

China  
Property Development

Ying Li International Real Estate  
(YINGLI SP)

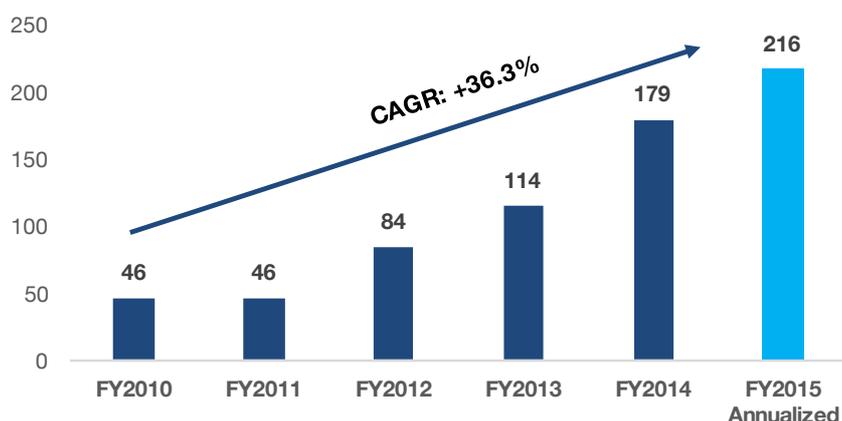
November 17, 2015

## 3Q15: Rental Income Rising as Malls Reposition; Rising Project Recognition Ahead

**3Q15 rental income rises 11.6% YoY – Everbright mall repositioning still in its early days.** Ying Li reported 3Q15 rental income rising 11.6% YoY to RMB 57m. If one annualizes 9M15 reported rental income, then this implies rental income tracking 20.7% higher than 2014. Strong rental income growth is partly the result of China Everbright's support in helping Ying Li reposition its malls to maximize occupancy and rental income potential. For example, Ying Li is repositioning IMIX Park Daping & IMIX Park Jiefangbei to become more family oriented, and bring in popular brands at good terms via Everbright's well established tenant relationships.

Given China Everbright only started actively providing advice in 1H15, and given that it takes time to change tenant mix, renew rental terms, and improve mall positioning, it's likely that Ying Li's rental income will continue improving going forward as Everbright's mall management expertise has time to bear fruit.

### Rental Revenue Segment Shows Robust Growth



Source: Company Filings, Insyte

### Development income lower due to lumpy recognition in previous year; development projects on track to drive higher revenue in 4Q15 and 2016.

The company reported 3Q15 total sales of RMB 111.9m, 57% lower YoY. The drop was primarily due to lumpy revenue recognition in 3Q14 and a lack of such recognition in the latest quarter. The company's accounting standards require that property sales revenue can only be recorded after handover, while

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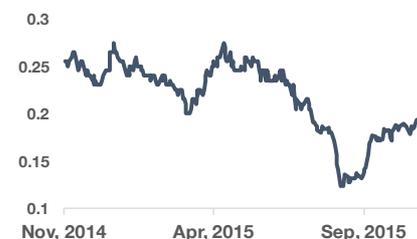
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Market Cap (s\$)	470.5m
Trailing P/E	14.15
P/B	0.43
Price (s\$)	0.184
Avg. Volume (3m)	7.72m

\*As of 17/11/2015

#### Ying Li 1-Year Stock Chart



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many selling expenses must be immediately recognized during presales. Thus as reported revenue fell during the quarter, reported selling costs actually rose 60.5% YoY. This caused net profit to drop 78% YoY.

Nevertheless, 3Q15's revenue and profit drop was simply due to Ying Li's lumpy revenue recognition method. The company reported that its development projects are on track with previous timelines, with the exception of Ying Li ICC Phase I, where handover will be delayed by one quarter to early 2017 because the company is enhancing its infrastructure to include new human health-centric capabilities such as air quality monitoring as a new selling point. Future Beijing has begun presales on its residential segment, while San Ya Wan Phases 2A & 2B have presold 78% and 58% respectively. Ying Li IEC is also set to begin presales in 4Q15.

**3Q15 not representative of trajectory due to lumpy revenue recognition method, expect rising recognition in coming years.** Importantly, the company's revenue recognition is expected to rise substantially going forward as project handovers commence in 4Q15, 2016, and then 2017 as shown by our estimated handover timeline below.

## Revenue Recognition Should Rise in 4Q15 and 2016 As Handovers Commence

	4Q15	2016	2017
Future Beijing Phase 1	<i>Presale</i>	<i>Handover</i>	<i>Handover</i>
San Ya Wan Phase 2A	<i>Handover</i>	<i>Handover</i>	
San Ya Wan Phase 2B	<i>Presale</i>	<i>Handover</i>	
San Ya Wan Phase 2C	<i>Presale</i>	<i>Handover</i>	<i>Handover</i>
San Ya Wan Phase 2D		<i>Presale</i>	<i>Handover</i>
IEC Phase 1A	<i>Presale</i>	<i>Handover</i>	
IEC Phase 1B			<i>Presale</i>
IEC Phase 2		<i>Presale</i>	<i>Handover</i>
IEC Phase 3			<i>Presale</i>
ICC Phase 1		<i>Presale</i>	<i>Handover</i>
ICC Phase 2			<i>Presale</i>

Source: Insyte Estimates

## Gross Profit & Profit Margin



## Ying Li International Financials 3Q15

RESULTS SUMMARY (\$m)	3Q14	4Q14	1Q15	2Q15	3Q15	YoY	2014	9M15 as % of 2014
<b>Total Revenue</b>	<b>260.7</b>	<b>243.8</b>	<b>100.2</b>	<b>97.8</b>	<b>111.9</b>	<b>-57%</b>	<b>1,030.5</b>	<b>30%</b>
COGS	(158.5)	(65.7)	(45.1)	(32.9)	(50.2)	-68%	(552.5)	23%
<b>Gross Profit (overall)</b>	<b>102.2</b>	<b>178.1</b>	<b>55.2</b>	<b>64.9</b>	<b>61.7</b>	<b>-40%</b>	<b>478.0</b>	<b>38%</b>
SG&A	(49.5)	(71.6)	(47.4)	(30.8)	(45.0)	-9%	(184.5)	67%
Other Operating Expense	3.0	125.8	14.9	6.3	16.2	436%	131.0	29%
<b>EBIT</b>	<b>55.8</b>	<b>232.2</b>	<b>22.7</b>	<b>40.3</b>	<b>32.9</b>	<b>-41%</b>	<b>424.5</b>	<b>23%</b>
Depreciation & Amortization (Add back)	0.0	0.0	1.0	1.0	1.0	NA	4.0	75%
<b>EBITDA</b>	<b>55.8</b>	<b>232.2</b>	<b>23.7</b>	<b>41.3</b>	<b>33.9</b>	<b>-39%</b>	<b>428.6</b>	<b>23%</b>
Interest Expense	(27.3)	17.6	(22.0)	(27.8)	(29.6)	9%	(68.5)	
Interest Income	0.0	0.0	0.0	0.0	0.0	NA	0.0	
<b>Net Financial Income (Expense)</b>	<b>(27.3)</b>	<b>17.6</b>	<b>(22.0)</b>	<b>(27.8)</b>	<b>(29.6)</b>	<b>9%</b>	<b>(68.5)</b>	<b>116%</b>
Foreign Exchange Gains (Loss)	0.0	0.0	0.0	0.0	0.0	NA	0.0	NA
Other Non-Operating Income (Expense)	0.0	0.0	0.0	0.0	0.0	NA	0.0	NA
Earnings From Associates	0.0	0.0	0.0	0.0	0.0	NA	0.0	NA
<b>Profit Before Income Tax &amp; Extraordinary Items</b>	<b>28.5</b>	<b>249.7</b>	<b>0.6</b>	<b>12.5</b>	<b>3.3</b>	<b>-88%</b>	<b>356.0</b>	<b>5%</b>
Income Tax	(17.7)	(54.2)	(1.6)	(4.0)	(0.9)	-95%	(102.4)	6%
Post-Tax Extraordinary Items & One Offs	34.2	(13.0)	2.0	2.5	7.4	-78%	(20.6)	-58%
<b>Net Profit</b>	<b>45.0</b>	<b>182.6</b>	<b>0.9</b>	<b>11.0</b>	<b>9.8</b>	<b>-78%</b>	<b>233.0</b>	<b>9%</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0	NA	0.0	NA
<b>Net Profit Available to Shareholders</b>	<b>45.0</b>	<b>182.6</b>	<b>0.9</b>	<b>11.0</b>	<b>9.8</b>	<b>-78%</b>	<b>233.0</b>	<b>9%</b>
Net Income Ex-Extraordinary Available to Shareholders	10.8	195.6	(1.0)	8.5	2.4	-78%	253.6	4%
Average Shares Outstanding	2,234	2,557	2,557	2,557	2,557	14%	2,284	
Average Shares Outstanding, Fully Diluted	2,297	2,620	2,620	3,201	3,201	39%	2,289	
EPS - Weighted Average (Adjusted for Splits)	0.0048	0.0765	(0.0020)	0.0033	0.0009	NA	0.1100	2%
<b>EPS - Fully Diluted &amp; Weighted Average (Adjusted for Splits)</b>	<b>0.0047</b>	<b>0.0747</b>	<b>(0.0020)</b>	<b>0.0027</b>	<b>(0.0000)</b>	<b>NA</b>	<b>0.1100</b>	<b>1%</b>
<b>MARGINS SUMMARY</b>	<b>3Q14</b>	<b>4Q14</b>	<b>1Q15</b>	<b>2Q15</b>	<b>3Q15</b>			
Gross Margin	39%	73%	55%	66%	55%			
EBIT Margin	21%	95%	23%	41%	29%			
EBITDA Margin	21%	95%	24%	42%	30%			
Net Profit Margin	17%	75%	1%	11%	9%			
<b>BALANCE SHEET HIGHLIGHTS</b>				<b>2Q15</b>	<b>3Q15</b>			
Cash & Marketable Securities				1,312.5	1,366.6			
Short Term Debt				2,160.4	2,583.4			
Long Term Debt				2,304.4	2,271.5			
<b>Net Cash (Debt) Position</b>				<b>(3,152.3)</b>	<b>(3,488.3)</b>			

Source: Company Filings, Insyte

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