英利国际置业
YING LI INTERNATIONAL REAL ESTATE

YING LI INTERNATIONAL REAL ESTATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199106356W)

RESPONSE TO SGX QUERIES ON FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Board of Directors of Ying Li International Real Estate Limited (the "**Company**" and together with its subsidiaries, the **"Group"**) is pleased to set out its responses to the queries raised by the Singapore Exchange Securities Trading Limited (**"SGX"**) on 27 March 2018 in connection with the Company's Full Year Financial Results for the period ended 31 December 2017 that was announced on 1 March 2018 (the "**Announcement**").

<u>Query</u>
On page 10 of the Full Year FY2017 results, the Company disclosed that "For the full year FY2017, the fair value gain from investment in Beijing Tongzhou project amounted to RMB260.0 million, as compared to RMB18.0 million in FY2016. The Other investment refers to the Group's investment in Shanghai Zhao Li Investment Centre LLP where it invested directly in Shanghai Sheng Ke Investment Centre LLP." Please:

i. Disclose the factors that resulted in the fair value gain of RMB260 million;
ii. Provide a review of the performance of the Beijing Tongzhou project and how this resulted in the significant gain of RMB260 million;
iii. Disclose the cost of investment in Shanghai Zhao Li Investment Centre LLP that resulted in the Company recognizing a fair value gain of RMB260 million; and
iv. Disclose the basis for arriving at the amount of RMB260 million in fair value gain and whether this was supported by a valuer. If so, please disclose the name and track record of the valuer, the methodology of valuation, standards of valuation used and quantify the major assumptions to arrive at the fair value gain amount of RMB260 million.

<u>Response</u>

i. The factors that resulted in the fair value gain mainly include:
   - <u>Improvements in the underlying performance of the Beijing Tongzhou project</u>
     The Company had engaged an external valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") to undertake a valuation exercise to determine the fair value of the investment as at 31 December 2017. In arriving at their valuation opinion, JLL had reviewed amongst other things, the economic conditions of the investment and assessed the key assumptions and estimates which includes the property prices in Beijing, average selling prices ("ASP") of the Beijing Tongzhou project achieved and the stage of completion

of the Beijing Tongzhou project. An improvements in the aforesaid conditions resulted in a higher valuation of the investment as at 31 December 2017.

- <u>The investment structure</u>
  As disclosed previously in the Company's announcement on 31 December 2014, the investment in the Beijing Tongzhou project was done via the equity investment in a Limited Liability Partnership structure (i.e. the investment was in Shanghai Zhao Li Investment Centre LLP) and not directly in the project company. As an equity investor, the Company is entitled to a variable rate of return in accordance with the Partnership Agreement. When the underlying factors improved favorably, the fair value of the investment will also increase.

ii. Since the initial launch of the project in late 2015, the ASP of the SOHO towers of the Beijing project had increased tremendously. The first SOHO tower of the Beijing project was launched with an ASP of RMB34,500 psm in late 2015. Subsequently, SOHO Tower 2 was launched in 2016 with an ASP of RMB35,800 psm. In 2017, the ASP of SOHO Tower 3 had reached RMB48,400 psm, with the latest units transacted at above RMB50,000 psm. This is also reflected in the significant increase in property prices in Beijing, especially in 2017.

    The construction of the SOHO towers in Phase 1 is almost completed as of end 2017, with target handover date to the purchasers in 2018. Separately, the construction of Phases 2 and 3, mainly comprising the office towers and the retail components, had started in 2Q 2017. As the valuation is based on the existing state of the project, progress made in the construction of each phase will also increase the value of the project, and will be accordingly reflected in the value of the investment in Shanghai Zhao Li Investment Centre LLP.

    All the above factors contributed significantly to the increase in the fair value gain in 2017.

iii. The original cost of investment was RMB559m, and the initial investment was made in 4QFY2014.

iv. The valuation was done by a professional independent valuer - Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a Hong Kong independent firm of professional valuers who have the appropriate recognised professional qualifications and recent experience in the financial assets being valued.

    The valuation was conducted in accordance with the International Valuation Standards issued by International Valuation Standards Council.

    According to JLL, the property interests were first valued using the direct 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.

    To arrive at their opinion of values, they have adopted the residual method assuming that it is newly completed in accordance with the details of the development proposals in terms of property uses, respective saleable areas and construction schedules which are first valued by the direct 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 fair value of the property in its existing state.

By Order of the Board
Ying Li International Real Estate Limited

Fang Ming
Executive Chairman and Group CEO
29 March 2018