amortised cost, the Group has guidelines governing the process of granting credit as a service or product provider in its respective segments of business. The Group's trade receivables relate mainly to the Group's customers who bought its residential and commercial units and tenants from its commercial buildings and shopping malls.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group closely monitors and avoids any significant concentration of credit risk on any of its development properties sold. In addition, receivable balances and payment profile of the debtors are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

25 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)
In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers under each business.

At the reporting date, other than as disclosed in the ageing analysis in Note 8, no allowance for impairment is necessary in respect of trade and other receivables past due and not past due based on the credit quality and past collection history of the counterparties.

At the reporting date there is no significant concentration of credit risk in respect of trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The cash and cash equivalents are held with banks of good credit rating.

The Company has provided guarantees to a bank in respect of banking facilities granted to certain subsidiaries amounting to RMB 998,975,000 (2017 - RMB 995,664,000) (Note 15). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises from its variable rate bank borrowings and bank balances. The Group's policy is to obtain the most favourable interest rates available.

Interests on borrowings from financial institutions are repriced within 12 months (2017 - 12 months).

At the end of each reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Fixed rate instruments			
Financial assets			
- Bank balances	**335,150**	88,687	83,125
Financial liabilities			
- Loans from financial institutions	**(447,588)**	(1,004,176)	(874,326)
	(112,438)	(915,489)	(791,201)
Variable rate instruments			
Financial assets			
- Bank balances	**415,360**	538,223	593,190
Financial liabilities			
- Loans from financial institutions	**(2,501,981)**	(2,582,916)	(3,586,952)
- Floating rate notes	**(343,950)**	(325,997)	(347,503)
	(2,430,571)	(2,370,690)	(3,341,265)

25 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

The Company	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Fixed rate instruments			
Financial liabilities			
- Loans from financial institutions	**(187,588)**	(28,291)	(53,339)
	(187,588)	(28,291)	(53,339)
Variable rate instruments			
Financial assets			
- Bank balances	**15,488**	9,184	12,109
Financial liabilities			
- Floating rate notes	**(343,950)**	(325,997)	(347,503)
	(328,462)	(316,813)	(335,394)

Sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of each reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
For the variable rate financial assets and liabilities, a 50 basis points ("bp") change in interest rates at the reporting date would have increased/decreased profit before tax and equity by amounts as shown below. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's policy is to obtain the most favourable interest rates available without increasing its interest exposure.

	Profit before tax --------increase/(decrease)--------		Equity --------increase/(decrease)--------	
The Group	(50 bp Increase) RMB'000	(50 bp Decrease) RMB'000	(50 bp Increase) RMB'000	(50 bp Decrease) RMB'000
31 December 2018				
Variable rate borrowings	**(14,230)**	**14,230**	**(14,230)**	**14,230**
Variable rate bank balances	**2,077**	**(2,077)**	**2,077**	**(2,077)**
	(12,153)	**12,153**	**(12,153)**	**12,153**
31 December 2017				
Variable rate borrowings	(12,915)	12,915	(12,915)	12,915
Variable rate bank balances	2,645	(2,645)	2,645	(2,645)
	(10,270)	10,270	(10,270)	10,270

25 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

	Profit before tax		Equity	
	--------increase/(decrease)--------		--------increase/(decrease)--------	
	(50 bp Increase)	(50 bp Decrease)	(50 bp Increase)	(50 bp Decrease)
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
31 December 2018				
Variable rate borrowings	**(1,720)**	**1,720**	**(1,720)**	**1,720**
Variable rate bank balances	**77**	**(77)**	**77**	**(77)**
	(1,643)	**1,643**	**(1,643)**	**1,643**
31 December 2017				
Variable rate borrowings	(1,630)	1,630	(1,630)	1,630
Variable rate bank balances	46	(46)	46	(46)
	(1,584)	1,584	(1,584)	1,584

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has currency exposures arising from transactions denominated in currencies other than their respective functional currencies. The foreign currencies giving rise to this risk are primarily the Renminbi (RMB), United States dollar (USD) and Hong Kong dollar (HKD).

The Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Group's exposures in financial instruments to the various foreign currencies are mainly as follows:

The Group	**In RMB RMB'000**	**In SGD RMB'000**	**In USD RMB'000**	**In HKD RMB'000**	**Total RMB'000**
2018					
Trade and other receivables	**75,902**	**-**	**1,360**	**-**	**77,262**
Cash and cash equivalents	**31,949**	**6**	**12,777**	**2**	**44,734**
Borrowings	**-**	**-**	**(522,804)**	**(158,354)**	**(681,158)**
Trade and other payables	**(33)**	**-**	**(425)**	**-**	**(458)**
Net exposure	**107,818**	**6**	**(509,092)**	**(158,352)**	**(559,620)**
2017					
Trade and other receivables	73,184	-	34,478	-	107,662
Cash and cash equivalents	31,888	6	14,390	-	46,284
Borrowings	-	-	(826,045)	-	(826,045)
Trade and other payables	-	-	(1,437)	-	(1,437)
Net exposure	105,072	6	(778,614)	-	(673,536)
1 January 2017					
Trade and other receivables	532	-	861	-	1,393
Cash and cash equivalents	207,811	6	12,549	-	220,366
Borrowings	-	-	(874,373)	-	(874,373)
Trade and other payables	(53)	-	(715)	-	(768)
Net exposure	208,290	6	(861,678)	-	(653,382)

25 Financial risk management objectives and policies (Cont'd)

Foreign currency risk (Cont'd)

The Company	In RMB RMB'000	In USD RMB'000	In HKD RMB'000	Total RMB'000
2018				
Amounts owing from subsidiaries (non-trade)	**1,125,688**	**868,669**	**-**	**1,994,357**
Trade and other receivables	**101,260**	**-**	**-**	**101,260**
Cash and bank balances	**-**	**182**	**2**	**184**
Borrowings	**-**	**(343,950)**	**(158,354)**	**(502,304)**
Amounts owing to subsidiaries (non-trade)	**(136,425)**	**(559,776)**	**(9)**	**(696,210)**
Net exposure	**1,090,523**	**(34,875)**	**(158,361)**	**897,287**
2017				
Amounts owing from subsidiaries (non-trade)	-	638,304	-	638,304
Trade and other receivables	1,204,734	-	-	1,204,734
Cash and bank balances	-	2,472	-	2,472
Borrowings	-	(325,997)	-	(325,997)
Amounts owing to subsidiaries (non-trade)	(1,779)	(635,277)	-	(637,056)
Net exposure	1,202,955	(320,498)	-	882,457
1 January 2017				
Amounts owing from subsidiaries (non-trade)	-	838,073	-	838,073
Cash and bank balances	-	77	-	77
Borrowings	-	(347,503)	-	(347,503)
Amounts owing to subsidiaries (non-trade)	(1,779)	(660,310)	-	(662,089)
Net exposure	(1,779)	(169,663)	-	(171,442)

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in China, is not freely repatriated. Exchanges of RMB for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of RMB into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Sensitivity analysis - Foreign currency risk

A 5% (2017 - 5%) strengthening of the HKD, SGD and USD against the functional currencies of the Group entities at the reporting date would have increased/decreased profit before tax and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effects.

The Group	2018 HKD Strengthened 5% against RMB RMB'000	2018 SGD Strengthened 5% against RMB RMB'000	2018 USD Strengthened 5% against RMB RMB'000	2018 Total RMB'000	2017 SGD Strengthened 5% against RMB RMB'000	2017 USD Strengthened 5% against RMB RMB'000	2017 Total RMB'000
Profit before tax							
- (decrease)/increase	**(7,918)**	**(5,391)**	**(25,455)**	**(38,764)**	(5,253)	(38,931)	(44,184)
Equity							
- increase/(decrease)	**(7,918)**	**(5,391)**	**(25,455)**	**(38,764)**	(5,253)	(38,931)	(44,184)

25 Financial risk management objectives and policies (Cont'd)

Foreign currency risk (Cont'd)

Sensitivity analysis Foreign currency risk (Cont'd)

The Company	2018 HKD Strengthened 5% against RMB RMB'000	2018 RMB Strengthened 5% against RMB RMB'000	2018 USD Strengthened 5% against RMB RMB'000	2018 Total RMB'000	2017 RMB Strengthened 5% against RMB RMB'000	2017 USD Strengthened 5% against RMB RMB'000	2017 Total RMB'000
Loss before tax							
- (decrease)/increase	**(7,918)**	**54,526**	**(1,744)**	**44,864**	60,148	(16,025)	44,123
Equity							
- (decrease)/increase	**(7,918)**	**54,526**	**(1,744)**	**44,864**	60,148	(16,025)	44,123

A 5% (2017 - 5%) weakening of the above currencies against the functional currencies of the Group entities at the reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flow, including estimated interest payments.

The Group	Carrying amount RMB'000	-----Contractual undiscounted cash flows----- Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
31 December 2018					
Trade and other payables (Note 16)	**592,469**	**592,469**	**592,469**	-	-
Borrowings (Note 15)	**3,293,519**	**3,987,148**	**1,164,283**	**1,835,168**	**987,697**
	3,885,988	**4,579,617**	**1,756,752**	**1,835,168**	**987,697**
31 December 2017					
Trade and other payables (Note 16)	687,888	687,888	687,888	-	-
Borrowings (Note 15)	3,913,088	4,787,866	1,056,981	2,525,272	1,205,613
	4,600,976	5,475,754	1,744,869	2,525,272	1,205,613
1 January 2017					
Trade and other payables (Note 16)	822,539	822,539	822,539	-	-
Borrowings (Note 15)	4,808,781	5,578,895	2,128,431	2,484,532	965,932
	5,631,320	6,401,434	2,950,970	2,484,532	965,932

25 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

<u>Analysis of financial instruments by remaining contractual maturities (Cont'd)</u>

The Company	Carrying amount RMB'000	Contractual undiscounted cash flows Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
31 December 2018					
Trade and other payables (Note 16)	**85,915**	**85,915**	**85,915**	**-**	**-**
Borrowings (Note 15)	**531,538**	**560,770**	**560,770**	**-**	**-**
Amounts owing to subsidiaries (non-trade) (Note 9)	**820,341**	**820,341**	**820,341**	**-**	**-**
Intra-group financial guarantee	**-**	**998,975**	**167,000**	**831,975**	**-**
	1,437,794	**2,466,001**	**1,634,026**	**831,975**	**-**
31 December 2017					
Trade and other payables (Note 16)	69,555	69,555	69,555	-	-
Borrowings (Note 15)	354,288	386,073	49,522	336,551	-
Amounts owing to subsidiaries (non-trade) (Note 9)	762,192	762,192	762,192	-	-
Intra-group financial guarantee	-	995,664	13,500	982,164	-
	1,186,035	2,213,484	894,769	1,318,715	-
1 January 2017					
Trade and other payables (Note 16)	62,380	62,380	62,380	-	-
Borrowings (Note 15)	400,842	453,740	74,962	378,778	-
Amounts owing to subsidiaries (non-trade) (Note 9)	786,139	786,139	786,139	-	-
Intra-group financial guarantee	-	967,101	868,601	98,500	-
	1,249,361	2,269,360	1,792,082	477,278	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices.

The Group and the Company are not exposed to any movement in price risk as it does not hold any quoted or marketable financial instruments.

25 Financial risk management objectives and policies (Cont'd)

Financial instruments by category

	The Group			The Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Financial assets						
Financial asset at fair value through profit or loss:						
Other investment (Note 6)	**1,008,000**	880,000	620,000	**-**	-	-
Financial assets at amortised cost:						
Trade and other receivables (Note 8)	**1,778,564**	2,618,209	564,969	**101,939**	1,205,391	737
Amounts owing from subsidiaries (non-trade)	**-**	-	-	**2,587,708**	1,368,768	2,417,534
Cash and bank balances (Note 10)	**750,510**	626,910	676,315	**15,488**	9,184	12,109
	3,537,074	4,125,119	1,861,284	**2,705,135**	2,583,343	2,430,380
Financial liabilities						
Financial liabilities measured at amortised cost:						
Amount owing to subsidiaries (non-trade)	**-**	-	-	**820,341**	762,192	786,139
Trade and other payables (Note 16)	**592,469**	687,888	822,539	**85,915**	69,555	62,380
Borrowings (Note 15)	**3,293,519**	3,913,089	4,808,781	**531,538**	354,288	400,842
	3,885,988	4,600,977	5,631,320	**1,437,794**	1,186,035	1,249,361

26 Fair value measurement

Definition of fair value
FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of financial instruments
The carrying values of variable rate bank loans approximate their fair values. The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, balances with related parties, cash and cash equivalents, trade and other payables, and borrowings) approximate their fair values because of the short period to maturity.

Fair value measurement of non-financial assets
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3 : unobservable inputs for the asset or liability.

26 Fair value measurement (Cont'd)

Fair value measurement of non-financial assets (Cont'd)

The following table shows the Levels within the hierarchy of non-financial asset measured at fair value on a recurring basis as at 31 December 2018, 31 December 2017 and 1 January 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
As at 31 December 2018				
Investment properties (Note 4)	-	-	4,522,900	4,522,900
Other investment (Note 6)	-	-	1,008,000	1,008,000
	-	-	5,530,900	5,530,900
As at 31 December 2017				
Investment properties (Note 4)	-	-	4,472,910	4,472,910
Other investment (Note 6)	-	-	880,000	880,000
	-	-	5,352,910	5,352,910
As at 1 January 2017				
Investment properties (Note 4)	-	-	4,446,736	4,446,736
Other investment (Note 6)	-	-	620,000	620,000
	-	-	5,066,736	5,066,736

The following table shows the Group's valuation technique used in measuring Level 3 fair values as well as the significant unobservable inputs used.

The Group

Valuation method	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties (Note 4)		
Direct comparison method	Weighted average price per square meter: RMB 7,400 (2017 - RMB 7,200; 1 January 2017 - RMB 7,400)	The estimated fair value increases with higher comparable price.
Income capitalisation method	Term yield: 3% to 6% (2017 - 3.5% to 5%; 1 January 2017 - 3% to 6%) Reversionary yield: 3.5% to 6.5% (2017 - 3.5% to 6.5%; 1 January 2017 - 3.5% to 7%)	The estimated fair value increases with lower term yield and reversionary yield
Discounted cash flow method	- Discount rate: 7% (2017 - 7%; 1 January 2017 - 7%) - Occupancy rate: 93% to 98% (2017 - 94.5% to 97.3%; 1 January 2017 - 96.2% to 98.9%) - Rental growth: 4% to 8% (2017 - 3% to 4%; 1 January 2017 - 3.95% to 4.5%)	The estimated fair value varies inversely against the discount rate and increases with higher occupancy rate and rental growth.

26 Fair value measurement (Cont'd)

Fair value measurement of non-financial assets (Cont'd)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Other investment (Note 6)		
Direct comparison method and residual method	Selling price per square meter: RMB 56,000 to RMB 84,100 (2017 - RMB33,900 to RMB59,000; 1 January 2017 - RMB 34,500 to RMB56,000) Gross development value per square meter: RMB 40,000 (2017 - RMB48,600; 1 January 2017 - RMB35,400) Value of to-be-developed land per square meter 2018 – Not available* (2017 - RMB11,600; 1 January 2017 – RMB10,700)	The estimated fair value increases with higher selling price per square meter, gross development value per square meter and value of to-be-developed land per square meter.

* All land has been developed as at 31 December 2018.

Level 3 fair value measurements

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

The Group	Investment properties 2018 RMB'000	2017 RMB'000
At 1 January	4,472,910	4,446,736
Properties sold	(13,824)	(13,153)
Fair value gain recognised in profit or loss (Note 18)	63,814	39,327
At 31 December	4,522,900	4,472,910

27 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;

(b) To support the Group's and the Company's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

27 Capital management (Cont'd)

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt represents total borrowings less cash and bank balances.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

	The Group			**The Company**		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000	1 January 2017 RMB'000
Total borrowings (Note 15) (A)	**3,293,519**	3,913,089	4,808,781	**531,538**	354,288	400,842
Cash and bank balances (Note 10) (B)	**(750,510)**	(626,910)	(676,315)	**(15,488)**	(9,184)	(12,109)
Net debt (C)=(A)-(B)	**2,543,009**	3,286,179	4,132,466	**516,050**	345,104	388,733
Equity attributable to owners of the Company (D)	**5,332,285**	5,234,507	5,003,367	**4,235,939**	4,371,018	4,154,662
Gearing ratio (times) (C)/(D)	**0.48**	0.63	0.83	**0.12**	0.08	0.09

28 Prior year adjustments and comparative figures

The following prior year adjustments, to the extent that they are applied respectively, have the following impact:

The Company	31.12.2017 As previously reported RMB'000	Prior year adjustment RMB'000	31.12.2017 As restated RMB'000
Statement of financial position			
Current assets			
Trade and other receivables	879,921	331,875[1]	1,211,796
Equity			
Accumulated losses	(886,274)	331,875[1]	(554,399)

1. In the previous financial year, management omitted the recognition of the gain on disposal of subsidiaries in the Company's accounts, amounting to RMB331.87 million. The abovementioned amount was rectified in the current year as a "prior year adjustment".

Management corrected the material prior year's errors identified above by restating the Company's statement of financial position and statement of comprehensive income in accordance with SFRS(I) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. A third statement of financial position is also presented.

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VALUATION REPORTS

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the property interests held by the Group.

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Company Licence No.: C-030171

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公司牌照號碼：C-030171

The Board of Directors
Ying Li International Real Estate Limited
12 Marina Boulevard
#18-05 Marina Bay Financial Centre Tower 3
Singapore

Our Ref: CON000466227RE-1
24 April 2019

Dear Sirs,

DBS Bank Ltd. ("**DBS Bank**"), for and on behalf of State Alpha Limited (the "**Offeror**"), intends to make a mandatory unconditional cash offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of Ying Li International Real Estate Limited (the "**Company**") other than those already owned, controlled or agreed to be acquired by the offeror and the parties acting in concert with it (the "**Offer Shares**").

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed by the Company to provide valuation service on the properties in which the Company and its subsidiaries (hereinafter together referred as the "**Group**") have interests in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 December 2018 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have valued the property interests in Group I which are held for sale by the Group (except a portion of property no. 2), property interests in Group III which are held for future development by the Group, property interests in Group IV which are held for owner occupation by the Group and the retail units of property no. 5 in Group II which are held for investment by the Group by comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates/Real Estate Title Certificates have been obtained, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates/Real Estate Title Certificates have not been issued.

Considering the occupancy status and characteristics of property interests in Group II which are held for investment by the Group and a portion of property no. 2 in Group I which was leased to a tenant for a term more than 10 years, we have adopted income approach by taking into account the net rental incomes of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

As the retail podiums of property nos. 1 and 2 in Group II which were operated as shopping malls at the valuation date, therefore they are valued as fully operated entities by discounted cash flow analysis ("**DCF**"). The market value are derived by discounting the future net incomes generated from the shopping malls with regard to the trading potential, operation revenues and expenses during the assumed holding period with appropriate discount rates. The terminal values at the end of the holding period are estimated by capitalizing the estimated net incomes by appropriate terminal capitalization rates for the remaining tenure of the properties. Then the terminal values are discounted to their present values as at the valuation date.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. However, we have not examined all the original documents and assumed that the copies of the title documents obtained are consistent with their originals. If necessary, we recommend that a PRC legal opinion is sought to verify the existing title to the property interest in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not

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carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in the periods from 9 January 2019 to 11 January 2019 and 11 April 2019 to 12 April 2019 by Ms. Elisa Yu and Mr. Shawn Yang, both of whom have more than 1 year's property valuation experience in the PRC, and Ms. Ran Wang who graduated from the University with real estate major and has 2 years' property valuation experience in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (**RMB**).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I : Properties held for sale by the Group in the PRC
Group II: Properties held for investment by the Group in the PRC
Group III : Properties held for future development by the Group in the PRC
Group IV: Properties held for owner occupation by the Group in the PRC
"N/A": Not Available or Not Applicable

No.	Property	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	The total market value in existing state as at the valuation date RMB
		Group I:	Group II:	Group III:	Group IV:	
1.	Project Yingli International Financial Center (英利国际金融中心) located at Nos. 26 and 28 Minquan Road Yuzhong District Chongqing The PRC	719,200,000	1,742,900,000	N/A	55,100,000	2,517,200,000
2.	Project Yingli International Plaza (英利国际广场) located at No. 19 Daping Zheng Street Yuzhong District Chongqing The PRC	499,900,000	1,573,700,000	N/A	N/A	2,073,600,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	The total market value in existing state as at the valuation date RMB
		Group I:	Group II:	Group III:	Group IV:	
3.	Project Yingli San Ya Wan (英利三亚湾项目) located at No. 428 Jinshi Avenue Yubei District Chongqing The PRC	335,000,000	N/A	246,500,000	N/A	581,500,000
4.	Project Yingli International Hardware and Electrical Center (英利国际五金机电城项目) located at No.9 Shan Hu Avenue Shuangfu Area Jiangjin District Chongqing The PRC	462,600,000	N/A	145,200,000	N/A	607,800,000
5.	Project Bashu Cambridge (巴蜀剑桥项目) located at No. 8 Bashu Road Yuzhong District Chongqing The PRC	N/A	16,700,000	N/A	N/A	16,700,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	The total market value in existing state as at the valuation date RMB
		Group I:	Group II:	Group III:	Group IV:	
6.	Project Future International (未来国际项目) located at No. 6 Guanyinqiao Pedestrian Street Jiangbei District Chongqing The PRC	N/A	1,018,600,000	N/A	N/A	1,018,600,000
7.	Project New York New York (纽约纽约项目) located at No. 108 Bayi Road Yuzhong District Chongqing The PRC	N/A	1,100,000	N/A	N/A	1,100,000
8.	Project Southland Garden (南国丽景项目) located at Nos. 46 to 52 Cangbai Road Yuzhong District Chongqing The PRC	N/A	96,700,000	N/A	N/A	96,700,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	Market value in existing state as at the valuation date RMB	The total market value in existing state as at the valuation date RMB
		Group I:	Group II:	Group III:	Group IV:	
9.	Project Minsheng Mansion (民生大厦项目) located at No. 181 Minsheng Road Yuzhong District Chongqing The PRC	N/A	36,000,000	N/A	N/A	36,000,000
10.	Project Zou Rong Plaza (邹容广场项目) located at Nos. 141 to 155 Zourong Road Yuzhong District Chongqing The PRC	N/A	37,200,000	N/A	N/A	37,200,000
	Total:	**2,016,700,000**	**4,522,900,000**	**391,700,000**	**55,100,000**	**6,986,400,000**

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Project Yingli International Financial Center (英利国际金融中心) located at Nos. 26 and 28 Minquan Road Yuzhong District Chongqing The PRC	Project Yingli International Financial Center is located at Nos. 26 and 28 Minquan Road, Yuzhong District, Chongqing. The locality is well served by public transportation and public facilities. It occupies a parcel of land with a site area of approximately 9,483.20 sq.m. which is a development complex completed in 2009 with shopping mall, office, storage, ancillary components and car parking spaces. The property comprises 3 parts:- ***Part A:*** Part A of the property comprises various office units on Levels 11 to 13, 15 to 19, 20, 22, 23, 29 to 31, 33, 35, 36, 38, 40, 43, various storage units on Basement Level 3 to Basement Level 5, an ancillary unit on Level 10 and 321 car parking spaces of this project, which are held for sale by the Group. ***Part B:*** Part B of the property comprises Basement Level 1 to Level 9 (excluding Level 8) of the shopping mall, various office units on Levels 31, 32, 33 to 36, 38, 40, 44, 47 to 56, and 345 car parking spaces of this project, which are held for investment by the Group. ***Part C:*** Part C of the property comprises various office units on Levels 57 and 58 of this project, which are held for owner occupation by the Group. Details of the gross floor area	As at the valuation date, various retail units, office units and car parking spaces of Part A and Part B were rented to various tenants for retail, office and car parking uses (see note 3 to note 5), whilst the remaining portion was vacant. Part C of the property was held by the Group for owner occupation.	2,517,200,000

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		("**GFA**") of the property are set out in note 6. The land use rights of the property have been granted for a term of 40 years expiring on 20 December 2044 for other commercial service use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Fang Di Zheng 2010 Zi Di No. 00043, the land use rights of a parcel of land with a site area of approximately 9,483.20 sq.m. have been granted to Chongqing Yingli Real Estate Development Co., Ltd. (重庆英利房地产开发有限公司, "**Chongqing Yingli**", a 97% owned subsidiary of the Company) for a term of 40 years expiring on 20 December 2044 for other commercial service use.

2. Pursuant to 10 Real Estate Title Certificates - Fang Di Zheng 2012 Zi Di No. 16181, Fang Di Zheng 2013 Zi Di Nos. 00715, 00719, 00722, 00725, 00726 and 00730, Fang Di Zheng 2014 Zi Di Nos. 12804 and 12815, and Yu (2016) Yu Zhong Qu Bu Dong Chan Quan Di No. 000566691, the buildings with a total GFA of approximately 148,196.28 (including the property) are owned by Chongqing Yingli.

3. As confirmed by the Group, various office units of Part A of the property with a total GFA of approximately 17,205 sq.m. were rented to various tenants as at the valuation date for various terms with the expiry dates between 14 January 2019 and 31 January 2022. We have not been provided with the rental information.

4. As confirmed by the Group, 121 retail units and 31 office units of Part B of the property with a total lettable area of approximately 54,776.04 sq.m. (corresponding to a total GFA of approximately 71,465.01 sq.m.) were rented to various tenants as at the valuation date for various terms with the expiry dates between 3 January 2019 and 31 August 2030. The rental was consisted of fixed rent and turnover rent, according to the information provided, the daily fixed rent ranges from RMB14.8 to RMB27.9 per sq,m. for the ground floor.

5. Pursuant to a Car Parking Space Escrow Contract, 661 car parking spaces of Part A and Part B of the property were managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有限責任公司) for a term of one year expiring on 31 December 2018 at an total annual rental of RMB4,203,960.

6. According to the information provided by the Group, the GFA of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	No. of Car Parking Space
Part A	Office	25,826.50	
	Ancillary	380.02	
	Underground storage	441.70	
	Underground car parking spaces	14,374.00	321
	Sub-total:	**41,022.22**	**321**
Part B	Retail	50,493.86	
	Office	29,121.45	
	Underground car parking spaces	15,499.08	345
	Sub-total:	**95,114.39**	**345**

Part	Usage	Gross Floor Area *(sq.m.)*	No. of Car Parking Space
Part C	Office	2,475.50	
	Sub-total:	2,475.50	N/a
	Grand-Total:	**138,612.11**	**666**

7. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	719,200,000
Group II - Held for investment by the Group	1,742,900,000
Group III - Held for future development by the Group	N/A
Group IV – Held for owner occupation by the Group	55,100,000
Total:	**2,517,200,000**

8. In valuing the property, we have assumed that:

   a) the property could be freely transferred, leased or mortgaged by the Group without payment of any further land premium or transfer fee; and

   b) the Tenancy Agreements mentioned in notes 3 to 5 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Project Yingli International Plaza (英利国际广场) located at No. 19 Daping Zheng Street Yuzhong District Chongqing The PRC	Project Yingli International Plaza is located at No. 19 Daping Zheng Street, Yuzhong District, Chongqing. The locality is well served by public transportation and public facilities. It occupies 3 parcels of land with a total site area of approximately 56,481.00 sq.m. which is a development complex completed in 2010 with shopping mall, retail, office, apartment, ancillary component and car parking spaces. The property comprises 2 parts:- ***Part A:*** Part A of the property comprises various unsold retail units, office units, storage units and 1,247 car parking spaces of this project, which is held for sale by the Group. ***Part B:*** Part B of the property comprises the Basement Level 1, the main portion of LG Floor to Level 2 and the whole Level 3 to Level 7 of the shopping mall and 870 car parking spaces of this project which is held for investment by the Group. Details of the gross floor area ("**GFA**") of the property are set out in note 7. The land use rights of the property have been granted for a term of 50 years expiring on 4 July 2060 for residential use.	As at the valuation date, various retail units, office units and car parking spaces of Part A and Part B were rented to various tenants for retail, office, kindergarten and car parking uses (see note 3 to note 7), whilst the remaining portion was vacant.	2,073,600,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – 101D Fang Di Zheng 2014 Zi Di Nos. 00061, 00062 and 00064, the land use rights of 3 parcels of land with a total site area of approximately 56,481.00 sq.m. have been granted to Chongqing Yingli Qipaifang Properties Co., Ltd. (重庆英利房七牌坊置业有限公司, "**Yingli Qipaifang**", a wholly-owned subsidiary of the Company) for a term of 50 years expiring on 4 July 2060 for residential use.
2. Pursuant to 6 Real Estate Title Certificates – 101 Fang Di Chan 2014 Zi Di Nos. 16371, 31452, 31454 and 32429 and 101 Fang Di Chan 2015 Zi Di No. 05401 and Yu (2016) Yu Zhong Qu Bu Dong Chan Quan Di No. 000319269, this project with a total GFA of approximately 274,011.59 sq.m. (including the property) is owned by Yingli Qipaifang.
3. As confirmed by the Group, 231 retail units of Part B of the property with a total lettable area of approximately 64,127.47 sq.m. (corresponding to a GFA of approximately 91,353.78 sq.m.) were rented to various tenants as at the valuation date for various terms with the expiry dates between 31 December 2018 and 10 December 2030. The rental was consisted of fixed rent and turnover rent, according to the information provided, the daily fixed rent ranges from RMB6.6 to RMB14.8 per sq.m. for the ground floor.
4. As confirmed by the Group, various retail units of Part A of the property with a total GFA of approximately 1,912.52 sq.m. were rented to various tenants as at the valuation date for various terms with the expiry dates between 9 December 2019 and 13 August 2023 at a total annual rental of approximately RMB2,474,190, exclusive of management fee.
5. Pursuant to a Car Parking Space Escrow Contract, 99 car parking spaces of Part B of the property were managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有限責任公司) for a term of one year expiring on 31 December 2018 at a total annual rental of approximately RMB4,176,000, exclusive of management fee.
6. Pursuant to 2 Leasing Agreements, portions of the office units of Part A of the property with a total GFA of approximately 3,637.22 sq.m. were rented to a tenant for kindergarten use for terms expiring on 15 March 2031 and 28 February 2032 at a total annual rental of approximately RMB872,933, exclusive of management fee.
7. As confirmed by the Group, portions of the remaining office units of Part A of the property with a total GFA of approximately 3,544.06 sq.m. were rented to various tenants as at the valuation date for various terms with the expiry dates between 11 January 2019 and 14 January 2022 at a total annual rental of approximately RMB106,783.14, exclusive of management fee .
8. According to the information provided by the Group, the GFA of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	No. of Car Parking Space
Part A	Retail	2,100.27	
	Office	12,909.72	
	Storage	120.00	
	Underground car parking spaces	49,708.00	1,247
	Sub-total:	**64,837.99**	**1,247**
Part B	Retail	98,565.47	
	Underground Car parking spaces	34,680.33	870
	Sub-total:	**133,245.80**	**870**
	Grand Total:	**198,083.79**	**2,117**

9. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	499,900,000
Group II - Held for investment by the Group	1,573,700,000
Group III - Held for future development by the Group	N/A
Group IV – Held for owner occupation by the Group	N/A
Total:	**2,073,600,000**

10. In valuing the property, we have assumed that:

    a) the property could be freely transferred, leased or mortgaged by the Group without payment of any further land premium or transfer fee;

    b) all land premium payments and other costs of the property such as relocation and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government; and

    c) the Tenancy Agreements mentioned in notes 3 to 7 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Project Yingli San Ya Wan (英利三亚湾项目) located at No. 428 Jinshi Avenue Yubei District Chongqing The PRC	Project Yingli San Ya Wan is located at No. 428 Jinshi Avenue, Yubei District, Chongqing. The locality is well served by public transportation and public facilities. This project contains two parts. Part A of this project, known as Yingli Shicheng Garden ("英利狮城花园"), occupies a parcel of land with a site area of approximately 73,234.98 sq.m. which will be developed into a residential community with ancillary retail units and car parking spaces in two phases. Phase I of Part A was completed in 2014, and Phase II of Part A is a parcel of bare land with a site area of approximately 17,632.96 sq.m. Part B of this project, known as San Ya Wan Aquatic Products Integrative Trading Market ("三亚湾水产品综合交易市场"), occupies a parcel of land with a site area of approximately 40,046.09 sq.m. which has been developed into a commercial community with retail, storage components and car parking spaces completed in 2014. The property comprises a residential unit, 4 retail units, 1,337 car parking spaces of Phase I and the bare land of Phase II of Part A, as well as 5 storage units and 284 car parking spaces of Part B of this Project. Details of the gross floor area ("**GFA**") of the property are set out in note 6.	As at the valuation date, the bare land of Phase II of Part A was held by the Group for future development, and the whilst of the property was vacant for sale.	581,500,000

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
		The land use rights of the property have been granted for a term of 40 years expiring on 12 January 2045 for other commercial service use.		

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – 201D Fang Di Zheng 2014 Zi Di No. 00510, the land use rights of a parcel of land with a site area of approximately 73,234.98 sq.m. have been granted to Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd. (重庆三亚湾水产品综合交易市场开发有限公司, "**Yingli Sanyawan**", a 77.6% owned subsidiary of the Company) for a term of 40 years expiring on 12 January 2045 for other commercial service use.

2. Pursuant to a State-owned Land Use Rights Certificate – 201D Fang Di Zheng 2014 Zi Di No. 00511, the land use rights of a parcel of land with a site area of approximately 40,046.09 sq.m. have been granted to Yingli Sanyawan for a term of 40 years expiring on 12 January 2045 for other commercial service use.

3. Pursuant to 4 Real Estate Title Certificates – Yu (2016) Yu Bei Qu Bu Dong Chan Quan Di Nos. 000200646, 000281554 and 000417003 and Yu (2017) Yu Bei Qu Bu Dong Chan Quan Di No. 000017501, the buildings with a total GFA of approximately 90,815.22 sq.m (including the property). are owned by Yingli Sanyawan.

4. As advised by the Group, Phase II of Part A of this Project was expected to be completed in 2021 and the estimated construction cost would be RMB194,000,000.

5. The market value of Phase II of Part A of this Project as if completed is estimated to be RMB635,000,000 .

6. According to the information provided by the Group, the GFA of the property is set out as below:

Part	Usage	Gross Floor Area *(sq.m.)*	No. of Car Parking Space
Part A	Residential	122.78	
	Retail	2,363.75	
	Underground car parking spaces	64,959.11	1,337
	Sub-total:	**67,445.64**	**1,337**
Part B	Underground storage	325.96	
	Underground car parking spaces	10,870.41	284
	Sub-total:	**11,196.37**	**284**
	Grand-Total:	**78,642.01**	**1,621**

7. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	335,000,000
Group II - Held for investment by the Group	N/A
Group III - Held for future development by the Group	246,500,000
Group IV – Held for owner occupation by the Group	N/A
Total:	**581,500,000**

8. In valuing the property, we have assumed that:

   a) the property could be freely transferred, leased or mortgaged by the Group without payment of any further land premium or transfer fee;

   b) all land premium payments and other costs of the property such as relocation and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   c) the bare land of Phase II of Part A of the property will be developed for commercial use in accordance with the State-owned Land Use Rights Certificate stated.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	Project Ying Li International Hardware and Electrical Centre (英利国际五金机电城) located at No.9 Shan Hu Avenue Shuangfu Area Jiangjin District Chongqing The PRC	Project Ying Li International Hardware and Electrical Centre is located at No.9 Shan Hu Avenue, Shuangfu Area, Jiangjin District, Chongqing. The locality is a newly developed mega business area with industrial park and other commercial-used buildings, public facilities such as public transportation and amenities are still under development. It occupies 4 parcels of land with a total site area of approximately 360,708 sq.m., which is being developed into a commercial, office, apartment, storage and car parking spaces development complex. It includes four phases. Phase I and Phase II were completed in 2016 and 2017 respectively, and most of them were sold. Phase III and Phase IV of this project are currently bare land. The property comprises the unsold portions of Phase I and Phase II, which comprises retail units, Convention and Exhibition Center, storage and car parking spaces (the "**unsold portion**"), details of gross floor area ("**GFA** ") of the unsold portions are set out in note 5. The property also comprises the bare land of Phases III and IV with a total site area of approximately 80,291.28 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 10 July 2055 and 6 May 2056 for commercial use.	As at the valuation date, the unsold portions of Phase I and Phase II were vacant. Phase III and Phase IV of the property were bare land.	607,800,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts – Yu Di (2015) Jiang Jin Di No. 082 and Yu Di (2016) Jiang Jin Di No. 032, the land use rights of 2 parcels of land with a total site area of approximately 360,708 sq.m. were contracted to be granted to Chongqing Yingli Guangsheng Hardware Electrical Wholesale Centre Development Co., Ltd. (重庆英利广晟五金机电市场开发有限公司, "**Yingli Guangsheng**", a 97% owned subsidiary of the Company) for a term of 40 years for commercial use. The total land premium was RMB378,743,500. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 4 State-owned Land Use Rights Certificates – 203 Fang Di Zheng 2015 Zi Di Nos. 16230 and 16232, Yu (2016) Jiang Jin Qu Bu Dong Chan Quan Di No. 000944727 and Yu (2018) Jiang Jin Qu Bu Dong Chan Quan Di No. 000895992, the land use rights of 4 parcels of land with a total site area of approximately 360,708 sq.m. have been granted to Yingli Guangsheng for a term of 40 years expiring on 10 July 2055 and 6 May 2056 for commercial use.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di No. 500381201500148 and Jian Zi Di No. 500381201600155 in favour of Yingli Guangsheng, Phases I and II of this project with a total GFA of approximately 446,240.83 sq.m. have been approved for construction.

4. Pursuant to 3 Construction Work Commencement Permits – Nos. 500381201510140101, 500381201510140201 and 500381201610280101 in favour of Yingli Guangsheng, permissions by the relevant local authority were given to commence the construction of Phases I and II of this project with a total GFA of approximately 446,240.85 sq.m

5. Pursuant to 6 Pre-Sale Permits – Jin Guo Tu Fang Guan (2015) Yu Zi Di Nos. 081, 092, 099, Jin Guo Tu Fang Guan (2016) Yu Zi Di Nos. 088, 094 and 105, Yingli Guangsheng is entitled to sell Phases I and II of this project representing a total GFA of approximately 430,034.34 sq.m.

6. Pursuant to various Real Estate Title Certificates, various units with a total GFA of approximately 21,593.10 sq.m of the unsold portion of the property are owned by Yingli Guangsheng.

7. Pursuant to a Construction Work Completion and Inspection Certificate – Jiang Jin Qu Jian Jun Bei Zi (2017) No.0083, the remaining units of the unsold portion of the property with a total GFA of approximately 33,647.90 sq.m. have been completed and passed the acceptance inspection. As advised by the Group, the Real Estate Certificate of this portion is in the process of application.

8. According to the information provided by the Group, the GFA of unsold portion of Phases I and II of the property is set out as below:

Property	Usage	GFA *(sq.m.)*	Number of Car Parking Spaces
Phases I & II (Unsold Portion)	Retail	19,402.00	N/A
	Convention and Exhibition Center	21,531.00	N/A
	Storage	14,308.00	N/A
	Underground Car Parking Spaces	N/A	2,479
	Above Ground Car Parking Spaces	N/A	1,519
	Total:	**55,241.00**	**3,998**

9. Pursuant to a Construction Work Planning Permit – Jian Zi Di No.500116201800565, in favor of Yingli Guangsheng, Phase III of the property with a planned GFA of approximately 71,541.56 sq.m. has been approved for construction.

10. As advised by the Group, the total construction cost is estimated to be approximately RMB205,000,000. The market value of Phase III of the property as if completed is estimated to be RMB357,700,000.

11. As advised by the Group, the Group has not applied for the Construction Work Planning Permit for

the bare land of Phase IV with a site area of approximately 22,875.98 sq.m., and there was no specific development plan and estimated construction budget for this parcel of land as at the valuation date.

12. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	462,600,000
Group II - Held for investment by the Group	N/A
Group III- Held for future development by the Group	145,200,000
Group IV - Held for owner occupation by the Group	N/A
Total:	**607,800,000**

13. In valuing the property, we have assumed that:

a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee;

b) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits can be obtained by the Company in respect of the construction works; and

c) Phase III and Phase IV of the property will be developed for commercial use in accordance with the State-owned Land Use Rights Certificate stated.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	Project Bashu Cambridge (巴蜀剑桥项目) located at No. 8 Bashu Road Yuzhong District Chongqing The PRC	Project Bashu Cambridge is a 34-storey residential building with ancillary retail units and underground car parking spaces completed in 2007. The property comprises 3 retail units with a total gross floor area ("**GFA**") of approximately 217.43 sq.m. and 152 car parking spaces with a total GFA of approximately 6,645.87 sq.m.in Project Bashu Cambridge. The land use rights of the property have been granted for terms of 40 years expiring on 21 September 2044 for commercial use and 50 years expiring on 21 September 2054 for residential use.	As at the valuation date, 2 retail units with a total GFA of approximately 142.84 sq.m. and 152 car parking spaces of the property with a total GFA of approximately 6,645.86 sq.m. were rented to three tenants for retail and car parking uses, whilst the remaining retail unit with a GFA of approximately 74.59 sq.m. was vacant.	16,700,000

Notes:

1. Pursuant to 4 Real Estate Title Certificates – 101 Fang Di Zheng 2007 Zi Di Nos. 23619 to 23622, various buildings (including the property) with a total GFA of approximately 43,086.15 sq.m were owned by the Group and the relevant land uses rights have been granted for terms of 40 years expiring on 21 September 2044 for commercial use and 50 years expiring on 21 September 2054 for residential use.

2. Pursuant to a Tenancy Agreement dated 18 April 2018, a retail unit with a gross floor area of approximately 74.59 sq.m. was rented to Li Sheng (李勝) for a term of 1 year expiring on 17 April 2019 at an annual rental of RMB39,600, exclusive of management fees.

3. Pursuant to a Tenancy Agreement dated 11 May 2017, a retail unit with a gross floor area of approximately 68.25 sq.m. was rented to (李廷華) for a term of 3 years expiring on 14 May 2020 at an annual rental of RMB24,570 with a growth rate of 5% every year, exclusive of management fees.

4. Pursuant to a Car Parking Space Escrow Contract, 152 car parking spaces of the property were managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有限責任公司) for a term of one year expiring on 31 December 2018 at a total annual rental of RMB826,200.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

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Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	16,700,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**16,700,000**

6. In valuing the property, we have assumed that:

   d) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

   a) the Tenancy Agreements mentioned in notes 2 to 4 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
6.	Project Future International (未来国际项目) located at No. 6 Guanyinqiao Pedestrian Street Jiangbei District Chongqing The PRC	Project Future International is a 45-storey office and retail complex completed in 2006. The property comprises various retail and storage units in Basement Levels 4 to 6 and 495 underground car parking spaces altogether having a total gross floor area ("**GFA**") of approximately 82,227.46 sq.m.. The details of GFA of the property are set out in note 2. The land use rights of the property have been granted for a term of 40 years expiring on 31 March 2045 for commercial use.	As at the valuation date, the retail area (except for a unit with a GFA of approximately 92.36 sq.m.), a storage unit and 495 car parking spaces of the property with a total gross floor area of approximately 81,635.23 sq.m. were rented to various tenants for retail, storage and car parking uses, whilst the remaining units with a total GFA of approximately 592.23 sq.m. were vacant.	1,018,600,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates - 103 Fang Di Zheng 2007 Zi Di Nos. 09328 to 09330, various buildings (including the property) with a total GFA of approximately 135,539.94 sq.m were owned by the Group and the relevant land uses rights have been granted for a term of 40 years expiring on 31 March 2045 for commercial use.

2. According to the information provided by the Group, the GFA of the property is set out as below:

Usage	GFA *(sq.m.)*	Number of Car Parking Spaces
Retail	59,600.36	N/A
Storage	1,593.78	N/A
Ancillary	188.38	N/A
Car Parking Spaces	20,844.94	495
Total:	**82,227.46**	**495**

3. Pursuant to a Tenancy Agreement dated 26 August 2005, the retail units on Levels 1 to 4 and portions of Basement Levels 1 to 2 with a total gross floor area of approximately 42,060.35 sq.m. were rented to New World Department Store (China) Co., Ltd. (新世界百貨(中國)有限公司) for a term of 20 years expiring on 30 September 2026 at an annual rental of RMB34,933,690 with a yearly growth rate of 3% from the fourth year, exclusive of management fees.

4. Pursuant to a Tenancy Agreement dated 1 September 2006, a portion of Basement Level 3 and

ancillary works of Basement Level 1 with a total gross floor area of approximately 12,036.98 sq.m. were rented to Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司) for a term of 15 years expiring on 10 October 2021 at an annual rental of RMB5,851,991 with a growth rate of 3% every three years from the fourth year, exclusive of management fees.

5. Pursuant to a Tenancy Agreement dated 24 April 2015, a storage unit of the property with a lettable area of approximately 1,310 sq.m. (corresponding to a gross floor area of 1,537.1 sq.m.) was rented to Chongqing Department Store Co., Ltd. (重慶百貨大樓股份有限公司) for a term of 7 years expiring on 22 December 2021 at an annual rental of RMB404,790 with a growth rate of 3% every three years from the fourth year, exclusive of management fees.

6. Pursuant to a Tenancy Agreement dated 18 October 2017, portions of Level 5 with a total lettable area of approximately 5,320.59 sq.m. were rented to Chongqing Happy Restaurant Entertainment Co., Ltd. (重慶歡樂迪餐飲娛樂有限公司) for a term of 8 years expiring on 9 November 2025 at an annual rental of RMB4,223,484 with a yearly growth rate of 5% from the first year, exclusive of management fees. According to a Measurement Report issued by Chongqing State-owned Land Resources and Housing Administration Bureau, these retail units have a total gross floor area of approximately 5,319.55 sq.m.

7. Pursuant to a Tenancy Agreement dated 6 January 2017, a retail unit on Basement Level 1 with a lettable area of approximately 70.86 sq.m. (corresponding to a gross floor area of 91.12 sq.m.) was rented to Zhang Xiao (張曉) for a term of 3 years expiring on 31 March 2020 at an annual rental of RMB165,314, exclusive of management fees.

8. Pursuant to a Tenancy Agreement dated 6 January 2017, a retail unit on Basement Level 1 with a lettable area of approximately 92.36 sq.m. was rented to Yang Li (楊麗) for a term of 3 years expiring on 31 July 2020 at an annual rental of RMB225,335, exclusive of management fees.

9. Pursuant to a Car Parking Space Escrow Contract, 495 car parking spaces of the property were managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有限責任公司) for a term of one year expiring on 31 December 2018 at a total annual rental of RMB2,759,400.

10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	1,018,600,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**1,018,600,000**

11. In valuing the property, we have assumed that:

a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

b) the Tenancy Agreements mentioned in notes 3 to 9 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	Project New York New York (纽约纽约项目) located at No. 108 Bayi Road Yuzhong District Chongqing The PRC	Project New York New York is a 44-storey office building with retail units and car parking spaces completed in 2005. The property comprises the multi-storey car parking spaces in Project New York New York with a gross floor area of approximately 277.15 sq.m. (47 spaces). The land use rights of the property have been granted for a term of 40 years expiring on 16 January 2042 for commercial use.	As at the valuation date, the property was rented to a tenant for car parking use.	1,100,000

Notes:

1. Pursuant to a Real Estate Title Certificate - 101 Fang Di Zheng 2006 Zi Di No. 03008, various buildings (including the property) with a total gross floor area ("GFA") of approximately 41,336.93 sq.m. were owned by the Group and the relevant land use rights has been granted for a term of 40 years expiring on 16 January 2041 for commercial use.

2. Pursuant to a Car Parking Space Renovation and Management Right Transfer Contract, the property has been renovated by Hangzhou Xizi Car Parking Industry Co., Ltd. (**Hangzhou Xizi**, "杭州西子停車產業有限公司") since 2018 and the management right will be transferred to Hangzhou Xizi when renovation work is completed. The management period of Hangzhou Xizi is 25 years or a period up to the expiry date of the land use rights, whichever is the shorter, with a total contract fund of RMB1,350,000.

3. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	1,100,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**1,100,000**

4. In valuing the property, we have assumed that:

   a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

b) the Contract mentioned in note 2 above is valid, binding and enforceable and shall remain in effect for the lease term and management term.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
8.	Project Southland Garden (南国丽景项目) located at Nos. 46 to 52 Cangbai Road Yuzhong District Chongqing The PRC	Project Southland Garden is a 35-storey building with residential, retail, office components and car parking spaces completed in 2004. The property comprises various retail units, an office unit, 3 storage units and multi-storey car parking spaces altogether having a total gross floor area ("**GFA**") of approximately 13,129.85 sq.m. in Project Southland Garden. The GFA details of the property are set out in note 2. The land use rights of the property have been granted for terms of 40 years expiring on 25 November 2042 for commercial use and 50 years expiring on 25 November 2052 for residential use.	As at the valuation date, various retail units, 2 storage units and the multi-storey car parking spaces of the property with a total GFA of approximately 11,267.22 sq.m. were rented to various tenants for commercial, storage and car park uses, whilst the office unit and a storage unit with a total GFA of approximately 1,862.63 sq.m. were vacant.	96,700,000

Notes:

1. Pursuant to a Real Estate Title Certificate - 101 Fang Di Zheng 2005 Zi Di No. 10835, Project Southland Garden (including the property) with a total GFA of approximately 57,009.64 sq.m. were owned by the Group and the relevant land use rights has been granted for terms of 40 years expiring on 25 November 2042 for commercial use and 50 years expiring on 25 November 2052 for residential use.

2. According to the information provided by the Group, the GFA of the property is set out as below:

Usage	GFA *(sq.m.)*	Number of Car Parking Spaces
Office	1,462.98	N/A
Retail	10,263.80	N/A
Storage	786.65	N/A
Car Parking Spaces	616.42	101
Total:	**13,129.85**	**101**

3. Pursuant to a Tenancy Agreement dated 29 June 2006, the retail portion of the property (operating as Motel 168 Hotel) with a lettable area of approximately 12,500 sq.m. was rented to Shanghai Motel Hotel Management Co., Ltd. (上海莫泰酒店管理有限公司) for a term of 20 years expiring on 31 December 2026 at an annual rental of RMB1,736,614.56 with a growth rate of 3% every three years from 1 January 2010, exclusive of management fees. The Company has renewed the tenancy agreement for an extended term expiring on 31 December 2030 at an annual rental of RMB5,656,351.52 with a growth rate of 3% every three years from 1 January 2019. According to a measurement report, various retail units have a gross floor area of approximately 12,532.40 sq.m. As

advised by the Company, the whole of Basement Level 3 of Motel 168 Hotel with a total GFA of approximately 2,268.60 sq.m. has been transferred to a third party and therefore was excluded from our valuation, so the GFA of the remaining subject retail portion is 10,263.8 sq.m..

4. Pursuant to a Tenancy Agreement dated 28 February 2018, a storage unit of the property with a gross floor area of approximately 199.00 sq.m. was rented to Xie Yongyuan (謝永源) for a term of 1 year expiring on 14 June 2019 at an annual rental of RMB47,760, exclusive of management fees.

5. Pursuant to a Car Parking Space Renovation and Management Right Transferring Contract, the multi-storey car park of the property with a GFA of approximately 616.42 sq.m. has been renovated by Hangzhou Xizi Car Parking Industry Co., Ltd. (Hangzhou Xizi, "杭州西子停車產業有限公司") since 2018 and the management right will be transferred to Hangzhou Xizi if renovation is completed. The management period of Hangzhou Xizi is 25 years or a period up to the expiry date of the land use rights, whichever is shorter, with a total contract fund of RMB2,650,000.

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	96,700,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**96,700,000**

7. In valuing the property, we have assumed that:

   a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

   b) the Tenancy Agreements and Contract mentioned in notes 3 to 5 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
9.	Project Minsheng Mansion (民生大厦项目) located at No. 181 Minsheng Road Yuzhong District Chongqing The PRC	Project Minsheng Mansion is a 33-storey building with residential, office, retail components and car parking spaces completed in 1997. The property comprises a retail unit, 13 office units, a storage unit and 22 car parking spaces altogether having a total gross floor area ("**GFA**") of approximately 6,431.24 sq.m. in Project Minsheng Mansion. The GFA details of the property are set out in note 3. The land use rights of the property have been granted for terms of 40 years expiring on 28 September 2033 for commercial use and 50 years expiring on 28 September 2043 for residential use.	As at the valuation date, 6 office units and 22 car parking spaces of the property with a total GFA of approximately 3,573.46 sq.m. were rented to various tenants for office and car parking uses. One office unit with a GFA of approximately 35.00 sq.m. was occupied by a party for free. 5 office units, a retail unit and a storage unit with a total GFA of approximately 1,701.08 sq.m. were vacant. And the remaining one office unit with a GFA of approximately 1,121.70 sq.m. was occupied by the Company.	36,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates - Yu Zhong Guo Yong (2001) Zi Di Nos. 1742 and 1743, the land use rights of 2 parcels of land with a total site area of approximately 3,251.5 sq.m. have been granted to the Company for terms of 40 years expiring on 28 September 2033 for commercial use and 50 years expiring on 28 September 2043 for residential use.

2. Pursuant to a Building Ownership Certificate - Fang Quan Zheng 100 Zi Di No. 020007 issued by Chongqing Housing Administration Bureau, Project Minsheng Mansion erected on the aforesaid land has a total GFA of approximately 63,341.64 sq.m.

3. According to the information provided by the Group, the GFA of the property is set out as below:

Usage	GFA *(sq.m.)*	Number of Car Parking Spaces
Office	4,418.89	N/A
Storage	399.70	N/A
Retail	99.76	N/A
Car Parking Spaces	1,512.89	22
Total:	**6,431.24**	**22**

4. Pursuant to 6 Tenancy Agreements, 6 office units of the property with a total GFA of approximately 2,060.57 sq.m. were rented to 6 tenants for various terms with the expiry dates between 28 February 2019 and 30 August 2021 at a total annual rental of RMB627,750.82 exclusive of management fees.

5. Pursuant to a Car Parking Space Escrow Contract, 22 car parking spaces of the property were rented to and managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有限責任公司) for a term of one year expiring on 31 December 2018 at a total annual rental of RMB118,800.

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	36,000,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**36,000,000**

7. In valuing the property, we have assumed that:

   a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

   b) the Tenancy Agreements mentioned in notes 4 to 5 above are valid, binding and enforceable and shall remain in effect for the lease terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
10.	Project Zou Rong Plaza (邹容广场项目) located at Nos. 141 to 155 Zourong Road Yuzhong District Chongqing The PRC	Project Zou Rong Plaza is a 33-storey complex building with residential, office and retail components and car parking spaces completed in 2000. The property comprises 8 retail units, an office unit and 99 car parking spaces altogether having a total gross floor area ("**GFA**") of approximately 6,805.51 sq.m. in Project Zou Rong Plaza. The GFA details of the property are set out in note 3. The land use rights of the property have been granted for a term of 50 years expiring in January 2046 for composite use.	As at the valuation date, 3 retail units, an office unit and 99 car parking spaces of the property with a total GFA of approximately 6,299.31 sq.m. were rented to various tenants for retail, office and car parking uses, whilst the remaining units with a total GFA of approximately 506.20 sq.m. were vacant.	37,200,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Yu Guo Yong (1996) Zi Di No. 007, the land use rights of a parcel of land with a site area of approximately 6,712 sq.m. have been partially granted and partially allocated to the Company. The granted portion has a term of 50 years expiring in January 2046 for composite use.

2. Pursuant to a Building Ownership Certificate - Fang Quan Zheng 100 Zi No. 100730 issued by Chongqing State-owned Land Resources and Housing Administration Bureau, Project Zou Rong Plaza erected on the aforesaid land has a total gross floor area of approximately 102,502.41 sq.m.

3. According to the information provided by the Group, the GFA of the property is set out as below:

Usage	GFA *(sq.m.)*	Number of Car Parking Spaces
Retail	786.51	N/A
Office	888.00	N/A
Car Parking Spaces	5,131.00	99
Total:	**6,805.51**	**99**

4. Pursuant to 4 Tenancy Agreements, 3 retail units and an office unit of the property with a total GFA of approximately 1,168.31 sq.m. were rented to 4 tenants for various terms with expiry dates between 15 March 2019 and 14 August 2019 at a total annual rental of RMB554,229.12, exclusive of management fees.

5. Pursuant to a Car Parking Space Escrow Contract, 99 car parking spaces of the property were managed by and rented to Chongqing Jingli Property Development Co., Ltd. (重慶市靖立物業發展有

限責任公司) for a term of one year expiring on 31 December 2018 at a total annual rental of RMB534,600.

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date *(RMB)*
Group I - Held for sale by the Group	N/A
Group II - Held for investment by the Group	37,200,000
Group III- Held for future development by the Group	N/A
Group IV - Held for owner occupation by the Group	N/A
Total:	**37,200,000**

7. In valuing the property, we have assumed that:

   a) the property can be freely transferred, leased or mortgaged by the registered owner without payment of any further land grant premium or transfer fee; and

   b) the Tenancy Agreements mentioned in notes 4 to 5 above are valid, binding and enforceable and shall remain in effect for the lease terms.

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VALUATION REPORT

CONSIDERING THE MARKET VALUE OF

THE INVESTMENT IN THE LIMITED PARTNERSHIP OF

SHANGHAI ZHAOLI INVESTMENT CENTER (LLP)

BELONGING TO

CHONGQING YINGLI REAL ESTATE DEVELOPMENT CO., LTD.

Client : **Chongqing Yingli Real Estate Development Co., Ltd.**

Ref. No. : **CON000466227BV-1**

Date : **24 April 2019**

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24 April 2019

The Board of Directors
Chongqing Yingli Real Estate Development Co., Ltd.
Level 57 of Yingli International Finance Centre
No.28 Minquan Road, Yuzhong District
Chongqing 400010
The People's Republic of China

Dear Sirs,

In accordance with the instructions from Chongqing Yingli Real Estate Development Co., Ltd. ("Yingli", or the "Company"), Jones Lang LaSalle Corporate Appraisal and Advisory has undertaken an investigation and analysis to determine the market value of the investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) (the "Subject Asset") as at 31 December 2018 (the "Valuation Date"). The report which follows is dated 24 April 2019 (the "Report Date").

The purpose of this valuation is for disclosure purpose in relation to the Company's mandatory unconditional cash offer.

Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include the review of economic condition of the subject asset and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

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The conclusion of values is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Company.

We do not intend to express any opinion in matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of the Investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) as at the Valuation Date is reasonably stated as **RMB 1,008,000,000 (REN MIN BI ONE BILLION EIGHT MILLION)**.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

In accordance with the instructions from Chongqing Yingli Real Estate Development Co., Ltd. ("Yingli", or the "Company"), Jones Lang LaSalle Corporate Appraisal and Advisory has undertaken an investigation and analysis to determine the market value of the investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) (the "Subject Asset") as at 31 December 2018 (the "Valuation Date"). The report which follows is dated 24 April 2019 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF VALUE

Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include the review of economic condition of the subject asset and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

Chongqing Yingli Real Estate Development Co., Ltd. paid RMB 559 million to subscribe the subordinated shares of Shanghai Zhaoli Investment Center (LLP), hereinafter "Zhaoli". Zhaoli was founded on 16th, July, 2014 and Zhaoli subscribed RMB 2,100 million of the equity shares of Shanghai Shengke Investment Center (LLP), hereinafter "Shengke". Shengke was founded on 12th, March, 2014. Shengke initially invested RMB 7,200 million to the "New Beijing Centre Project" (the "Project"), which is a commercial complex located in the Canal Core Area of Tongzhou District in Beijing. On 8th, November, Shengke's partners signed a new agreement with the investment amounting to about 9,400 million.

Three real estate investment companies acting as the main body for the Project development and construction are referred to as the "Project Companies". The general structure of Yingli's investment in the Project is presented in the Appendix I.

New Beijing Centre Project

The New Beijing Centre Project is located at the junction of Xihaizi West Road and Binhuibei No.1 Street. It occupies 5 parcels of land with a total site area of approximately 57,165.70 sq.m., which will be developed into an office, apartment and commercial complex development. Upon completion, the development will have a total planned gross floor area of approximately 719,187.67 sq.m.

Phase I of the New Beijing Centre Project

Sand Table of the Project

Phase II

Phase III

The New Beijing Centre Project is scheduled to develop into three phases, Phase I is held for sale by Hua Heng Xing Ye Real Estate Development Limited Company ("Hua Heng Xing Ye", 北京华恒兴业房地产开发有限公司), Phase II is held under development by Hua Heng Ye Real Estate Development Limited Company ("Hua Heng Ye", 北京华恒业房地产开发有限公司) and Phase III is held under development by Hua Fu Xin Ye Real Estate Development Limited Company ("Hua Fu Xin Ye", 北京华富新业房地产开发有限公司). As at the valuation date, Phase I was completed and held for sale, Phase II and Phase III were under construction and is scheduled to be completed in February 2021 and October 2021. The details are set out as follows:

Phase	Usage	Gross Floor Area *(sq.m.)*
Phase I	Commercial	22,700.17
(Unsold Units)	Apartment	54,943.18
	Underground Car parking space	44,751.13
	Underground Commercial	11,739.42
	Sub-total:	**134,133.90**
Phase II	Commercial	33,561.01
(Planned)	Office	147,524.00
	Underground Car parking space	50,319.10
	Service facilities	13,753.20
	Sub-total:	**245,157.31**
Phase III	Commercial	21,484.40
(Planned)	Office	148,509.00

Underground Car parking space	42,769.10
Service facilities	7,290.90
Sub-total:	**220,053.40**
Grand-total:	**599,344.61**

Situation and Locality

The New Beijing Centre Project is situated at core area of the Canal Core Area of Tongzhou District in Beijing, bordered by Poly Metropolitan Project, Green Land Central Plaza Project and World Chamber of Commerce Center Project. Tongzhou District is located in southeast of Beijing and considered the eastern gateway to the nation's capital. With the requirements of Beijing government aims to develop Tongzhou into an international urban, and taking the geographical advantages, Tongzhou is positioned to be a fully functioning sub-center of Beijing. The core area of the Canal Core Area is the promising project of the government.

Source: JLL, google map

Title Documents

We have been provided with the copies of 5 State-owned Land Use Rights Certificates, 5 Construction Work Planning Permits, 8 Construction Work Commencement Permits, 5 Real Estate Title Certificates. The details are set out as follows:

State-owned Land Use Rights Certificates:

Pursuant to 2 State-owned Land Use Rights Certificates – Jing Tong Guo Yong 2015 Chu Nos. 00110 and 00111, the land use rights of 2 parcels of land of the Project with a total site area of approximately 20,998.90 sq.m. were granted to Hua Heng Xing Ye for a term expiring on 13 March 2051 for commercial use, and on 13 March 2061 for apartment and office uses.

Pursuant to 2 State-owned Land Use Rights Certificates – Jing Tong Guo Yong 2014 Chu Nos. 00221 and 00223, the land use rights of 2 parcels of land of the Project with a total site area of approximately 19,973.14 sq.m. were granted to Hua Heng Ye for a term expiring on 17 March 2051 for commercial use, and on 17 March 2061 for underground car parking space and office uses.

Pursuant to a State-owned Land Use Rights Certificate – Jing Tong Guo Yong 2014 Chu No. 00222, the land use rights of a parcel of land of the Project with a site area of approximately 16,193.67 sq.m. were granted to Hua Fu Xin Ye for a term expiring on 17 March 2051 for commercial use, and on 17 March 2061 for underground car parking space and office uses.

Construction Work Planning Permit

Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 110112201500012 and 110112201500013 in favour of Hua Heng Xing Ye, Phase I of the Project with a total gross floor area of approximately 253,976.96 sq.m. has been approved for construction.

Pursuant to 2 Construction Work Planning Permits—Jian Zi Di Nos. 110112201700060 and 110112201700061 in favour of Hua Heng Ye, Phase II of the Project with a total gross floor area of approximately 245,157.31 sq.m. has been approved for construction.

Pursuant to a Construction Work Planning Permit—Jian Zi Di No. 110112201700102 in favour of Hua Fu Xin Ye, Phase III of the Project with a total gross floor area of approximately 220,053.40 sq.m. has been approved for construction.

Construction Work Commencement Permits

Pursuant to 5 Construction Work Commencement Permits –110112201505060101 [2015] Shi Tong Jian Zi Nos. 0016 to 0020, in favour of Hua Heng Xing Ye, permissions by the relevant local authority were given to commence the construction of Phase I of the Project with a total gross floor area of approximately 253,976.96 sq.m.

Pursuant to 2 Construction Work Commencement Permits—[2017] Shi [Tong] Jian Zi Di Nos. 42 and 46, in favour of Hua Heng Ye, permissions by the relevant local authority were given to commence the construction of Phase II of the Project with a total gross floor area of approximately 245,157.31 sq.m.

Pursuant to a Construction Work Commencement Permit—[2018] Shi [Tong] Jian Zi Di No.0025, in favour of Hua Fu Xin Ye, permission by the relevant local authority were given to commence the construction of Phase III of the Project with a total gross floor area of approximately 220,053.40 sq.m.

Real Estate Title Certificates

Pursuant to 5 Real Estate Title Certificates – Jing (2018) Tong Bu Dong Chan Quan Di Nos.0058490, 0058486, 0058497, 0058470 and 0058451, Phase I with a total gross floor area of approximately 189,352.32 sq.m. is owned by Hua Heng Xing Ye.

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VALUATION APPROACH AND METHODOLOGY

Approach for the property interests of the Project

We have valued the property interests of Phase I of the Project by the comparison approach by assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing the property interest of Phase II and Phase III of the Project, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Project Companies. In arriving at our opinion of values, we have adopted the residual method assuming that it is newly completed in accordance with the details of the development proposals provided to us in terms of property uses, respective saleable areas and construction schedules which are firstly valued by the comparison approach to establish the gross development value of the property. The total unexpended costs of developments including construction costs, professional fees and other associated expenditure, together with an allowance for interest expense, and developer's profit are estimated and deducted from the established gross development values of the property. The resultant residual figures are then adjusted back to the valuation date to arrive at the market value of the property concerned in its existing state.

Approach for the Subject Asset

The benefits of the Subject Asset go through three distribution layers from the Project to Yingli. In order to obtain the market value of Yingli's investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP), we calculated the benefit generated by the Project and distribute it through the three layers according to related Investment Agreements and Partnership Agreements. Detailed distribution terms of each layer are described in the Appendix II, III and IV.

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VALUATION ASSUMPTIONS

We have made the following special assumptions in the course of our valuation:

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Company;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed that the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;
- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed the capital structure of the Company will not change; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.
- In valuing the properties, our valuation has been made on the assumption that the seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.
- No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.
- We have relied to a very considerable extent on the information given by the management and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

VALUATION CONCLUSION

Net Asset Values of the Project Companies

Based on the above assumptions and analysis, we are of the opinion that the net asset values of three companies are set out as below:

(1) The Net Asset Value of Hua Heng Xing Ye

Accounting Item	Book Value (RMB)	Market value(RMB)	Growth Rate
Current Assets	4,265,087,681.09	5,490,366,437.06	29%
- Inventories	2,572,454,577.36	3,798,000,000.00	48%
Non-Current Assets	1,079,729,935.55	1,079,729,935.55	0%
Current Liabilities	936,427,808.37	618,589,007.90	-34%
Non-Current Liabilities	4,000,000,000.00	4,000,000,000.00	0%
Net Assets	**408,389,808.27**	**1,951,507,364.71**	**378%**

(2) The Net Asset Value of Hua Heng Ye

Accounting Item	Book Value (RMB)	Market value(RMB)	Growth Rate
Current Assets	3,495,368,677.17	4,109,809,058.94	18%
- Inventories	2,861,659,618.23	3,476,100,000.00	21%
Non-Current Assets	239,041,456.13	239,041,456.13	0%
Current Liabilities	1,120,952,028.61	750,952,028.61	-33%
Non-Current Liabilities	2,500,000,000.00	2,500,000,000.00	0%
Net Assets	**113,458,104.69**	**1,097,898,486.46**	**868%**

(3) The Net Asset Value of Hua Fu Xin Ye

Accounting Item	Book Value (RMB)	Market value(RMB)	Growth Rate
Current Assets	2,086,410,313.33	2,455,568,775.31	18%
- Inventories	2,077,441,538.02	2,446,600,000.00	18%
Non-Current Assets	9,278,167.65	5,782,658.66	-38%
Current Liabilities	182,268,453.88	182,268,453.88	0%
Non-Current Liabilities	1,720,000,000.00	1,720,000,000.00	0%
Net Assets	**193,420,027.10**	**559,082,980.09**	**189%**

Note: In course of valuation, all the asset and liability are based on book value except Inventories and increment tax on land value.

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The Market value of the Investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP)

Based on the above assumptions and analysis, we are of the opinion that the market value of the Investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) as at the Valuation Date is reasonably stated as RMB 1,008,000,000. Detailed distribution results of each layer are described in the Appendix V, VI and VII.

INFORMATION AND DOCUMENTS

In conducting our valuation, we have reviewed information from several sources, including, but not limited to:

(i) Background of the Company;

(ii) Documents and details relating to and detailing the terms and conditions of the Investment Agreement and Partnership Agreements;

(iii) Discussions with the management of the Company concerning the particulars of the Partnership Agreement.

We have analyzed and considered the features of the subject asset and Partnership Agreement. In our valuation, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this exercise. In addition, we have relied upon the statements, information, opinions and representations provided to us by the Company and their officers, executives and employees.

Our opinion is based upon economic, market, financial and other conditions that can be evaluated as they exist on the Valuation Date and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the Valuation Date. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

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OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the market value of the Investment in the Limited Partnership of Shanghai Zhaoli Investment Center (LLP) as at the Valuation Date is reasonably stated as **RMB 1,008,000,000 (REN MIN BI ONE BILLION EIGHT MILLION)**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS) where he now serves on their North Asia Valuation Practice Group. He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no

responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there

will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

18. We have assumed that the conditions of the properties are the same as at the time of our inspection and the valuation date.

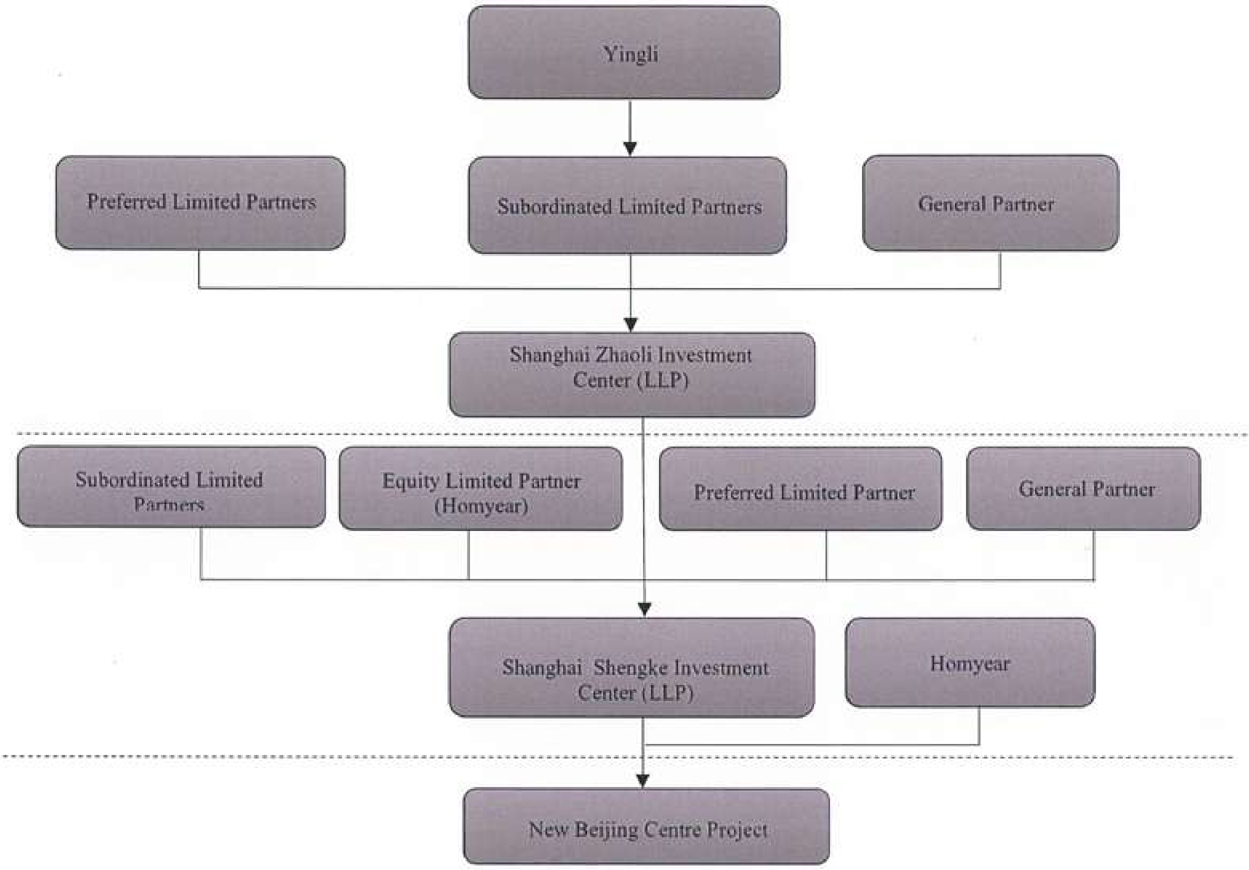
19. Any necessary interpretations that we have been obliged to make of the relevant leases are informal and our own, and without any liability.

20. This report is for the use only of the party to whom it is addressed for the specific purposes to which it refers and no responsibility is accepted to any third party for use of or reliance on the whole or any part of its contents for any purpose.

21. Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear, except for the purposes of disclosure of our valuation in the Company's annual reports and financial results in which the property is included.

22. Reliance on this valuation report is permitted only:
    (i) by a party expressly identified by the report as being permitted to rely on it;
    (ii) when the given party has received the report directly from JLL; and
    (iii) for a purpose expressly identified by the report as being a permitted use of the report.

APPENDIX I– GENERAL STRUCTURE OF YINGLI'S INVESTMENT TO THE PROJECT



APPENDIX II – SUMMARY OF BENEFIT DISTRIBUTION TERMS FOR THE PROJECT COMPANIES

Table 1: The Project Companies Benefit Distribution Terms 项目公司层面利益分配条款		RMB
Total Amount of Shengke's Investment to the Project Companies 晟科投资于项目公司总额		8,700,800,000
Total Amount of Homyear's Investment to the Project Companies(Equity) 华业投资于项目公司总额（股权）		120,000,000
Shengke Hurdle Rate 晟科基础投资收益率	Annualized	15%
Homyear Hurdle Rate 华业基础投资收益率	Annualized	15%
Carry Rate for Shengke 超额晟科分配比例		80%
Carry Rate for Homyear 超额华业分配比例		20%

APPENDIX III – SUMMARY OF BENEFIT DISTRIBUTION TERMS FOR SHENGKE

Table 2: Shengke Benefit Distribution Terms/晟科利益分配条款		RMB
General Partner Paid-in Capital Contribution 普通合伙人实缴出资额		800,000
Preferred Limited Partner Paid-in Capital Contribution 优先级有限合伙人实缴出资额		5,000,000,000
Equity Limited Partner Paid-in Capital Contribution 权益级有限合伙人实缴出资额		2,800,000,000
Subordinated Level One Limited Partner Paid-in Capital Contribution 次一级有限合伙人实缴出资额		580,000,000
Subordinated Level Two Limited Partner Paid-in Capital Contribution 次二级有限合伙人实缴出资额		320,000,000
Fund Management Fee Rate 基金管理费	Annualized	2.0%
Preferred Return Rate 1(From initial investment date to 13rd, October, 2016) 优先级投资收益率 1(首个投资起算日至 2016 年 10 月 13 日)	Annualized	10.5%
Preferred Return Rate 2(Since 13rd, October, 2016) 优先级投资收益率 2(自 2016 年 10 月 13 日起)	Annualized	7.0%
Subordinated Level One Return Rate 次一级投资收益率	Annualized	15%
Equity Hurdle Rate 权益级基础投资收益率	Annualized	15%
Equity Hurdle IRR / IRR Premium for Limited Partner 权益级基础 IRR / 普通合伙人可获得 IRR 溢价	Annualized IRR/ IRR Premium Allocation Rate	12%/ 20%
Carry Rate for General Partner 超额普通合伙人分配比例		20%
Carry Rate for Equity Limited Partner 超额权益级有限合伙人分配比例		80%

APPENDIX IV– SUMMARY OF BENEFIT DISTRIBUTION TERMS FOR ZHAOLI

Table 3: Zhaoli Benefit Distribution Terms/钊利利益分配条款		RMB
General Partner Paid-in Capital Contribution 普通合伙人实缴出资额		100,000
Preferred Limited Partner Paid-in Capital Contribution 优先级有限合伙人实缴出资额		1,550,000,000
Subordinated Limited Partner Paid-in Capital Contribution 次级有限合伙人实缴出资额		600,000,000
Fund Management Fee Rate 基金管理费	Annualized	0.5%
Preferred Return Rate 1 优先级投资收益率 1	Annualized	11.0%
Preferred Return Rate 2 优先级投资收益率 2	Annualized	11.0 %*(1+5%)
Distribution Ratio of General Return for Subordinated Limited Partner 次级有限合伙人一般收益分配比例	Annualized	28%
Carry Rate for General Partner 超额普通合伙人分配比例		20%
Carry Rate for Preferred Limited Partner 超额优先级有限合伙人分配比例		40%
Carry Rate for Subordinated Limited Partner 超额次级有限合伙人比例		40%

APPENDIX V – SUMMARY OF BENEFIT DISTRIBUTION RESULTS FOR THE PROJECT COMPANIES

Table 4: 第二步:项目公司利益分配结果/ The Project Companies Benefit Distribution Results		RMB
项目公司可分配利益	Total Amount of the Project Companies' Benefits to be Distributed	11,462,251,007
晟科权益级和次一级的收益	Shengke Equity Limited Partner and Shengke Subordinated Level One Limited Partner Returns	1,521,000,000
华业收益	Homyear Returns	54,000,000
晟科出资额	Shengke Paid-in Capital Contribution	8,700,800,000
华业出资额	Homyear Paid-in Capital Contribution(Equity)	120,000,000
晟科剩余收益	Shengke Excess Earnings	853,160,806
华业剩余收益	Homyear Excess Earnings	213,290,201

APPENDIX VI– SUMMARY OF BENEFIT DISTRIBUTION RESULTS FOR THE SHENGKE

Table 5: 第二步: 晟科基金利益分配结果/ Shengke Benefit Distribution Results		RMB
上海晟科投资合伙可分配利益	Total Amount of the Shengke' Benefits to be Distributed	11,074,960,806
Step 1 / 第一步（优先级收益）：	Preferred Limited Partner Return	8,630,137
Step 2 / 第二步（优先级出资额）：	Preferred Limited Partner Paid-in Capital Contribution	5,000,000,000
Step 3 / 第三步 （权益级投资收益）：	Equity Limited Partner Return	1,260,000,000
Step 4 / 第四步 （次一级投资收益）：	Subordinated Level One Limited Partner Return	261,000,000
Step 5 / 第五步 （权益级出资额）：	Equity Limited Partner Paid-in Capital Contribution	2,800,000,000
Step 6 / 第六步 （次一级出资额）：	Subordinated Level One Limited Partner Paid-in Capital Contribution	580,000,000
Step 7 / 第七步 （次二级出资额）：	Subordinated Level Two Limited Partner Paid-in Capital Contribution	320,000,000
Step 8/ 第八步 （普通合伙人出资额）：	General Partner Paid-in Capital Contribution	800,000
Step 9/ 第九步 （普通合伙人 IRR 溢价）：	IRR Premium for Limited Partner	16,832
超额收益		844,513,837
Step 1/ 第一步 （普通合伙人超额收益）：	General Partner Excess Earnings	168,902,767
Step 2/ 第二步 （权益级合伙人超额收益）：	Equity Limited Partner Excess Earnings	675,611,069

仲量聯行

APPENDIX VII– SUMMARY OF BENEFIT DISTRIBUTION RESULTS FOR THE ZHAOLI

Table 6: 第三步: 钊利基金利益分配结果/ Zhaoli Benefit Distribution Results		RMB
上海钊利投资合伙可分配利益	Total Amount of the Zhaoli' Benefits to be Distributed	3,551,708,302
Step 1 / 第一步（基金管理费）：	Fund management Fee	32,251,500
Step 2 / 第二步（优先级收益）：	Preferred Limited Partner Return	519,750,000
Step 3 / 第三步（优先级出资额）：	Preferred Limited Partner Paid-in Capital Contribution	1,550,000,000
Step 4 / 第四步 （次级出资额）：	Subordinated Limited Partner Paid-in Capital Contribution	600,000,000
Step 5 / 第五步 （普通合伙人出资额）：	General Partner Paid-in Capital Contribution	100,000
待分配剩余收益	Remaining Earnings to be distributed	849,606,802
Step 1 / 第一步 （次级合伙人一般收益）：	Subordinated Limited Partner General Return	237,088,545
Step 2 / 第二步 （超额收益）：	Excess Earnings to be distributed	612,518,257
普通合伙人超额收益		122,503,651
优先级合伙人超额收益		245,007,303
次级合伙人超额收益		245,007,303
英利可分配收益	**Market value of the Subject Asset**	**1,008,000,000**

SELECTED TEXTS OF THE CONSTITUTION

All capitalised terms used in the following extracts shall have the same meanings given to them in the Constitution, a copy of which is available for inspection at the registered office of the Company at 12 Marina Boulevard, #18-05 Marina Bay Financial Centre Tower 3, Singapore 018982, during normal business hours until the Closing Date.

The rights of Shareholders in respect of capital, dividends and voting as set out in the Articles are as follows:

(a) The rights of Shareholders in respect of capital

SHARES

3. Subject to these presents, no shares may be issued by the Directors without the prior sanction of an Ordinary Resolution of the Company in General Meeting pursuant to the relevant provision of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with the relevant provisions of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act Provided always that (i) no shares shall be issued at a discount or options granted over unissued shares except in accordance with the Act; and (ii) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange.

4. (1) The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum of Association or these Articles. In the event of preference shares being issued the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and preference shareholders must have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders must also have the right to attend and vote at any meeting of the Company convened for the following purposes:–

(a) the reduction of capital of the Company; or

(b) the winding-up of the Company; or

(c) sanctioning a sale of the undertaking of the Company; or

(d) any resolution which directly affects any of the rights attaching to the preference shares; or

(e) where the dividend on the preference shares is more than six months in arrears.

(2) Subject to Section 70 of the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.

5. (1) If at any time the share capital of the Company by reason of the issue of preference shares or otherwise is divided into different classes of shares, the repayment of such preference capital other than redeemable preference capital, or all or any of the rights and privileges attached to each class may, subject to the provisions of the Act, be varied modified commuted abrogated affected or dealt with, with the sanction of a special resolution passed at a separate General Meeting of the holders of that class of shares but not otherwise. To every such separate General Meeting the provisions of these Articles relating to General Meetings of the Company and to proceedings thereat shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting a quorum as above defined is not present, any two holders of shares of the class present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll, and that every such holder shall on a poll have one vote for every share of the class held by him. Provided however that in the event of the necessary majority for such a special resolution not having been obtained in the General Meeting in the manner aforesaid consent in writing may be obtained from Members holding at least three-fourths of the issued shares of the class and such consent, if obtained within two months from the date of the separate General Meeting shall have the force and validity of a special resolution duly carried by a vote in person or by proxy.

(2) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of that class of shares be deemed to be varied by the creation or issue of further shares ranking equally therewith.

6. The Company may exercise the powers of paying commissions conferred by the Act Provided that the rate in per cent, or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per cent. of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent. of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act, and may charge the same to capital as part of the cost of construction of the works, buildings or plant.

8. If two or more persons are entered in the Register of Members or (as the case may be) the Depository Register, as joint holders of any share, they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions:–

(a) The Company shall not be bound to register more than three persons as the registered joint holders of any share but this provision shall not apply in the case of executors or trustees of a deceased shareholder.

(b) Joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register shall be treated as one Member.

(c) The Company shall not be bound to issue more than one certificate for a share registered jointly in the names of several persons and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

(d) The joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share.

(e) Any of the joint holders of any share whose names are entered in the Register of Members or (as the case may be) the Depository Register may give effectual receipts for any dividend, bonus or other sum of money payable to such joint holders in respect of such share.

(f) On the death of any one of the joint holders of any shares whose names are entered in the Register of Members or (as the case may be) the Depository Register the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they think necessary.

9. (1) Except as required by law, no person other than the Depository shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any right whatsoever in respect of any share other than an absolute right to the entirety thereof in the person whose name is entered in the Register of Members or (as the case may be) the Depository Register.

(2) No person shall be recognised by the Company as having title to a fractional part of a share otherwise than as a sole or joint holder of the entirety of such share.

(3) Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten market days of the closing date (or such other period as may be approved by any Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

10. Subject to and in accordance with the provisions of the Act and to any other applicable rules, regulations or legislation, the Company may purchase or otherwise acquire ordinary shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. All shares repurchased by the Company shall be cancelled.

CERTIFICATES

11. *Upon payment of the amount of the proper duty with which each such certificate is chargeable under any law for the time being in force relating to stamps and upon further payment of such fee not exceeding Singapore Dollars Two (S$2.00) (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any Exchange upon which the shares of the Company may be listed), every Member shall be entitled to receive in the case of an allotment of shares within ten market days of the closing date of any application to subscribe for shares (or such other period as may be approved by any Exchange upon which the shares in the Company may be listed) and in the case of a lodgement of a registrable transfer of shares within ten market days after the date of lodgement of a registrable transfer (or such other period as may be approved by any Exchange upon which the shares in the Company may be listed) to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where a Member transfers only part of the shares so comprised in a certificate or where a Member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of sub-dividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the Member shall pay the amount of proper duty, if any, with which each such certificate is chargeable under any law for the time being in force relating to stamps and payable on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a fee not exceeding Singapore Dollars two (S$2.00) for each new certificate (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any Exchange upon which the shares of the Company may be listed).*

12. *Every certificate of title to shares shall be under the Seal in such form as the Directors shall from time to time prescribe and shall bear the autographic or facsimile signatures of at least one Director and the Secretary or some other person appointed by the Directors, and shall specify the number and class of shares to which it relates and the amounts paid up thereon. Any facsimile of such signatures may be reproduced by mechanical or other means prescribed by the Directors from time to time.*

13. *Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any Exchange upon which the shares in the Company may be listed or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding Singapore Dollars two (S$2.00) for each share certificate (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.*

CONVERSION OF SHARES INTO STOCK

46. The Directors may, from time to time, with the sanction of the Company previously given in General Meeting convert all or any of its paid-up shares into stock and may from time to time, with like sanction, reconvert any such stock into paid-up shares of any denomination.

47. When any shares have been converted into stock, the holders of such stock may transfer their respective interests therein, or any part of such interests, in such manner as the Company in General Meeting shall direct, but in default of any such direction in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances will admit; but the Directors may, if they think fit, from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, provided that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

48. The holders of stock shall be entitled to participate in the dividends and profits of the Company according to the amount of their respective interests in such stock, and such interests shall, in proportion to the amount thereof, confer on the holders thereof respectively the same privileges and advantages for the purpose of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any holding or part of a holding of stock as would not if existing in shares, have conferred such privileges or advantages.

49. All such provisions of these Articles as are applicable to paid-up shares shall apply to stock, and in all such provisions the words "share" and "shareholder" shall include "stock" and "stockholder".

ALTERATION OF CAPITAL

50. The Company may in General Meeting alter the conditions of its Memorandum of Association by ordinary resolution:–

(a) to consolidate and divide its share capital into shares of larger amount than its existing shares; or

(b) to cancel any share or shares which, at the date of passing of the resolution, has or have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of shares so cancelled; or

(c) to divide its share capital or any part thereof into shares of smaller amount than is fixed by its Memorandum of Association by sub-division of its existing shares or any of them, subject nevertheless to the provisions of the Act, and so that as between the resulting shares, one or more of such shares may by the resolution by which such sub-division is effected be given any preference or advantage as regards dividends, capital, voting or otherwise over the shares or any other of such shares; and

(d) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares.

51. The Company may by special resolution reduce its capital, any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions required by law.

INCREASE OF CAPITAL

52. (1) The Company in General Meeting may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the General Meeting resolving upon such increase directs.

(2) Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

53. (1) Unless otherwise determined by the Company in General Meeting, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall, before they are issued, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meeting in proportion as nearly as may be, to the number of shares held by them. Such offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of such time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may, subject to these Articles, dispose of the same in such manner as they think most beneficial to the Company. The Directors may, in like manner dispose of any such new or original shares as aforesaid, which by reason of the ratio which the new shares bear to the existing shares held by Members or by reason of any other difficulty in apportioning the same, cannot in the opinion of the Directors be conveniently offered in the manner herein before provided.

(2) Notwithstanding Article 53(1), but subject always to the Act and the Listing Manual of the Exchange upon which the shares of the Company are listed, no shareholders' approval is required for further issues of shares where:–

(a) in accordance with the provisions of the Act there is still in effect a resolution approving the issue of shares by the Company;

(b) the aggregate number of shares and convertible securities to be issued by the Company does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing Members ("Placement") does not exceed 20% of the issued share capital of the Company (for the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be calculated based on the issued share capital at the time such authority is given after adjusting for the new shares arising from the conversion or exercise of any convertible securities and employee share options on issue at the time such authority is given and any subsequent consolidation or sub-division of shares) and there is still in effect a resolution approving the issuance of the shares by the Company;

(c) *the issue(s) of the shares for cash pursuant to a Placement shall not, over a 12-month period from the date of first allotment, exceed an aggregate of 20% of the issued share capital of the Company for the time being and there is still in effect a resolution approving the issuance of the shares by the Company;*

(d) *the issue(s) of shares pursuant to a Placement is/are not made to the Directors, substantial shareholders or other related parties. Parties are considered to be related if one party has an interest, within the meaning of Section 7 of the Act, in the other party or the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions; and*

(e) *if applicable, the issue(s) of shares for cash pursuant to a Placement shall not be priced at more than a 10% discount of the weighted average prices done on the Singapore Exchange Securities Trading Limited or on a recognised exchange at the time of the signing of a placement agreement, if any;*

and such shares shall be at the disposal of the Directors and they may allot or otherwise dispose of the same to such persons and on such terms as they may think proper.

54. *Except so far as otherwise provided by or pursuant to these Articles or by the conditions of issue, any new share capital shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture, and otherwise as the original share capital.*

(b) The rights of Shareholders in respect of dividends

FORFEITURE OF SHARES

37. *If any Member fails to pay the whole or any part of any call or instalment on or before the day appointed for the payment thereof the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the person entitled to the share by transmission requiring him to pay such call or instalment, or such part thereof as remains unpaid, together with interest at such rate not exceeding ten per cent. per annum as the Directors shall determine, and any expenses that may have accrued by reason of such non-payment.*

38. *The notice shall name a further day (not being less than seven days from the date of the notice) on or before which such call or instalment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, are to be paid. It shall also name the place where payment is to be made, and shall state that in the event of non-payment at or before the time and the place appointed, the shares in respect of which such call was made will be liable to be forfeited.*

39. *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment of all calls, and interest and expenses required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture, notwithstanding that they shall have been declared.*

40. *When any share has been forfeited in accordance with these Articles, notice of the forfeiture is to be given forthwith to the holder of the shares or to the person entitled to the share by transmission, as the case may be; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.*

41. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

42. Every share which shall be forfeited shall thereupon become the property of the Company, and may be either cancelled or sold or re-allotted or otherwise disposed of, either to the person who was before forfeiture the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit. To give effect to any such sale, the Directors may, if necessary, authorise some other person to transfer or effect the transfer of a forfeited share to any such person as aforesaid.

43. A Member whose shares have been forfeited shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender, be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon to the date of payment in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the share at the time of forfeiture, without any deduction or allowance for the value of the shares at the time of forfeiture.

44. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members.

45. A statutory declaration in writing that the declarant is a Director of the Company, and that a share has been duly forfeited in pursuance of these Articles, and stating the date upon which it was forfeited, shall as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive evidence of the facts therein stated, and such declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof, and a certificate of proprietorship of the share under the seal delivered to the person to whom the same is sold or disposed of (or where the purchaser is a Depositor, to the Depository), shall constitute good title to the share, and (subject to the execution of any necessary transfer) such person shall be entered in the Register of Members as the holder of the share or (as the case may be), the Company will procure that his name shall be entered in the Depository Register, and shall be discharged from all calls made prior to such sale or disposition, and shall not be bound to see to the application of the purchase money (if any), nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

DIVIDENDS AND RESERVE FUND

130. The Company may by ordinary resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company.

131. *Subject to the provisions hereinafter contained and to the preferential or other special rights for the time being attached to any preference shares or any other special class of shares, the profits of the Company which it shall from time to time determine by ordinary resolution to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up or credited as paid up thereon respectively, provided that where capital is paid up on any shares in advance of calls such capital shall not whilst carrying interest confer a right to participate in profits.*

132. *The Company may, upon the recommendation of the Directors, by ordinary resolution direct payment of a dividend either wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of any other company in any one or more of such ways and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed, in order to adjust the rights of all Members, and may vest any such specific assets in trustees upon trust for the Members entitled to the dividend as may seem expedient to the Directors.*

133. *The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve fund or reserve funds, which shall at the discretion of the Directors be applicable for meeting contingencies, for the gradual liquidation of any debt or liability of the Company, or for repairing or maintaining or improving any property, works, plants and machinery of the Company, or shall be, as to the whole or in part, application for equalising dividends, or for distribution by way of special dividend or bonus, or for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company or invest the same in such securities, including the securities of the Company as they may select. The Directors may also from time to time carry forward such sums as they deem expedient in the interests of the Company.*

134. *No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.*

135. *The Directors may deduct from any dividend or other moneys including interests and expenses payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith whether such call shall have been made before or after the declaration of the dividend in question.*

136. *The Directors may retain the dividends payable on shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.*

137. *The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.*

138. *Any dividend, interest or other moneys payable in respect of shares may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto, or, if two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of the shares or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such person or persons may be writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the provisions of this Article, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of such payment.*

139. *If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any of them may give effectual receipts for any dividend or other moneys payable or in respect of the share.*

CAPITALISATION OF RESERVES, ETC.

140. *The Directors may, with the sanction of an Ordinary Resolution of the Company (including, without limitation, an Ordinary Resolution of the Company passed pursuant to Article 53(2)) resolve that it is desirable to capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts (including share premium account and any capital redemption reserve funds) or any sum standing to the credit of the profit and loss account or otherwise available for distribution; provided that such sum be not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend and accordingly that sum resolved to be capitalised be appropriated to the Members holding shares in the Company in the proportions in which such sum would have been divisible among them had the same been applied or have been applicable in paying dividends and to apply such sum on their behalf either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by such Members respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, such shares or debentures to be allotted and distributed and credited as fully paid up to and among such Members in the proportion aforesaid or partly in one way and partly in the other, Provided that a share premium account and a capital redemption reserve fund may only be applied hereunder in the paying up of unissued shares to be issued to Members as fully paid shares. Where any difficulty arises in respect of any such distribution the Directors, may settle the same as they think expedient and in particular they may fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any Members on the footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trusts for the persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors. When deemed requisite a proper contract for the allotment and acceptance of any shares to be distributed as aforesaid shall be delivered to the Registrar of Companies for registration in accordance with the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution and such appointment shall be effective.*

141. *The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register of Members or in the Depository Register as the case may be and as they think fit for any fractional entitlements which would arise including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned. The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such capitalisation and matters incidental thereto, and any agreement made under such authority shall be effective and binding on all concerned.*

(c) The rights of Shareholders in respect of voting

NOTICE OF GENERAL MEETINGS

64. *Subject to special resolutions where at least twenty-one days' notice must be given to shareholders, at least fourteen days' notice in writing (exclusive both the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every General Meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notices from the Company and at least fourteen days' notice of such meeting shall be given by advertisement in the daily press and in writing to the Exchange Provided always that the accidental omission to give any such notice or the non-receipt of such notice by any person entitled thereto shall not invalidate or otherwise affect the proceedings at any General Meeting.*

Provided also that a General Meeting notwithstanding that it has been called by shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:–

(a) *in the case of an Annual General Meeting, by all the Members entitled to attend and vote thereat; and*

(b) *in case of an Extraordinary General Meeting by that number or a majority in number of the Members having a right to attend and vote thereat as is required by the Act.*

65. (1) *Every notice calling a General Meeting shall specify the place, the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him and that a proxy need not be a Member.*

(2) *In the case of an Annual General Meeting the notice shall also specify the meeting as such.*

(3) *In the case of any General Meeting at which business other than ordinary business is to be transacted the notice shall specify the general nature of such business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; and if any resolution is to be proposed as a special resolution the notice shall contain a statement to that effect.*

PROCEEDINGS AT GENERAL MEETINGS

66. All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of the following which shall be ordinary business, that is to say:–

(a) *sanctioning a dividend;*

(b) *the consideration of the accounts and balance sheets, the reports of the Directors and Auditors and any other documents accompanying or annexed to the balance sheets;*

(c) *the appointment of Directors in the place of those retiring by rotation or otherwise;*

(d) *the fixing of the remuneration of the Directors; and*

(e) *the appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.*

67. *No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall be two Members personally present or represented by proxy or by attorney or in the case of a corporation by a representative.*

68. *If within half an hour from the time appointed for the holding of a General Meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or if that day is a public holiday then to the next business day following that, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the Members present in person or by proxy or by attorney or in the case of a corporation by a representative shall be a quorum and may transact the business for which the meeting was called.*

69. *The Chairman (if any) of the Board of Directors shall preside at every General Meeting, but if there is no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all Directors present decline to take the chair, they shall choose some Member present to be the Chairman of the meeting.*

70. *The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for ten days or more or sine die, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no Member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.*

71. *At all General Meetings, resolutions put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll is demanded in writing by the Chairman or by at least two Members present in person or by proxy or by attorney or in the case of a corporation by a representative and entitled to vote thereat, or by the holder or holders in person or by proxy or by attorney or in the case of a corporation by a representative of at least one-tenth part of the issued share capital of the Company, and unless a poll is so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.*

72. *If a poll be demanded in the manner aforesaid (and the demand is not withdrawn), it shall be taken at such time and place, and in such manner as the Chairman shall direct (including the use of ballot or voting papers or tickets), and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*

73. *No poll shall be demanded on the election of a Chairman of a meeting, or on any question of adjournment.*

74. *In the case of an equality of votes, either on a show of hands or on a poll, the Chairman of any meeting shall be entitled to a further or casting vote.*

75. *The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question for which a poll has been demanded.*

VOTES OF MEMBERS

76. *Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, each Member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative and on a show of hands, shall have one vote and upon a poll shall have one vote for every share which he holds or represents.*

77. *Any Member of unsound mind or in respect of whom an order has been made at any court having jurisdiction in lunacy may vote whether on a show of hands or by poll by his committee, receiver, curator bonis or other legal curator, and such last mentioned persons may give their votes either personally, by proxy or attorney Provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight hours before the time appointed for holding the meeting.*

78. *No objection shall be raised as to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.*

79. *No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.*

80. *On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative, and a person entitled to more than one vote need not use all his votes or cast all the votes he used in the same way.*

81. *A proxy, attorney or representative need not be a Member.*

82. *In the case of joint holders of shares, any one of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, and if more than one of such persons be present at a meeting, the person whose name stands first on the Register of Members or (as the case may be) the Depository Register shall alone be entitled to vote. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.*

83. (1) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:–

(a) in the case of an individual, shall be signed by the appointor or his attorney; and

(b) in the case of a corporation, shall be either given under common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

(2) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor, (which shall, for purposes of this Article 83(2), include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 85, failing which the instrument may be treated as invalid.

(3) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions, (if any), given by and the notes (if any) set out in the instrument of proxy.

84. (1) A Member may appoint not more than two proxies to attend and vote at the same General Meeting Provided that if a Member shall nominate two proxies then the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

(2) A proxy shall be entitled to vote on a show of hands on any matter at a General Meeting.

(3) An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at a Meeting and shall, unless the contrary is stated thereon, be valid as well for any adjournment of the Meeting as for the Meeting to which it relates.

85. An instrument appointing a proxy and, where the instrument of proxy is signed on behalf of the appointor (which shall, for the purposes of this Article, include a Depositor) by an attorney, the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of authority (failing previous registration with the Company), shall be deposited at the Office or such other place (if any) as is specified for the purpose in the notice convening the Meeting not less than forty-eight hours before the time appointed for the time of holding the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid.

86. (1) A Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register forty-eight hours before the General Meeting as a Depositor (the "Relevant Time"). The Company shall then be entitled to deem each such Depositor as holding such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company.

(2) Where the Depositor has appointed a proxy, the Company shall be entitled to deem each proxy of a Depositor who is to represent the entire shareholding of the Depositor as representing such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company.

(3) Where the Depositor has appointed two proxies and specified the proportion of his shares which each proxy is to represent, the Company shall be entitled to apportion such number of shares as is entered against such Depositor's name in the Depository Register as at the Relevant Time, according to the records of the Depository as supplied by the Depository to the Company, between the two proxies in the same proportion as specified by the Depositor in appointing the proxies.

(4) No instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the Depositor's shareholding as specified in the instrument of proxy, or, where the same has been apportioned between two proxies, the aggregate of the proportions of the Depositor's shareholding which they are specified to represent, and the shareholding of a Depositor as appears on the Depository Register forty-eight hours before the General Meeting.

(5) The Company shall be entitled to reject an instrument of proxy lodged by any Depositor whose name does not appear on the Depository Register as at forty-eight hours before the General Meeting at which the proxy is to act as certified by the Depository to the Company.

87. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a Power of Attorney) shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the proxy, or the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy was executed, or the transfer of the share in respect of which the proxy is given Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or at such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

88. Any corporation which is a Member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company.

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