

## Overweight

<b>Current Price</b>	<b>S\$0.161</b>
Fair Value	S\$0.55
Up / (downside)	241.6%

### Stock Statistics

<b>Market cap</b>	S\$411.7m
<b>52-low</b>	S\$0.119
<b>52-high</b>	S\$0.285
<b>Avg daily vol</b>	3,368,920
<b>No of share (m)</b>	2,557.04
<b>Free float</b>	35.4%

### Key Indicators

<b>ROE 17F</b>	7.07%
<b>ROA 17F</b>	3.97%
<b>P/BK</b>	0.38
<b>Net gearing</b>	0.63x

### Major Shareholders

<b>Fang Ming</b>	35.99%
<b>China Everbright</b>	14.90%
<b>Zana Capital</b>	10.44%

### Historical Chart



Source: Bloomberg

### NRA Research

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## Achieves Breakthrough in Beijing

- **100% Phase 1 take-up on launch.** Ying Li (YL) announced on 28 December 2015 that all the units in Tower One for the Future Beijing project were taken up on the first day of launch. 585 Small-Office-Home-Office (SOHO) units were sold at an average selling price of RMB34,200/sqm. The strong take-up rate translates to sales value of RMB1.06bn, of which 15.1% or about RMB160m will accrue towards YL upon handover in 2017.
- **Premium pricing bodes well for subsequent phases.** The SOHO units' average selling price of RMB34,200psm actually points to a 16.2% premium above market prices. The average new home price in Tongzhou for December was RMB29,428psm, versus RMB25,055psm for the whole of Beijing. However, there is still room for further upside as new home prices in the core districts such as Chaoyang, Haidian and Xicheng range between RMB48,000psm to RMB68,000psm. Assuming a similar trend for the office and retail components, there is the potential for future phases of Future Beijing to fetch premium prices.
- **Tongzhou is the next hotspot in Beijing!** Indeed, we observed that Tongzhou has the fastest rising property prices in Beijing and the highest prices outside of the central Beijing area. The strong demand for property in Tongzhou is partially driven by the directive to shift the existing Beijing municipal administration offices out of the city centre to the Tongzhou area over the next few years, with the move beginning in earnest around 2017. The influx of civil servants will increase demand for retail and recreational facilities in the Tongzhou area, thus amplifying population growth.
- **Evidence of successful collaboration with China Everbright Limited (CEL).** YL managed to participate in the Future Beijing project as a result of its partnership with CEL. The existing success of Future Beijing is evidence of the partnership bringing high quality deals to YL and paving the way for YL to break into top tier cities. In the current recovery of the China property market, top tier cities have outperformed the most, with some tier two and tier three cities continuing to lag in terms of price recovery.
- **Prices achieved actually exceeded expectations.** The prices achieved at Future Beijing have actually exceeded our forecasts. We have previously expected Future Beijing to fetch a more conservative ASP of RMB27,000psm and yield an estimated project margin of about 15%. The selling prices achieved suggest that project margin may now be in excess of 30%, even after factoring in some cost overrun. The higher margins in turn translate to a pre-discount valuation impact of about S\$0.05 per share. Nonetheless, we prefer to be conservative and continue to value Ying Li at S\$0.550 per share, based on our old assumptions.
- **Reiterates positive outlook for YL.** We remain excited about YL for 2016. Following a relatively subdued set of results for 3Q15 (that was within expectations), we expect YL to chalk a bumper 4Q15 results on the handover of parts of San Ya Wan Phase 2. Such profitability will sustain into 2016 with the first handover of units at the Ying Li International Hardware and Electrical Centre (YLIEC). We reiterate that the YLIEC is a 1.3m sqm mega project that has also enjoyed high take-up thus far.

### Key Financial Data

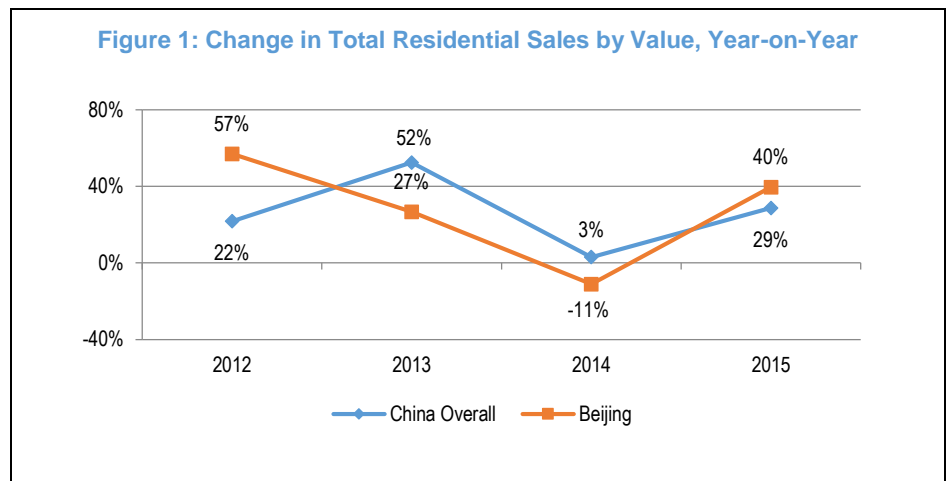
(RMBm, FYE Dec)	2013	2014	2015F	2016F	2017F
Sales	638.8	1,030.5	797.9	1,426.7	2,374.2
Gross Profit	251.3	478.0	359.3	454.2	746.6
Net Profit	205.7	254.0	118.2	157.4	388.7
EPS (RMB, cents)	9.5	11.1	4.6	6.1	15.0
EPS growth (%)	(45.6)	17.2	(58.5)	32.6	145.8
PER (x)	9.1	7.8	18.7	14.1	5.7
NTA/share (RMB, cents)	156.6	195.6	199.6	205.2	219.6

Source: Company, NRA Capital forecasts

# Ying Li International Real Estate Ltd

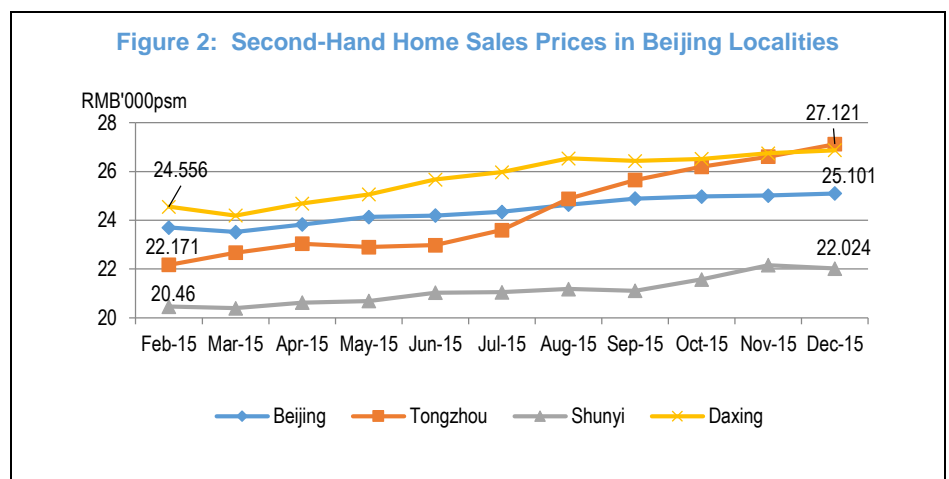
## Beijing Property Overview

**Property prices in Beijing outperformed.** While there has been a slight moderation in the pace of property price appreciation in China as a whole, property prices in Beijing continue to grow at a faster pace. The strong performance of the Beijing market reminds us of the quality and resilience of the property markets of key hub cities across most countries. That said, we also noted that Chongqing is a key city in the development of Western China and the Silk Road Economic Belt initiative. Hence, the quality and nature of Chongqing's property market will also improve over time.



Source: Bloomberg, NRA Capital

**Growth of Services Sector in China to Benefit Hub Cities.** At this moment, much of the concern in economic growth is related to commodity and heavy industry weaknesses, not the tertiary service sector. With top cities having a relatively high proportion of their economy dictated by government and services, the current weaknesses are unlikely to affect them. Hence, we can expect Beijing to continue to grow in the near to medium term, and the central business district in particular will continue to be a high-demand area.

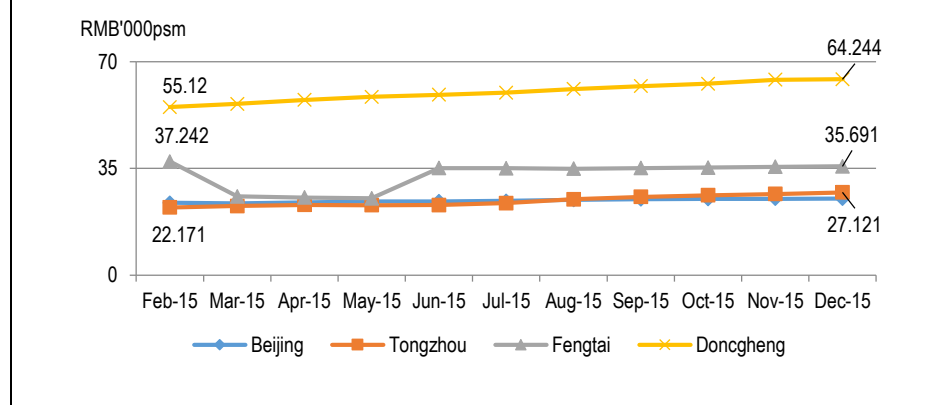


Source: <http://bj.fang.anjuke.com/fangjia/>

**Above.** The price trend indicates that interest is starting to pick up for Tongzhou with interest spiking significantly since July, when the shifting of the administrative centre was confirmed.

# Ying Li International Real Estate Ltd

Figure 2: Second-Hand Home Sales Prices in Beijing Localities - Continued



Source: <http://bj.fang.anjuke.com/fangjia/>

The rise in property prices in Tongzhou is unlikely to be confined to the residential sector, and we anticipate that retail and office property will also be in extremely high demand there as well. As such we find it reasonable to anticipate that the next two phases for Future Beijing will also be in high demand. The developers of Tongzhou are aiming to accelerate the Phase 2 sales process, on the back of the strong demand for Phase 1.

## Results Review

FYE Dec (RMB m)	3Q15	3Q14	yoy %	2Q15	qoq %	prev	Comments
Revenue	111.9	260.7	(57)	97.8	14	107.7	In line
Operating costs	(94.4)	(208.0)	(55)	(62.6)	51	(71.9)	Higher than expected due to higher selling costs
EBITDA	17.5	52.7	(67)	35.2	(50)	35.8	Lower than expected due to higher selling costs
EBITDA margin (%)	15.6	20.2		36.0		33.2	
Deprn & amort.	1.9	1.2	59	0.9	108	1.9	In line
EBIT	19.4	53.9	(64)	36.2	(46)	37.7	Lower than expected due to higher selling costs
Interest expense	(29.6)	(27.3)	9	(27.8)	6	(29.1)	In line
Interest & invt inc	13.5	1.9	623	4.2	224	4.2	Higher than expected due to higher cash balances
Associates' contrib	0.0	0.0	0	0.0	0	0.0	
Exceptionals	0.0	0.0	nm	0.0	nm	0.0	
Pretax profit	3.3	28.5	(88)	12.5	(74)	12.8	Lower than expected due to higher selling costs
Tax	(0.9)	(17.7)	(95)	(4.0)	(78)	(0.9)	
Tax rate (%)	26.9	62.0		31.7		6.9	
Minority interests	(0.5)	(0.2)	139	(0.3)	53	(0.5)	
Net profit	1.9	10.6	(82)	8.2	(77)	11.4	Lower than expected due to higher selling costs

Source: NRA Capital estimates

# Ying Li International Real Estate Ltd

<b>Profit &amp; Loss (RMB m, FYE Dec)</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Revenue	638.8	1,030.5	797.9	1,426.7	2,374.2	2,964.9	3,102.4
Operating expenses	(477.6)	(692.4)	(576.0)	(1,144.1)	(1,930.2)	(2,371.0)	(2,470.9)
EBITDA	161.3	338.1	221.9	282.6	444.0	594.0	631.5
Depreciation & amortisation	(7.4)	(4.9)	(4.5)	(3.9)	(4.1)	(4.1)	(4.2)
EBIT	153.8	333.2	217.4	278.7	439.9	589.8	627.3
Net interest & invt income	158.6	22.9	(51.3)	(57.0)	98.7	226.4	209.4
Associates' contribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional items	(20.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>292.3</b>	<b>356.0</b>	<b>166.1</b>	<b>221.7</b>	<b>538.5</b>	<b>816.2</b>	<b>836.7</b>
Tax	(87.1)	(102.4)	(44.9)	(59.9)	(145.4)	(220.4)	(225.9)
Minority interests	0.5	0.4	(3.1)	(4.4)	(4.4)	(3.7)	(1.3)
<b>Net profit</b>	<b>205.7</b>	<b>254.0</b>	<b>118.2</b>	<b>157.4</b>	<b>388.7</b>	<b>592.1</b>	<b>609.5</b>
Shares at year-end (m)	2,169.0	2,557.0	2,569.2	2,581.4	2,593.5	3,210.5	3,222.6
<b>Balance Sheet (RMB m, as at Dec)</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Fixed assets	8.7	60.1	58.1	62.2	62.0	62.9	61.7
Investments	3,837.7	4,468.5	4,566.9	4,606.9	5,828.7	6,012.6	6,067.1
Other long-term assets	15.2	26.9	26.9	26.9	26.9	26.9	26.9
<b>Total non-current assets</b>	<b>3,861.6</b>	<b>4,555.4</b>	<b>4,651.8</b>	<b>4,696.0</b>	<b>5,917.6</b>	<b>6,102.4</b>	<b>6,155.8</b>
Cash and equivalents	727.1	965.1	1,079.9	1,267.2	988.9	949.0	2,140.3
Development properties	3,241.9	3,701.9	3,794.5	3,358.0	2,226.7	1,792.7	1,279.1
Trade debtors	177.2	319.1	262.3	469.1	780.5	974.8	1,020.0
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>4,146.3</b>	<b>4,986.1</b>	<b>5,136.8</b>	<b>5,094.3</b>	<b>3,996.2</b>	<b>3,716.5</b>	<b>4,439.4</b>
Trade creditors	1,107.1	541.4	420.6	932.5	1,560.6	1,905.7	1,985.4
Short-term borrowings	1,988.5	1,715.8	1,517.0	1,071.7	691.4	254.7	279.5
Other current liabilities	95.6	160.8	160.8	160.8	160.8	160.8	160.8
<b>Total current liabilities</b>	<b>3,191.2</b>	<b>2,418.0</b>	<b>2,098.4</b>	<b>2,165.0</b>	<b>2,412.8</b>	<b>2,321.2</b>	<b>2,425.7</b>
Long-term borrowings	814.4	1,428.7	1,854.1	1,607.5	1,037.1	382.0	419.3
Other long-term liabilities	550.5	639.7	649.6	659.6	702.5	748.5	762.2
<b>Total long-term liabilities</b>	<b>1,364.9</b>	<b>2,068.4</b>	<b>2,503.7</b>	<b>2,267.1</b>	<b>1,739.6</b>	<b>1,130.6</b>	<b>1,181.4</b>
<b>Shareholders' funds</b>	<b>3,396.8</b>	<b>5,000.6</b>	<b>5,128.8</b>	<b>5,296.2</b>	<b>5,694.9</b>	<b>6,297.0</b>	<b>6,916.4</b>
Minority interests	55.0	54.6	57.7	62.1	66.5	70.2	71.6
NTA/share (RMB)	1.57	1.96	2.00	2.05	2.20	1.96	2.15
<b>Total Assets</b>	<b>8,007.9</b>	<b>9,541.5</b>	<b>9,788.6</b>	<b>9,790.3</b>	<b>9,913.8</b>	<b>9,819.0</b>	<b>10,595.2</b>
<b>Total Liabilities + S'holders' funds</b>	<b>8,007.9</b>	<b>9,541.5</b>	<b>9,788.6</b>	<b>9,790.3</b>	<b>9,913.8</b>	<b>9,819.0</b>	<b>10,595.2</b>
<b>Cash Flow (RMB m, FYE Dec)</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Pretax profit	292.3	356.0	166.1	221.7	538.5	816.2	836.7
Depreciation & non-cash adjustments	(128.8)	(38.9)	(25.2)	(26.2)	(157.6)	(169.8)	(40.3)
Working capital changes	(316.1)	(1,172.4)	(156.9)	741.6	398.0	584.8	548.1
Cash tax paid	(121.4)	(73.4)	(34.9)	(49.8)	(102.5)	(174.4)	(212.3)
<b>Cash flow from operations</b>	<b>(274.0)</b>	<b>(928.6)</b>	<b>(50.9)</b>	<b>887.3</b>	<b>676.4</b>	<b>1,056.8</b>	<b>1,132.2</b>
Capex	(1.5)	(20.8)	(2.0)	(8.0)	(4.0)	(5.0)	(3.0)
Net investments & sale of FA	2.0	(492.2)	(59.0)	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>0.5</b>	<b>(513.0)</b>	<b>(61.0)</b>	<b>(8.0)</b>	<b>(4.0)</b>	<b>(5.0)</b>	<b>(3.0)</b>
Debt raised/(repaid)	280.6	341.7	226.7	(692.0)	(950.7)	(1,091.7)	62.1
Equity raised/(repaid)	0.0	1,360.6	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	(38.9)	(22.6)	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>241.7</b>	<b>1,679.6</b>	<b>226.7</b>	<b>(692.0)</b>	<b>(950.7)</b>	<b>(1,091.7)</b>	<b>62.1</b>
<b>Change in cash</b>	<b>(31.8)</b>	<b>238.0</b>	<b>114.8</b>	<b>187.2</b>	<b>(278.3)</b>	<b>(39.9)</b>	<b>1,191.3</b>
<b>Change in net cash/(debt)</b>	<b>(312.5)</b>	<b>(103.7)</b>	<b>(111.9)</b>	<b>879.3</b>	<b>672.4</b>	<b>1,051.8</b>	<b>1,129.2</b>
<b>Ending net cash/(debt)</b>	<b>(2,075.7)</b>	<b>(2,179.4)</b>	<b>(2,291.2)</b>	<b>(1,412.0)</b>	<b>(739.5)</b>	<b>312.3</b>	<b>1,441.5</b>
<b>KEY RATIOS (FYE Dec)</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Revenue growth (%)	9.2	61.3	(22.6)	78.8	66.4	24.9	4.6
EBITDA growth (%)	5.8	109.7	(34.4)	27.3	57.1	33.8	6.3
Pretax margins (%)	45.8	34.6	20.8	15.5	22.7	27.5	27.0
Net profit margins (%)	32.2	24.7	14.8	11.0	16.4	20.0	19.6
Effective tax rates (%)	29.8	28.8	27.0	27.0	27.0	27.0	27.0
Net dividend payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROE (%)	6.3	6.0	2.3	3.0	7.1	9.9	9.2
Free cash flow yield (%)	(13.8)	(72.6)	(5.6)	44.3	33.8	52.9	56.8

Source: Company, NRA Capital forecasts

# Ying Li International Real Estate Ltd

## Ying Li's projects and NRA's RNAV

Project	Description	ASP est. (RMB/sqm)	Est. GFA for sale (sqm)	GDV (RMB m)	Est Project margin***	NDV (RMB m)
San Ya Wan Phase 2	Residential/retail	5,500	275,000	1,512.5	7.5%	113.4
Ying Li International Commercial Centre*	Office/SOHO	3,500	1,300,000	4,550.0	5.4%	247.4
Ying Li International Hardware and Electrical Centre	Commercial	21,000	133,333	2,800.0	7.5%	210.0
Ying Li International Plaza	Office	12,000	78,695	944.3	8.7%	81.7
Future Beijing, Beijing Tongzhou**	Office/residential	27,000	90,000	2,430.0	15.0%	364.5
<b>Total NDV</b>						<b>1,017.1</b>
<b>Present value</b>	Discount	25.6%	****			<b>761.4</b>
+ PV of investment properties	See table below					3,989.7
+ PV of Future Beijing, Beijing Tongzhou mall						244.4
- book value of investment properties						-3,968.6
-book value of Future Beijing investment, AFS securities						
+Book value of equity						4,955.3
<b>Net valuation</b>						<b>6,440.3</b>
Shares outstanding						2,557.0
Fair value (RMB)						2,519
RMB SGD rate						4.570
<b>Value per share (S\$)</b>					<b>0.551</b>	<b>≈ 0.55</b>

\*1/3 of overall GFA of 300,000 sqm allocated to mall and carparks, excluded from above development GFA

\*\*1/4 of overall GFA of 750,000 sqm allocated to mall and carparks, excluded from above development GFA.

\*\* remaining GFA x 15% to account for YL's proportionate stake in this project

\*\*\*Project margin = gross margin - 15% of rev as operating expenses \* (1- tax rate of 25%)

\*\*\*\*Discount based on cost of capital of 7.95%

Source: NRA Capital

## Est. revenue recognition schedule

Percentage sold per year	2H 2015	2016	2017	2018	2019	2020
San Ya Wan Phase 2	18%	26%	26%	22%	8%	
Ying Li International Hardware and Electrical Centre		15%	25%	30%	30%	
Ying Li International Commercial Centre			15%	30%	40%	15%
Future Beijing, Beijing Tongzhou				20%	40%	40%
Ying Li International Plaza	23%	10.0%	10.0%	5.0%	10.0%	

\*YLIP is already partially sold. Development revenue = percentage sold x GFA above x ASP above

\*\* BJTZ revenue is not consolidated with that of YL. We assume net profit from BJTZ as other income.

Source: NRA Capital

# Ying Li International Real Estate Ltd

## PV of investment properties

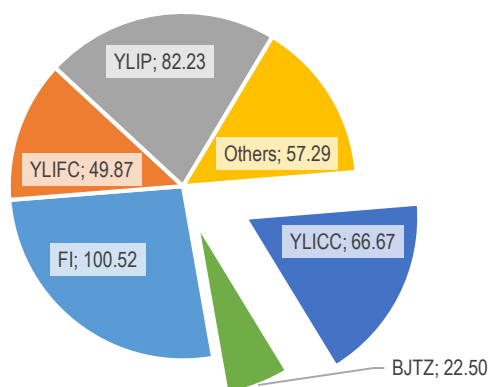
Investment property	2014	2015F	2016F	2017F	2018F	2019F	Terminal
Portfolio GFA ('000 sqm)	289.9	289.9	289.9	356.57	356.57	356.57	356.57
Occupancy	81.9%	92.6%	97.0%	92.0%	96.5%	98.0%	98.0%
Leased GFA (sqm)	237.42	268.35	281.20	327.87	344.26	349.44	349.44
Average rental (RMB, 000)	0.75	0.83	0.91	1.00	1.10	1.16	1.18
Rate of rental increase		10%	10%	10%	10%	5%	2%
Total revenue (RMB, m)	179.0	222.5	256.5	329.0	380.0	405.0	413.1
Gross margin	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Net rental income	153.8	191.3	220.5	282.8	326.6	348.1	355.1
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>After tax rental income</b>	115.4	143.5	165.4	212.1	245.0	261.1	266.3
						Terminal	4458.6
Discount [(1+r)^years]		1.04	1.12	1.21	1.31	1.41	1.41
PV		138.1	147.4	175.1	187.3	184.9	3157.1
<b>PV of investment properties</b>	<b>3989.7</b>	→ Feeds back to RNAV table above					

\*Assumes addition of ICC mall in 2017, Cost of capital r = 9.49%

\*\* The valuation of the BJTZ mall is done using similar approach, with first year contribution in 2018 up to terminal growth after 2020.

Source: NRA Capital

## GFA assumptions of investment properties ('000 sqm)



\* The YLICC and BJTZ mall GFA are based on NRA estimates

\*\*YLIP+YLIFC+FI+Others =289,900 sqm

\*\*\*Others pertain to other investment properties owned by YL

Source: NRA Capital

# Ying Li International Real Estate Ltd

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