

CIRCULAR DATED 18 AUGUST 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in the capital of Ying Li International Real Estate Limited (the “**Company**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

This Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the United States Securities Act of 1933 (as amended). Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities is to be made by the Company in the United States.

Unless otherwise defined, all capitalised terms appearing on the cover of this Circular shall bear the same meanings as defined herein.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. The approval in-principle granted by the SGX-ST to the Company is not an indication of the merits of the Share Subscription, the Subscription Shares, the Perpetual Convertible Securities Subscription (as defined herein), the Perpetual Convertible Securities (as defined herein), the Conversion Shares (as defined herein), the Company, its subsidiaries and their securities.



YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199106356W)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED ISSUE AND ALLOTMENT OF 381,000,000 SUBSCRIPTION SHARES COMPRISING 17.51% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE (THE “SHARE SUBSCRIPTION”);**
- (2) THE PROPOSED ISSUE OF S\$185,000,000 PERPETUAL SUBORDINATED CONVERTIBLE CALLABLE SECURITIES CONVERTIBLE INTO UP TO 581,761,006 NEW ORDINARY SHARES COMPRISING 26.74% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE (THE “PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION”); AND**
- (3) THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE PURSUANT TO THE SHARE SUBSCRIPTION AND THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION.**

Important Dates and Times:

Last date and time for lodgment of Proxy Form	: 31 August 2014 at 9:30 a.m.
Date and time of Extraordinary General Meeting	: 2 September 2014 at 9:30 a.m.
Place of Extraordinary General Meeting	: Suntec Singapore International Convention & Exhibition Centre Meeting Rooms 300 and 301, Level 3 1 Raffles Boulevard, Suntec City Singapore 039593

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DEFINITIONS

For the purposes of this Circular, the following definitions apply throughout except where the context otherwise requires:

- “Announcement”* : The announcement of the Company dated 30 June 2014 relating to, *inter alia*, the Share Subscription and the Perpetual Convertible Securities Subscription
- “Additional Distribution Amount”* : The amount of interest payable in respect of any Arrears of Distribution, calculated by applying the applicable distribution rate (pursuant to the terms of the Perpetual Convertible Securities) to such amount of Arrears of Distribution
- “Additional Interest Amount”* : The additional interest of 0.015% per day applicable in the event the Company elects to defer any scheduled Distribution, with such additional interest incurring on the outstanding principal of the Perpetual Convertible Securities, the Arrears of Distribution and Additional Distribution Amounts (if any)
- “Arrears of Distribution”* : Any scheduled Distribution payable under the terms of the Perpetual Convertible Securities that has been deferred at the sole option of the Company to the next scheduled payment date
- “Business Day”* : A day (excluding a Saturday, a Sunday or a gazetted public holiday in Hong Kong and/or Singapore) on which commercial banks are open for business in Hong Kong and/or Singapore
- “CDP”* : The Central Depository (Pte) Limited
- “Circular”* : This circular dated 18 August 2014
- “Companies Act”* : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “Company”* : Ying Li International Real Estate Limited
- “Controlling Interest”* : The interest of the Controlling Shareholder(s)
- “Controlling Shareholder”* : A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (subject to the SGX-ST determining that such a person is not a Controlling Shareholder); or (b) a person who in fact exercises control over the Company
- “Conversion Price”* : The price per Share at which Conversion Shares will be allotted and issued upon conversion of the Perpetual Convertible Securities, with such a price initially being set at S\$0.318 per Share but subject to adjustment in accordance with the Terms and Conditions

DEFINITIONS

<i>“Conversion Shares”</i>	: The new Shares to be allotted and issued by the Company upon conversion of the Perpetual Convertible Securities
<i>“Director(s)”</i>	: The director(s) of the Company, as at the date of this Circular
<i>“Distribution”</i>	: The distribution to be paid out to holder(s) of the Perpetual Convertible Securities in accordance with the terms and conditions of the Perpetual Convertible Securities Agreement
<i>“EGM”</i>	: The extraordinary general meeting of the Company, notice of which is set out on page N-1 of this Circular
<i>“EPS”</i>	: Earnings per Share
<i>“Financial and Investment Committee”</i>	: The financial and investment committee, initially comprising Fang Ming (as the Chairman of the Financial and Investment Committee), the chief financial officer (or its equivalent) of the Company and a nominee of the Subscriber (as the Deputy Chairman of the Financial and Investment Committee), and which is established to provide guidance and supervision to the Company on investment matters, including overseeing the Company’s property project investment matters, corporate and project finance matters, accounting matters and investor relations matters
<i>“FY”</i>	: Financial year ended or ending 31 December
<i>“General Mandate”</i>	: The general share issuance mandate obtained by the Company from the Shareholders at its annual general meeting on 28 April 2014
<i>“Group”</i>	: The Company and its subsidiaries
<i>“Issue Date”</i>	: The date of issue of the Perpetual Convertible Securities
<i>“Latest Practicable Date”</i>	: 12 August 2014, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	: The Listing Manual of the SGX-ST, as may be amended, modified, or supplemented from time to time
<i>“NAV”</i>	: Net asset value
<i>“Notice of EGM”</i>	: The notice of EGM as set out on page N-1 of this Circular
<i>“NTA”</i>	: Net tangible assets

DEFINITIONS

- “Ordinary Resolutions”* : The ordinary resolutions 1 to 3 as set out in this Circular and in the Notice of EGM
- “Parity Securities”* : Any security issued by the Company which ranks or is expressed to rank *pari passu* with the Perpetual Convertible Securities
- “Perpetual Convertible Securities”* : S\$185,000,000 perpetual subordinated convertible callable securities convertible into up to 581,761,006 new ordinary Shares comprising 26.74% of the existing issued share capital of the Company, to be issued pursuant to the Perpetual Convertible Securities Subscription Agreement and subject to the Terms and Conditions
- “Perpetual Convertible Securities Issue Price”* : S\$185,000,000, being 100% of the aggregate principal amount of the Perpetual Convertible Securities
- “Perpetual Convertible Securities Subscription”* : The proposed subscription by the Subscriber of an aggregate principal amount of S\$185,000,000 Perpetual Convertible Securities which are convertible into Conversion Shares
- “Perpetual Convertible Securities Subscription Agreement”* : The subscription agreement dated 30 June 2014 between the Company and Everbright Hero Holdings Limited in relation to the subscription of the Perpetual Convertible Securities by the Subscriber
- “Relevant Cash Dividend”* : The aggregate cash dividend or distribution declared by the Company, including any cash dividend in respect of which there is any Scrip Dividend (which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend)
- “Scrip Dividend”* : Any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt, no adjustment is to be made under the conditions as specified in the Terms and Conditions)
- “SFA”* : The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified, or supplemented from time to time
- “SGX-ST”* : Singapore Exchange Securities Trading Limited
- “Shares”* : Issued and fully paid-up ordinary shares in the capital of the Company (excluding treasury shares)

DEFINITIONS

“ <i>Share Subscription</i> ”	: The subscription of the Subscription Shares pursuant to the terms and conditions of the Share Subscription Agreement
“ <i>Share Subscription Agreement</i> ”	: The subscription agreement dated 30 June 2014 between the Company and Everbright Hero Holdings Limited in relation to the Share Subscription
“ <i>Share Subscription Completion</i> ”	: Completion of the Share Subscription
“ <i>Share Subscription Issue Price</i> ”	: S\$0.260 per Subscription Share
“ <i>Shareholders</i> ”	: Registered holders of Shares
“ <i>Subscriber</i> ”	: Everbright Hero Holdings Limited or its nominee
“ <i>Subscription Shares</i> ”	: The aggregate of 381,000,000 new Shares to be allotted and issued by the Company to the Subscriber and which forms the subject of the Share Subscription on the terms and subject to the conditions set out in the Share Subscription Agreement, and “ <i>Subscription Share</i> ” means each of the Subscription Shares
“ <i>Subsidiary</i> ”	: Any subsidiary of the Company
“ <i>Substantial Shareholder</i> ”	: A shareholder who is a beneficial owner of 5% or more of the Shares
“ <i>Terms and Conditions</i> ”	: The terms and conditions of the Perpetual Convertible Securities, a summary of which is attached hereto as the Appendix of this Circular
“ <i>VWAP</i> ”	: The volume weighted average price of the Shares traded on the Mainboard of the SGX-ST
“ <i>Winding-up</i> ”	: A final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or a similar proceeding in respect of the Company, as the case may be
“ <i>%</i> ”	: Percentage or per centum
“ <i>RMB</i> ”	: The currency of the People’s Republic of China
“ <i>S\$</i> ” and “ <i>cents</i> ”	: Dollars and cents, respectively, of the currency of Singapore
“ <i>United States</i> ”	: The United States of America

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the respective meanings ascribed to them in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and 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.

DEFINITIONS

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 Companies Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

LETTER TO SHAREHOLDERS

YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199106356W)

Directors:

Mr. Fang Ming (Executive Chairman and Chief Executive Officer)
Ms. Yang Xiao Yu (Executive Director)
Mr. He Zhao Ju @ Danny Ho (Non-Executive Director)
Mr. Tan Kim Seng (Non-Executive Director)
Mr. Christopher Chong Meng Tak (Lead Independent Director)
Mr. Ho Sheng (Independent Director)
Mr. Tan Sek Khee (Independent Director)
Mr. Xiao Zu Xiu (Independent Director)

Registered Office:

6 Temasek Boulevard
#24-04 Suntec Tower Four
Singapore 038986

18 August 2014

To: The Shareholders of the Company

Dear Sir/Madam,

- (1) **THE PROPOSED ALLOTMENT AND ISSUE OF 381,000,000 SUBSCRIPTION SHARES COMPRISING 17.51% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE;**
- (2) **THE PROPOSED ISSUE OF S\$185,000,000 PERPETUAL SUBORDINATED CONVERTIBLE CALLABLE SECURITIES CONVERTIBLE INTO 581,761,006 NEW ORDINARY SHARES COMPRISING 26.74% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE; AND**
- (3) **THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE PURSUANT TO THE SHARE SUBSCRIPTION AND THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION**

1. INTRODUCTION

1.1 Background

On 30 June 2014, the Company announced (i) the proposed allotment and issue of 381,000,000 subscription shares (the “**Subscription Shares**”) comprising 17.51% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee (in either instance, the “**Subscriber**”) pursuant to the share subscription agreement dated 30 June 2014 between the Company and Everbright Hero Holdings Limited (the “**Share Subscription Agreement**” and the transaction, the “**Share Subscription**”); and (ii) the proposed issue of S\$185,000,000 perpetual subordinated convertible callable securities (the “**Perpetual Convertible Securities**”) convertible into 581,761,006 new ordinary shares (the “**Conversion Shares**”) comprising 26.74% of the existing issued share capital of the Company to the Subscriber pursuant to the subscription agreement dated 30 June 2014 between the Company and Everbright Hero Holdings

LETTER TO SHAREHOLDERS

Limited in relation to the subscription of the Perpetual Convertible Securities (the “**Perpetual Convertible Securities Agreement**”, and the transaction, the “**Perpetual Convertible Securities Subscription**”). Subject to the terms and conditions of the Perpetual Convertible Securities (the “**Terms and Conditions**”), the Perpetual Convertible Securities are convertible into Conversion Shares to be issued and allotted by the Company.

1.2 Extraordinary General Meeting

Pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual, the Company obtained a general share issuance mandate from the Shareholders at its annual general meeting on 28 April 2014 (the “**General Mandate**”). However, in order not to utilise the permissible threshold of number of Shares that may be issued other than on a *pro-rata* basis to Shareholders under the General Mandate and to provide flexibility for the Company to undertake further fund-raising activities, the Directors wish to convene an EGM to seek the approval of Shareholders for the Share Subscription and the Perpetual Convertible Securities Subscription.

1.3 Purpose of this Circular

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with information in relation to the Ordinary Resolutions, and to seek Shareholders’ approval at the EGM to be held on 2 September 2014 at 9:30 a.m. at Suntec Singapore, International Convention & Exhibition Centre, Meeting Rooms 300 and 301, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593. The Notice of EGM is set out on page N-1 of this Circular.

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 1 AND 2 ARE INTER-CONDITIONAL ON EACH OTHER. IN THE EVENT THAT EITHER ORDINARY RESOLUTION 1 OR 2 IS NOT PASSED, BOTH ORDINARY RESOLUTIONS 1 AND 2 WILL NOT BE PASSED.

ORDINARY RESOLUTION 3 IS CONDITIONAL UPON THE PASSING OF ORDINARY RESOLUTIONS 1 AND 2.

- (a) Ordinary Resolution 1 — The proposed allotment and issue of 381,000,000 Subscription Shares comprising 17.51% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee

Pursuant to the Share Subscription Agreement and subject to the conditions therein, the Company shall allot and issue 381,000,000 Subscription Shares to the Subscriber, at the Share Subscription Issue Price of S\$0.260 per Subscription Share.

Section 161 of the Companies Act, the Articles of Association of the Company and Rule 805 of the Listing Manual provide that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares, unless such shares are issued under a general mandate obtained from shareholders in general meeting.

For the reasons set out in Section 1.2 of this Circular, the Subscription Shares will not be issued pursuant to the General Mandate and accordingly, the Company will be seeking specific approval of Shareholders for the allotment and issue of the Subscription Shares, for purposes of Section 161 of the Companies Act, the Articles of Association and Rule 805 of the Listing Manual.

LETTER TO SHAREHOLDERS

Rule 811(1) of the Listing Manual provides that an issue of shares must not be priced at more than a 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement was signed. Rule 811(3) of the Listing Manual provides, *inter alia*, that Rule 811(1) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of shares. The Share Subscription Issue Price of S\$0.260 for each Subscription Share represents a discount of approximately 10% to the VWAP of S\$0.2888 for trades done on the Shares on the Mainboard of the SGX-ST on 24 June 2014 (being the full market day on which Shares were traded prior to the date of the Share Subscription Agreement). Nevertheless, the Company is still seeking specific shareholders' approval for the Share Subscription as it does not intend to utilise the General Mandate.

Please refer to Sections 3, 5, 6 and 9 of this Circular for more information.

- (b) Ordinary Resolution 2 — The proposed issue of S\$185,000,000 perpetual subordinated convertible callable securities convertible into 581,761,006 new ordinary Shares comprising 26.74% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee

Pursuant to the Perpetual Convertible Securities Subscription Agreement, and subject to the Terms and Conditions, the Company shall allot and issue S\$185,000,000 Perpetual Convertible Securities at an issue price of 100% of the principal amount of the Perpetual Convertible Securities. Such Perpetual Convertible Securities will, at the option of the holder thereof, be convertible into Conversion Shares at an initial Conversion Price of S\$0.318 per Conversion Share subject to such adjustments as the Terms and Conditions shall stipulate.

Section 161 of the Companies Act, the Articles of Association and Rules 805 and 824 of the Listing Manual provide that an issuer must obtain the prior approval of shareholders in general meeting for the issue of the Perpetual Convertible Securities and the Conversion Shares, unless such Perpetual Convertible Securities and Conversion Shares are issued under a general mandate obtained from shareholders in general meeting.

For the reasons set out in Section 1.2 of this Circular, the Perpetual Convertible Securities and the Conversion Shares will not be issued pursuant to the General Mandate and accordingly, the Company will be seeking specific approval of Shareholders for the allotment and issue of the Perpetual Convertible Securities and the Conversion Shares, for purposes of Section 161 of the Companies Act, the Articles of Association and Rules 805 and 824 of the Listing Manual.

Please refer to Sections 4, 5, 6 and 9 of this Circular for more information.

- (c) Ordinary Resolution 3 — The proposed transfer of Controlling Interest to Everbright Hero Holdings Limited or its nominee pursuant to the Share Subscription and the Perpetual Convertible Securities Subscription

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a Controlling Interest without prior approval of shareholders in general meeting. Under the Listing Manual, a Controlling Shareholder is a person who directly or indirectly holds 15% or more of the nominal amount of all voting Shares in the Company, or a person who in fact

LETTER TO SHAREHOLDERS

exercises control over the Company. The Share Subscription and the Perpetual Convertible Securities Subscription (upon conversion of the Perpetual Convertible Securities) will result in the Subscriber holding more than 15% of the nominal amount of all voting Shares in the Company. Accordingly, the Share Subscription and the Perpetual Convertible Securities Subscription may result in a transfer of a Controlling Interest in the Company and is subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual.

Please refer to Section 8 of this Circular for more information.

2. RECEIPT OF APPROVAL IN-PRINCIPLE FROM THE SGX-ST

Applications were made to the SGX-ST for the listing and quotation of the Subscription Shares and the Conversion Shares on the Mainboard of the SGX-ST.

As announced by the Company on 7 August 2014, the Company has, subject to, *inter alia*, Shareholders' approval and compliance with the SGX-ST's listing requirements, received the approval in-principle from the SGX-ST for the listing and quotation of the Subscription Shares and the Conversion Shares on the Mainboard of the SGX-ST.

The approval in-principle given by the SGX-ST in respect of the Subscription Shares and the Conversion Shares are not indications of the merits of the Share Subscription, the Subscription Shares, the Perpetual Convertible Securities Subscription, the Perpetual Convertible Securities, the Conversion Shares, the Company, its subsidiaries and their securities.

3. THE SHARE SUBSCRIPTION

3.1 Details of the Share Subscription

(a) Share Subscription Issue Price

The Share Subscription Issue Price of S\$0.260 for each of the Subscription Shares represents a discount of approximately 10% to the VWAP of S\$0.2888 for trades done on the Shares on the Mainboard of the SGX-ST on 24 June 2014 (being the last full market day on which Shares were traded prior to the date of the Share Subscription Agreement).

The Company will raise gross proceeds of S\$99,060,000 from the Share Subscription.

The Share Subscription Issue Price was commercially agreed between the Company and the Subscriber, after taking into consideration, *inter alia*, the historical trading prices and volume of the Shares on the Mainboard of the SGX-ST.

(b) Subscription Shares

The Subscription Shares represent in aggregate approximately 17.51% of the existing issued share capital of the Company comprising 2,175,585,804 Shares as at the Latest Practicable Date and will represent approximately 14.90% of the enlarged issued share

LETTER TO SHAREHOLDERS

capital of the Company comprising 2,556,585,804 Shares following the Share Subscription Completion. As at the Latest Practicable Date, the Company has no existing warrants or other convertible securities (excluding employee share options granted under Rule 843 of the Listing Manual).

The Subscription Shares when issued and delivered shall be free from all charges, liens and other encumbrances and shall rank in all respects *pari passu* with the Shares existing as at the date of issue of the Subscription Shares, save that they shall not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the date of issue of the Subscription Shares. For the avoidance of doubt, as at the Latest Practicable Date, the Company has not declared any dividends, rights, allotments or other distributions, the record date for which falls on or before the date of issue of the Subscription Shares.

(c) Conditions Precedent

The Share Subscription Completion is conditional upon the fulfilment of, *inter alia*, the following conditions:

- (i) the receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Subscription Shares on the Mainboard of the SGX-ST and if such approval is granted with conditions, such conditions being reasonably acceptable to the parties to the Share Subscription Agreement;
- (ii) the Company having obtained specific approval from the Shareholders of the Company at the EGM for the Share Subscription and the issue of the Perpetual Convertible Securities and the Conversion Shares;
- (iii) the issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation or directive promulgated by any applicable legislative, executive or regulatory body or authority with competent jurisdiction over the Company or its assets; and
- (iv) the warranties provided by the Company in the Share Subscription Agreement being true and accurate in all material respects as at the date of the Share Subscription Agreement and the date of the Share Subscription Completion.

If any of the conditions set forth in this Section 3.1(c) is not satisfied or waived on or prior to 30 November 2014 or such other date as may be agreed in writing pursuant to the Share Subscription Agreement, the parties to the Share Subscription Agreement shall be released and discharged from their obligations relating to the Share Subscription.

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(d) Undertakings

The Company further undertakes, *inter alia*, that:

- (i) subject to any applicable laws or regulations or the applicable listing rules of the SGX-ST, it shall procure the appointment of two (2) directors (one (1) of whom shall be appointed as Deputy Chairman) nominated by the Subscriber to the board of directors of the Company within five (5) Business Days from the date of the Share Subscription Completion and the Subscriber shall have such right of nomination as long as the Subscriber holds 10.0% or more of the share capital of the Company (excluding treasury shares); and
- (ii) it shall within fifteen (15) Business Days from the date of the Share Subscription Completion, constitute a Financial and Investment Committee comprising (i) Fang Ming (as the Chairman of the Financial and Investment Committee); (ii) the chief financial officer (or its equivalent) of the Company; and (iii) a nominee of the Subscriber (as the Deputy Chairman of the Financial and Investment Committee) with a view to providing guidance and supervision to the Company on investment matters, including overseeing the Company's property project investment matters, corporate and project finance matters, accounting matters and investor relations matters.

The Financial and Investment Committee will report directly to the board of directors of the Company.

(e) Share Subscription Anti-Dilution

Under the terms and conditions of the Share Subscription Agreement, if the Company proposes (the "**Proposed Issue**") to issue further new Shares (the "**Additional Shares**") to a third party or third parties which will reduce the shareholding of the Subscriber to less than 10.0% of the equity of the Company on an enlarged basis, subject to any applicable laws or regulations or the applicable listing rules of the SGX-ST, the Company shall not complete the Proposed Issue and issue the Additional Shares unless the issuance of such number of Additional Shares shall be sufficient to maintain the Subscriber's holding in the equity of the Company at 10.0% have been offered to the Subscriber at the same price and upon the same terms as those of the Proposed Issue. There is no time restriction on the applicability of the foregoing. The Company shall also obtain Shareholders' approval in accordance with Listing Rule 812 should there be Additional Shares issued to the Subscriber. In addition, the Company shall give written notice (the "**Issuing Notice**") to the Subscriber, setting forth the number, price at which, and terms on which the Additional Shares are being offered.

If the Subscriber wishes to purchase part or all of the Additional Shares, it should notify the Company in writing (paper or electronically) within twenty (20) Business Days of the Issuing Notice.

If the Subscriber accepts the offer stated in the Issuing Notice, the Subscriber shall subscribe for part or all of the Additional Shares in accordance with the Issuing Notice and shall execute a written subscription in accordance therewith which shall be accepted by the Company.

LETTER TO SHAREHOLDERS

4. THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION

4.1 Details of the Perpetual Convertible Securities Subscription

(a) Perpetual Convertible Securities and Conversion Shares

The issue price of the Perpetual Convertible Securities will be 100% of the aggregate principal amount of the Perpetual Convertible Securities. The Perpetual Convertible Securities shall be issued in two tranches.

Tranche 1 shall comprise S\$165,000,000 in aggregate principal amount of Perpetual Convertible Securities (“**Tranche 1 Perpetual Convertible Securities**”) and can be redeemed by the Company after five (5) years from the Issue Date (including the date of the fifth anniversary of the Issue Date).

Tranche 2 shall comprise S\$20,000,000 in aggregate principal amount of Perpetual Convertible Securities (“**Tranche 2 Perpetual Convertible Securities**”) and 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 of the Issue Date (but excluding the date of the third anniversary of the Issue Date); and (ii) after the date of the fifth anniversary of the Issue Date. In the event of a delisting or suspension of trading of shares for more than 180 consecutive market days, the holders of the Perpetual Convertible Securities shall have the option to require the Company to redeem the outstanding Perpetual Convertible Securities (please refer to the sub-section entitled “*Delisting or suspension*” in the Appendix for further details). Subject to the foregoing, there are no conditions attached to the redemption of the Tranche 1 and Tranche 2 Perpetual Convertible Securities.

Based on the initial Conversion Price and assuming there are no adjustments thereto, the maximum number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the Perpetual Convertible Securities is 581,761,006 Conversion Shares.

The 581,761,006 Conversion Shares to be allotted and issued pursuant to the full conversion of the Perpetual Convertible Securities represent approximately 22.76% of the entire issued share capital of the Company comprising 2,556,585,804 Shares following the Share Subscription Completion, and will represent 18.54% of the entire issued share capital of the Company comprising 3,138,346,810 Shares following the Share Subscription Completion and the full conversion of the Perpetual Convertible Securities (based on the initial Conversion Price and assuming no adjustments thereto). As at the Latest Practicable Date, the Company has no existing warrants or other convertible securities (excluding employee share options granted under Rule 843 of the Listing Manual).

The Perpetual Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference among themselves. In the event of a Winding-up of the Company, the rights and claims of a holder of the Perpetual Convertible Securities shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company, but shall

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be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company other than the claims of holders of any security issued by the Company which ranks or is expressed to rank *pari passu* with the Perpetual Convertible Securities (the “**Parity Securities**”).

The Conversion Shares, when allotted and issued on conversion of the Perpetual Convertible Securities will, with effect from the relevant date of issue, rank *pari passu* in all respects with the other Shares then outstanding, except for any dividends, rights, allotments or other distributions, the record date for which is prior to the date of issue of the Conversion Shares. For the avoidance of doubt, as at the Latest Practicable Date, the Company has not declared any dividends, rights, allotments or other distributions, the record date for which is prior to the date of issue of the Conversion Shares.

(b) Conditions to the Perpetual Convertible Securities Subscription

Under the Perpetual Convertible Securities Subscription Agreement, the Company has agreed to issue the Perpetual Convertible Securities and the Subscriber has agreed to subscribe and pay for the Perpetual Convertible Securities at an issue price of 100% of the principal amount of the Perpetual Convertible Securities, subject to the Terms and Conditions, including but not limited to the following conditions precedent:

- (i) the receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares on the Mainboard of the SGX-ST and if such approval is granted with conditions, such conditions being reasonably acceptable to the parties to the Perpetual Convertible Securities Subscription Agreement;
- (ii) the completion of the Share Subscription and the specific approval of the Shareholders at the EGM for the issue of the Perpetual Convertible Securities and the Conversion Shares;
- (iii) the issue and subscription of the Perpetual Convertible Securities not being prohibited by any statute, order, rule, regulation or directive promulgated by any applicable legislative, executive or regulatory body or authority with competent jurisdiction over the Company or its assets; and
- (iv) the warranties provided by the Company in the Perpetual Convertible Securities Subscription Agreement being true and accurate in all material respects as at the date of the Perpetual Convertible Securities Subscription Agreement and the date of completion of the Perpetual Convertible Securities Subscription Agreement.

If any of the conditions set forth in this Section 4.1(b) is not satisfied or waived on or prior to 30 November 2014 or such other date as may be agreed upon in writing pursuant to the Perpetual Convertible Securities Subscription Agreement, the parties to the Perpetual Convertible Securities Subscription Agreement shall be released and discharged from their obligations relating to the Perpetual Convertible Securities Subscription.

4.2 Perpetual Convertible Securities Subscription Anti-Dilution

If, for the period from the date of issue of any Tranche 1 Perpetual Convertible Securities contemplated under the Perpetual Convertible Securities Subscription Agreement to three (3)

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years thereafter (including the date of the third anniversary of the date of issue), the Company proceeds to issue new Shares to third parties which will reduce the shareholding of the Subscriber to less than 10.0% of the equity of the Company on an enlarged basis, the Subscriber shall be entitled, at its sole discretion, to convert any or all of the Tranche 1 Perpetual Convertible Securities at any time from and including the date of issue of the new Shares.

The above provision for anti-dilution will not be applicable after the third anniversary of the date of issue of the Tranche 1 Perpetual Convertible Securities. The Company can then issue any amount of equity fund raising without triggering the Subscriber's right to conversion of the Tranche 1 Perpetual Convertible Securities under the above anti-dilution provision. However, all subsequent equity fund raising is still subject to the anti-dilution clause under the Share Subscription Agreement as set out in Section 3.1(e) of this Circular. If, for any reason, the Subscriber's shareholdings fall below 10.0% of the enlarged share capital of the Company taking into account a Proposed Issue, the Company must offer such number of securities to the Subscriber to maintain its shareholdings 10.0% of the enlarged share capital pursuant to the anti-dilution clause in the Share Subscription Agreement. Such obligation to offer securities to the Subscriber shall not terminate and is applicable so long as the Subscriber's shareholdings falls below 10.0% of the enlarged share capital as a result of the Company's offer of securities to any third party. However, such obligation is not applicable should the Subscriber's stake falls below 10.0% of the Company's share capital as a result of a sell-down at its own option and not because of an offer of securities by the Company to other third parties. For the avoidance of doubt, such obligation will also not be applicable if the Subscriber's shareholding is already below 10.0% at the time of a Proposed Issue. For example, even in the event of a Proposed Issue when the Subscriber's stake has already been reduced to 1.0% or nil as a result of a sell-down on the Subscriber's own accord, the Company is not obliged to offer securities to the Subscriber to increase its shareholding to 10.0% of the Company's enlarged share capital.

Assuming that the Subscriber holds a more than 10.0% stake pursuant to the conversion of the Perpetual Convertible Securities, the anti-dilution clause under the Share Subscription Agreement will not be triggered.

4.3 Summary of the Terms and Conditions of the Perpetual Convertible Securities

Unless otherwise defined, all capitalised terms used in Section 4.3 of this Circular shall bear the same meanings as ascribed to them in the Terms and Conditions attached hereto as the Appendix to this Circular.

Some of the key Terms and Conditions of the Perpetual Convertible Securities are as follows:

Principal size : S\$185,000,000 in aggregate principal amount of Perpetual Convertible Securities comprising two tranches.

Tranche 1 Perpetual Convertible Securities shall comprise S\$165,000,000 in aggregate principal amount of Perpetual Convertible Securities and can be redeemed by the Company after the date of the fifth anniversary of the relevant date of issue of the Perpetual Convertible Securities (the "**Issue Date**").

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Tranche 2 Perpetual Convertible Securities shall comprise S\$20,000,000 in aggregate principal amount of Perpetual Convertible Securities and 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.

In the event of a delisting or suspension of trading of shares for more than 180 consecutive market days, the holders of the Perpetual Convertible Securities shall have the option to require the Company to redeem the outstanding Perpetual Convertible Securities (please refer to the sub-section entitled “Delisting or suspension” in the Appendix for further details). Subject to the foregoing, there are no conditions attached to the redemption of the Tranche 1 and Tranche 2 Perpetual Convertible Securities.

Perpetual Convertible Securities Issue Price : S\$185,000,000, being 100% of the aggregate principal amount of the Perpetual Convertible Securities.

Maturity date : There is no maturity date.

Distribution : The Perpetual Convertible Securities confer the holders a right to receive distribution (each a “**Distribution**”) at the applicable distribution rate from and including the Issue Date to, but excluding and payable on, 15 May 2015, thereafter annually in arrear on the 15 May of each subsequent year (each such date being a “**Distribution Payment Date**”).

In the event that a Distribution Payment Date does not fall on a Business Day, the Distribution shall be deemed to be payable on the next Business Day.

Rate of Distribution : The distribution rate (the “**Rate of Distribution**”) shall be:

- (i) in respect of the period from, and including the Issue Date to, the third anniversary from the Issue Date (but excluding the date of the third anniversary from the Issue Date), 8.75% per annum;

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- (ii) in respect of the period from the third anniversary of the Issue Date (and including the date of the third anniversary from the Issue Date) to the fifth anniversary from the relevant Issue Date (but excluding the date of the fifth anniversary from the Issue Date), 9.5% per annum; and
- (iii) in respect of the period from and including the date of the fifth anniversary from the Issue Date, 9.5% plus 5.0% per annum plus the applicable five-year U.S. Treasury Rate, which will be reset every five years,

save that in the event of a Change in Control Event or an Event of Default, the Rate of Distribution shall be:

- (iv) where, a Change in Control Event (as defined below) or an Event of Default (as defined below) occurs during the period commencing on and including the Issue Date and ending on the third anniversary of the relevant Issue Date (including the date of the third anniversary from the Issue Date), in respect of the period from, and including the date of occurrence of the Change in Control Event or Event of Default (the “**Default Date**”) to the second anniversary of the Default Date (but excluding the date of the second anniversary of the Default Date), 9.5% per annum; and
- (v) where, a Change in Control Event or an Event of Default occurs during the period commencing and including the Issue Date and ending on the third anniversary of the relevant Issue Date (including the date of the third anniversary from the Issue Date), in respect of the period from the second anniversary of the Default Date (including the date of the second anniversary of the Default Date), 9.5% plus 5.0% per annum plus the applicable 5-year U.S. Treasury Rate, which will be reset every five years.

The applicable five-year U.S. Treasury Rate refers to the prevailing rate that represents the average for the week immediately prior to the date on which the reset is calculated as published by the Board of Governors of the U.S. Federal Reserve.

Form and denomination : The Perpetual Convertible Securities will be issued in bearer form with a minimum denomination of S\$250,000.

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Conversion period : The Perpetual Convertible Securities, together with the Accumulated Amounts (arising from the optional deferral of the payment of such interest (or distribution) by the Company, together with such additional interest which is incurred on the deferred distribution payment) are convertible at any time between the expiry of three (3) years from the Issue Date (including the date of the third anniversary from the Issue Date) and the expiry of six (6) years from the Issue Date (excluding the date of the sixth anniversary of the Issue Date). The Perpetual Convertible Securities will no longer be freely convertible commencing from and including the date of the sixth anniversary of the Issue Date, but this would be subject to the following provisions:

- (i) if an offer is made to Shareholders for all the outstanding Shares of the Company, the Perpetual Convertible Securities and the Accumulated Amounts may be converted at any time on or after the offer is formally announced and the Company will comply with the applicable rules and regulations; or
- (ii) if an Event of Default or Change of Control Event occurs, the Perpetual Convertible Securities and the Accumulated Amounts may be converted at any time on or after the date of the Event of Default or the Change in Control Event.

If, for the period from the date of issue of any Tranche 1 Perpetual Convertible Securities contemplated under the Perpetual Convertible Securities Subscription Agreement to three (3) years thereafter (including the date of the third anniversary of the date of issue), the Company proceeds to issue new Shares to third parties which will reduce the shareholding of the Subscriber to less than 10.0% of the equity of the Company on an enlarged basis, the Subscriber shall be entitled, at its sole discretion, to convert any or all of the Tranche 1 Perpetual Convertible Securities at any time from and including the date of issue of the new Shares.

Status of the Perpetual Convertible Securities : The Perpetual Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference among themselves. In the event of a Winding-up of the Company, the rights and claims of a holder of the Perpetual Convertible Securities shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company other than the claims of holders of the Parity Securities.

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- Conversion Shares : Based on the initial Conversion Price and assuming there are no adjustments thereto, the number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the Perpetual Convertible Securities is 581,761,006, representing (i) approximately 26.74% of the entire issued share capital of the Company as at the Latest Practicable Date (prior to the enlargement of the share capital of the Company by the Share Subscription); (ii) approximately 22.76% of the entire issued share capital of the Company subsequent to the share capital of the Company having been enlarged by the Share Subscription; and (iii) approximately 18.54% of the entire issued share capital of the Company as further enlarged by a full conversion of Tranche 1 and Tranche 2 of the Perpetual Convertible Securities (in each case assuming no other issue of Shares is made) and not including any conversion of Arrears of Distribution, Additional Distribution Amount and Additional Interest Amount.
- Status of the Conversion Shares : The Conversion Shares, when allotted and issued on conversion of the Perpetual Convertible Securities, Distribution, Additional Distribution Amount and/or Additional Interest Amount will rank *pari passu* in all respects with the other Shares then outstanding, except for any dividends, rights, allotments or other distributions, the record date for which is prior to the date of issue of the Conversion Shares.
- Conversion Price : The initial price at which each Conversion Share will be issued upon the conversion of the Perpetual Convertible Securities is S\$0.318, subject to adjustment in the manner provided in the Terms and Conditions
- Conversion Price adjustment : The Conversion Price will be subject to adjustment for, among other things, the following dilutive events:
- consolidation, subdivision or reclassification of Shares of the Company (i.e. when there are variations to the rights attached to a particular class of shares);
 - capitalisation of profits or reserves;
 - distributions;
 - rights issues of Shares or options over Shares;
 - rights issues of other securities;
 - issues at less than 90% of the then prevailing market price;

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- modification of rights of conversion of existing securities;
- other offers to Shareholders; or
- other events which are not included in the above.

Please refer to the section “*Adjustments to Conversion Price*” of the Terms and Conditions for further details.

Change in Control Event : A Change in Control Event refers to any of the following events:

- (i) Fang Ming no longer holds a direct or indirect controlling interest of at least 15% in the equity of the Company on a fully diluted basis; or
- (ii) (As long as the Subscriber holds any of the Perpetual Convertible Securities) Fang Ming ceases to be Chairman of the board of directors of the Company without the prior written consent of the Subscriber.

Event of Default : An Event of Default refers to any of the following events:

- (i) a default in the payment of any principal, premium or Distribution due in respect of the Perpetual Convertible Securities is subsisting for a period of more than three (3) Business Days;
- (ii) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of Perpetual Convertible Securities, Distribution, Additional Distribution Amount and/or Additional Interest Amount;
- (iii) the Company does not perform or comply with one or more of its other obligations under the Perpetual Convertible Securities of which default is incapable of remedy or, if such default is capable of remedy but is not remedied within 21 days after written notice of such default shall have been given to the Company;

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- (iv) if (a) any present or future indebtedness of the Company or any Subsidiary of the Company becomes (or becomes capable of being declared) due and repayable prematurely by reason of an event of default (however described); (b) the Company or any subsidiary of the Company fails to make any payment in respect of any present or future indebtedness on the due date for payment as extended by any originally applicable grace period; (c) any security given by the Company or any subsidiary of the Company for any present or future indebtedness becomes enforceable; or (d) default is made by the Company or any subsidiary of the Company in making any payment due under any guarantee and/or indemnity given by it in relation to any present or future indebtedness of any other person; provided that no such event shall constitute an Event of Default unless the relative present or future indebtedness, either alone or when aggregated with other present or future indebtedness relative to all (if any) other such events which shall have occurred, shall amount to at least S\$5.0 million (or its equivalent in any other currency);
- (v) if (a) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the property, assets or revenues of the Company or any principal subsidiary (as defined in the Companies Act) and is not discharged or stayed within 30 days; or (ii) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any subsidiary of the Company;
- (vi) any step is taken to enforce any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any principal subsidiary (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager, judicial manager or other similar person) and is not discharged or stayed within 30 days;

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- (vii) the Company or any principal subsidiary is insolvent or bankrupt or unable to pay its debts when they fall due, or stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any substantial part) which it will otherwise be unable to pay when due, or proposes or makes a general assignment or an arrangement or composition or compromise with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any substantial part of (or of a particular type of) the debts of the Company or any principal subsidiary;
- (viii) an order is made or a resolution is passed for a Winding-up, dissolution, administration or judicial management of the Company or any principal Subsidiary, or the Company or any principal Subsidiary has passed a special resolution to have itself wound up or has made an announcement or issued a notice to that effect, or the Company or any principal Subsidiary ceases or threatens to cease to carry on all or a substantial part of its business or operations (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an ordinary resolution of the holders; or (b) in the case of a principal subsidiary, whereby the undertaking and assets of such principal Subsidiary are transferred to or otherwise vested in the Company or another Subsidiary of the Company;
- (ix) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Perpetual Convertible Securities Subscription Agreement and (b) to ensure that those obligations are legally binding and enforceable is, in the case of (a) or (b) above, not taken, fulfilled or done; or

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- (x) a final judgment or judgments for the payment of money are rendered against the Company or any Subsidiary of the Company and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 30 days after the expiration of such stay;
- (xi) it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Perpetual Convertible Securities;
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the above; or
- (xiii) the Shares of the Company are delisted or trading of the Shares is suspended for more than sixty (60) days.

Transferability : The Perpetual Convertible Securities will be issued in bearer form and are freely transferable, and transfer thereof will be by way of delivery.

Listing : No application will be made for the listing of the Perpetual Convertible Securities on the SGX-ST or any other stock exchange. The Company has, subject to, *inter alia*, Shareholders' approval and compliance with the SGX-ST's listing requirements, received the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares on the Mainboard of the SGX-ST.

Voting rights : The Perpetual Convertible Securities do not confer any voting rights on its holders.

A full summary of the principal terms of the Perpetual Convertible Securities is set out in the Terms and Conditions attached hereto as the Appendix of this Circular.

4.4 Compliance with the Listing Manual

In compliance with Rules 829 and 830 of the Listing Manual, the Company will:

- (a) announce any adjustment made to the Conversion Price and, where appropriate, the number of the Perpetual Convertible Securities, in the event of rights, bonus or other capitalisation issues; and
- (b) obtain Shareholders' approval for any material alteration to the Terms and Conditions after the issue of the Perpetual Convertible Securities which is to the advantage of the Holders, except where the alterations are made pursuant to the Terms and Conditions.

The Perpetual Convertible Securities have no maturity date. However, the Company will notify the holder(s) of the Perpetual Convertible Securities at least one month in advance before the end of each conversion period as provided for in the Terms and Conditions attached hereto as the Appendix of this Circular.

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5. INFORMATION ON THE SUBSCRIBER

Everbright Hero Holdings Limited (“**Everbright Hero**”) is an indirect wholly-owned subsidiary of China Everbright Limited (Stock Code (165:HK)) (“**CEL**”), a company listed on the Stock Exchange of Hong Kong.

Everbright Hero is incorporated in the British Virgin Islands and is principally engaged in investment holding. Everbright Hero is wholly-owned by Everbright Hero, L.P., a limited partnership set up in the Cayman Islands indirectly wholly-owned by CEL as a limited partner. The general partner of Everbright Hero, L.P. is Everbright GP, a wholly-owned subsidiary of CEL.

CEL, together with its subsidiaries and associates, is principally engaged in the provision of financial services and persistently pursues a cross-border macro asset management strategy, with specific focuses on fund management and investment business, namely, primary market investment, secondary market investment, structured financing and investment and aircraft leasing.

Everbright Hero was introduced to the Company through mutual business associates and intends to subscribe for the Subscription Shares and the Perpetual Convertible Securities for investment purposes. These business associates are independent of the Controlling Shareholder or Directors and there are no introducer’s fees payable.

In addition, the Subscription Shares, the Perpetual Convertible Securities and the Conversion Shares will not be issued to any of the persons set forth in Rule 812(1) of the SGX-ST Listing Manual.

6. RATIONALE FOR THE SHARE SUBSCRIPTION AND THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION

The Company envisages that the inclusion of the Subscriber as a substantial shareholder of the Company will provide the Company with considerable strategic advantages, which would in turn help the Company to realise its next phase of strong growth.

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

CEL manages its property investments through a private equity fund with a specific focus in the real estate sector. The private equity fund is primarily invested in large-scale commercial and residential property projects located in first and second-tier cities in mainland China, and is divided into two currency investment streams: USD-denominated and RMB-denominated funds. As at 31 December 2013, assets under management by the private equity fund as a whole amounted to approximately US\$2.06 billion.

The Company can benefit from the track record and holistic support of CEL for co-investment in new projects via the following aspects:

- (i) CEL’s extensive domestic and international network will offer the Company access to a strong pipeline of opportunities in property projects and acquisitions;

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- (ii) CEL's large network in the financial sector could facilitate tailored financing arrangements to provide the required financial resources for the Company to undertake existing projects and to pursue future opportunities; and
- (iii) CEL's established credentials in property acquisitions and project management will add value to the strategic partnership with the Company.

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

CEL has accumulated a sizeable portfolio of quality assets in the first-tier and the leading second-tier cities in China, and has gained experience in operating in these cities. With CEL's support, the Company will be able to further strengthen its market leadership position in Chongqing, and better position itself to secure property projects in prime locations in Beijing, Shanghai, Guangzhou and Shenzhen. In addition, the Company also aims to seek strategic expansion into the Singapore and Hong Kong markets as and when the opportunities arise.

6.3 Strengthen the Company's balance sheet and provide flexibility and a competitive edge to the Company to pursue strategic initiatives

Based on the audited consolidated financial statements of the Group for the full year ended 31 December 2013 and assuming that the Share Subscription and the Perpetual Convertible Securities Subscription were completed on 31 December 2013 (for illustrative purposes only), the Company's cash position and net asset value are RMB1.68 billion and RMB4.76 billion, respectively, compared to RMB727 million (including the restricted cash and assuming RMB408 million are used to repay the existing loans) and RMB3.4 billion, respectively, if the Share Subscription and the Perpetual Convertible Securities Subscription had not been completed. The net gearing as at 31 December 2013 assuming that the Share Subscription and the Perpetual Convertible Securities Subscription were completed on 31 December 2013 (for illustrative purposes only) is 15%, compared to 61% if the Share Subscription and the Perpetual Convertible Securities Subscription had not been completed.

As the real estate sector is capital intensive in nature, a strong balance sheet will provide the Company with flexibility and a competitive edge to manage its operations and to seize investment opportunities that may arise, including, *inter alia*:

- (i) accelerating development of existing projects;
- (ii) participating in tenders for new land banks;
- (iii) undertaking acquisitions of quality assets; and
- (iv) participating in the consolidation of small to medium-sized real estate companies in China.

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6.4 Accelerate development of existing projects and finance new projects

The proceeds from the Share Subscription and the Perpetual Convertible Securities Subscription will be used to finance the accelerated development of existing projects, which may enable the Company to realise sales and profits sooner, thereby improving its financial position.

The financial support from CEL will also place the Company in a more favourable position to fund the acquisition and development of new projects, enhancing the competitive strengths of the Company.

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

CEL's real estate investment team possesses strong project management capabilities and takes a hands-on approach in managing commercial projects. Its in-house commercial properties management team has strong experience and a proven track record in delivering value-add to the investments. By tapping into CEL's experience and expertise in retail property management, the Company would be able to optimise the leasing management of its existing commercial properties and extract greater value for the Shareholders.

CEL's retail properties may also be packaged together with the Company's mature retail properties for any potential listing by way of a REIT or Business Trust, enhancing the attractiveness of any future spin-off of the Company's assets to unlock value for the Company's holding of retail properties.

The Company may also enjoy greater revenue diversification from the cooperation with CEL to undertake retail property management and asset management businesses.

7. USE OF PROCEEDS

The Company will raise gross proceeds of approximately S\$284.06 million and net proceeds of approximately S\$283.86 million from the Share Subscription and the Perpetual Convertible Securities Subscription.

7.1 Share Subscription

The purpose of the Share Subscription is to raise funds for potential acquisitions of new development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, general working capital and funding the development of existing property projects.

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The net proceeds (after deducting costs and expenses of approximately S\$100,000 relating thereto) from the Share Subscription of approximately S\$98.96 million will be used in the estimated proportions as set out below:

Use of Proceeds	Percentage Allocation (%)	Amount (S\$million)
Funding the acquisition of development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, as well as funding the development of existing property projects	60 – 90	59.38 – 89.06
Repayment of existing loans	10 – 30	9.90 – 29.68
General working capital requirements	0 – 10	0 – 9.90

Pending the deployment of the net proceeds from the Share Subscription, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

7.2 Perpetual Convertible Securities Subscription

The purpose of the Perpetual Convertible Securities Subscription is to raise funds for potential acquisitions of new development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, general working capital and funding the development of existing property projects.

The net proceeds (after deducting costs and expenses of approximately S\$100,000 relating thereto) from the Perpetual Convertible Securities Subscription of approximately S\$184.90 million will be used in the estimated proportions as set out below:

Use of Proceeds	Percentage Allocation (%)	Amount (S\$million)
Funding the acquisition of development sites, possible strategic investments, joint ventures, other acquisitions and strategic alliances when suitable opportunities arise, as well as funding the development of existing property projects	60 – 90	110.94 – 166.41
Repayment of existing loans	10 – 30	18.49 – 55.47
General working capital requirements	0 – 10	0 – 18.49

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The actual apportionment of the net proceeds for the aforementioned purposes would be subject to the availability and size of investment and acquisition opportunities, the relative timing of the various requirements for funds, and the Company's overall objective of achieving an optimal cost of capital to fund its growth initiatives.

The Company will make periodic announcements on the utilisation of proceeds from the Share Subscription and the Perpetual Convertible Securities Subscription as and when such proceeds are materially disbursed.

8. PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE PURSUANT TO THE SHARE SUBSCRIPTION AND THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a Controlling Interest without prior approval of Shareholders in general meeting. Under the Listing Manual, a Controlling Shareholder is a person who directly or indirectly holds 15% or more of the nominal amount of all voting shares in the Company, or a person who in fact exercises control over the Company.

The following table sets out the change in interests of Mr. Fang Ming, the Controlling Shareholder of the Company as at the Latest Practicable Date, and the Subscriber before and after the Share Subscription and Perpetual Convertible Securities Subscription:

	Shareholdings before Share Subscription and conversion of the Perpetual Convertible Securities		Shareholdings after Share Subscription and before conversion of the Perpetual Convertible Securities ⁽¹⁾		Shareholdings after Share Subscription and conversion of the Perpetual Convertible Securities ⁽²⁾	
	Direct interest	Deemed interest	Direct interest	Deemed interest	Direct interest	Deemed interest
	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%
Directors						
Fang Ming ⁽³⁾	94,735,548 (4.35%)	820,153,014 ⁽⁴⁾ (37.70%)	94,735,548 (3.71%)	820,153,014 (32.08%)	94,735,548 (3.02%)	820,153,014 (26.13%)
The Subscriber	—	—	381,000,000 (14.90%)	—	962,761,006 (30.68%)	

Notes:

(1) There will be an issuance of 381,000,000 Subscription Shares after the Share Subscription.

(2) Assuming full conversion of the Tranche 1 and Tranche 2 Perpetual Convertible Securities and the issuance of 581,761,006 Conversion Shares.

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- (3) Mr. Fang Ming holds 85% of the issued share capital of Newest Luck Holdings Limited (“**Newest Luck**”) and is deemed to have an interest in the Shares through his shareholding in Newest Luck by virtue of Section 7 of the Companies Act, Chapter 50. Newest Luck has a total beneficial interest in the 820,153,014 Shares, of which 68,931,213 Shares are held in the names of nominees.
- (4) Excluding the 4,586,000 Shares which have yet to be returned as at the Latest Practicable Date to Newest Luck pursuant to a securities lending agreement dated 21 January 2010 entered into with J.P. Morgan (S.E.A.) Limited for the sole purpose of on-lending such Shares to the subscribers of the convertible bonds previously issued by the Company (as announced by the Company on 22 January 2010).

Assuming the completion of the Share Subscription, the Subscriber will hold approximately 14.90% of the enlarged and issued share capital of the Company (excluding Treasury Shares). Assuming (i) the completion of the Share Subscription and the Perpetual Convertible Securities Subscription; (ii) none of the Subscription Shares and Perpetual Convertible Securities issued to the Subscriber were transferred to any other third party; and (iii) the full conversion of the Perpetual Convertible Securities at the initial Conversion Price (and no adjustments thereto), the Subscriber will hold approximately 30.68% of the enlarged and issued share capital of the Company (excluding Treasury Shares).

Accordingly, the Share Subscription and the Perpetual Convertible Securities Subscription would constitute a transfer of a Controlling Interest in the Company and is subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual.

9. FINANCIAL EFFECTS OF THE SHARE SUBSCRIPTION AND PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION

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

The table below sets out the financial effects of the Share Subscription and the Perpetual Convertible Securities Subscription based on the following bases and assumptions:

- (a) reference is made to the audited consolidated financial statements of the Group for the full year ended 31 December 2013 (“**FY2013**”) and the unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2014 (“**1Q2014**”);
- (b) the financial impact on the consolidated net tangible assets (“**NTA**”) per Share for each of FY2013 and 1Q2014 is computed based on the assumption that the Share Subscription and the Perpetual Convertible Securities Subscription were completed on 31 December 2013 and 31 March 2014 for FY2013 and 1Q2014 respectively; and

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- (c) the financial impact on the consolidated earnings per Share (“EPS”) for each of FY2013 and 1Q2014 is computed based on the assumption that the Share Subscription and the Perpetual Convertible Securities Subscription were completed on 1 January 2013 and 1 January 2014 for FY2013 and 1Q2014 respectively.

	<u>Before</u> Share Subscription and Perpetual Convertible Securities Subscription		<u>After</u> Share Subscription and <u>before</u> conversion of the Perpetual Convertible Securities ⁽¹⁾		<u>After</u> Share Subscription and conversion ⁽²⁾ of the Perpetual Convertible Securities	
	As at 31		As at 31		As at 31	
	December	As at 31	December	As at 31	December	As at 31
	2013	March 2014	2013	March 2014	2013	March 2014
Share Capital						
Issued and paid-up share capital ⁽³⁾ (RMB'000)	3,536,777	3,537,218	4,012,820	4,027,674	4,901,856	4,943,627
Number of Shares ('000) ⁽⁴⁾	2,169,045	2,169,295	2,550,045	2,550,295	3,131,806	3,132,056
NTA ⁽³⁾ (RMB'000)	3,396,830	3,400,620	4,761,909	4,807,029	4,761,909	4,807,029
NTA per Share (RMB)	1.57	1.57	1.87	1.88	1.52	1.53
EPS (RMB)	0.095	0.016	0.081	0.013	0.066	0.011
Gearing						
Total borrowings ⁽⁷⁾ (RMB'000)	2,802,831	2,933,001	2,394,884	2,512,702	2,394,884	2,512,702
Shareholders' Funds ⁽⁵⁾ (RMB'000)	3,396,830	3,400,620	4,761,909	4,807,029	4,761,909	4,807,029
Net gearing ratio ⁽⁶⁾⁽⁷⁾ (times)	0.61	0.65	0.15	0.17	0.15	0.17

Notes:

- (1) There will be an issuance of 381,000,000 Subscription Shares after the Share Subscription.
- (2) Assuming full conversion of the Tranche 1 and Tranche 2 Perpetual Convertible Securities and the issuance of 581,761,006 Conversion Shares.
- (3) Computed based on exchange rates of SGD1 : RMB4.8056 and SGD1 : RMB4.9511 as at 31 December 2013 and 31 March 2014 respectively.
- (4) These figures do not take into account the issuance of 6,290,937 new Shares pursuant to the vesting of share awards in accordance with the Ying Li Performance Share Plan during the period from 31 March 2014 until the Latest Practicable Date.
- (5) Defined as Total Equity less Minority Interest.
- (6) Net Gearing = (Long-term secured and unsecured debt + Short-term secured and unsecured debt - Cash and cash equivalents (which include restricted cash at bank)) / Net Asset Value.
- (7) Assuming that S\$29.69 million from the proceeds of the Share Subscription and S\$55.2 million from the proceeds of the Perpetual Convertible Securities Issue are used to repay existing loans.

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10. CHANGES IN DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

	Shareholdings before Share Subscription and conversion of the Perpetual Convertible Securities		Shareholdings after Share Subscription and before conversion of the Perpetual Convertible Securities ⁽¹⁾		Shareholdings after Share Subscription and conversion of the Perpetual Convertible Securities ⁽²⁾	
	Direct interest	Deemed interest	Direct interest	Deemed interest	Direct interest	Deemed interest
	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%	No. of Shares/%
Directors						
Fang Ming ⁽³⁾⁽⁴⁾	94,735,548 (4.35%)	820,153,014 (37.70%)	94,735,548 (3.71%)	820,153,014 (32.08%)	94,735,548 (3.02%)	820,153,014 (26.13%)
Tan Kim Seng	82,672,000 (3.80%)	—	82,672,000 (3.23%)	—	82,672,000 (2.63%)	—
Yang Xiao Yu	340,664 (0.02%)	—	340,664 (0.01%)	—	340,664 (0.01%)	—
Substantial Shareholders						
Newest Luck Holdings Limited ⁽³⁾⁽⁴⁾	820,153,014 (37.70%)	—	820,153,014 (32.08%)	—	820,153,014 (26.13%)	—
Leap Forward Holdings Limited ⁽⁵⁾⁽⁶⁾⁽⁷⁾	266,839,669 (12.27%)	—	266,839,669 (10.44%)	—	266,839,669 (8.50%)	—
Zana Capital Pte Ltd ⁽⁶⁾⁽⁷⁾	—	266,839,669 (12.27%)	—	266,839,669 (10.44%)	—	266,839,669 (8.50%)
Zana China Fund L.P. ⁽⁶⁾	—	266,839,669 (12.27%)	—	266,839,669 (10.44%)	—	266,839,669 (8.50%)
Chan Hock Eng ⁽⁷⁾	—	266,839,669 (12.27%)	—	266,839,669 (10.44%)	—	266,839,669 (8.50%)
Ng Koon Siong ⁽⁷⁾	—	266,839,669 (12.27%)	—	266,839,669 (10.44%)	—	266,839,669 (8.50%)
The Subscriber	—	—	381,000,000 (14.90%)	—	962,761,006 (30.68%)	—
Other Shareholders	910,844,909 (41.86%)	—	910,844,909 (35.63%)	—	910,844,909 (29.03%)	—
Total:	2,175,585,804	—	2,556,585,804	—	3,138,346,810	—

Notes:

- (1) There will be an issuance of 381,000,000 Subscription Shares after the Share Subscription.
- (2) The number of Shares arising from the full conversion of Tranche 1 and Tranche 2 of the Perpetual Convertible Securities is 581,761,006.
- (3) Mr. Fang Ming holds 85% of the issued share capital of Newest Luck and is deemed to have an interest in the Shares through his shareholding in Newest Luck by virtue of Section 7 of the Companies Act, Chapter 50. Newest Luck has a total beneficial interest in the 820,153,014 Shares, of which 68,931,213 Shares are held in the names of nominees.

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- (4) Excluding the 4,586,000 Shares which have yet to be returned as at the Latest Practicable Date to Newest Luck pursuant to a securities lending agreement dated 21 January 2010 entered into with J.P. Morgan (S.E.A.) Limited for the sole purpose of on-lending such Shares to the subscribers of the convertible bonds previously issued by the Company (as announced by the Company on 22 January 2010).
- (5) Leap Forward Holdings Limited has 266,839,669 Shares registered in the names of nominees.
- (6) Zana Capital Pte Ltd and Zana China Fund L.P. are deemed interested in the Shares held by Leap Forward Holdings Limited by virtue of Section 7 of the Companies Act, Chapter 50 as Zana Capital Pte Ltd is a fund manager of Zana China Fund L.P. and manages its funds on a discretionary basis.
- (7) Mr. Chan Hock Eng and Mr. Ng Koon Siong hold 30.91% each of the issued share capital of Zana Capital Pte. Ltd., and are therefore deemed interested in the shares held by Leap Forward Holdings Limited by virtue of their shareholdings in Zana Capital Pte. Ltd. The remaining shares of Zana Capital Pte Ltd are held by independent third parties not related to the Controlling Shareholder or directors of the Company or their associates.

Other than through their interests arising by way of their directorships and/or shareholdings (as the case may be) in the Company, none of the Directors nor (in so far as the Directors are aware) any Substantial Shareholder or their respective associates has any interest, whether direct or indirect, in the Share Subscription and/or the Perpetual Convertible Securities Subscription.

None of the Directors nor (in so far as the Directors are aware) any Substantial Shareholder or their respective associates has any connection (including business relationship) with the Subscriber.

11. CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' UNDERTAKING

The Controlling Shareholder of the Company, Mr Fang Ming, who has an aggregate interest, directly or indirectly, in 914,888,562⁽¹⁾ Shares representing approximately 42.05% of the total issued share capital of the Company as at the Latest Practicable Date, together with Leap Forward Holdings Limited, who has an aggregate direct interest in 266,839,669 Shares representing approximately 12.27% of the total issued share capital of the Company as at the Latest Practicable Date, have undertaken to vote, and to procure that the registered holders of such Shares in the Company will vote, in favour of the Share Subscription and the issue of the Perpetual Convertible Securities and the Conversion Shares at the EGM of the Company.

Note:

- (1) Excluding the 4,586,000 Shares which have yet to be returned as at the Latest Practicable Date to Newest Luck pursuant to a securities lending agreement dated 21 January 2010 entered into with J.P. Morgan (S.E.A.) Limited for the sole purpose of on-lending such Shares to the subscribers of the convertible bonds previously issued by the Company (as announced by the Company on 22 January 2010).

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12. DIRECTORS' RECOMMENDATIONS

After having considered, *inter alia*, the terms and/or rationale of the Ordinary Resolutions, the Directors are of the view that the following Ordinary Resolutions relating to:

- (a) the proposed allotment and issue of 381,000,000 Subscription Shares comprising 17.51% of the existing issued share capital of the Company to the Subscriber;
- (b) the proposed issue of S\$185,000,000 perpetual subordinated convertible callable securities convertible into 581,761,006 new ordinary Shares comprising 26.74% of the existing issued share capital of the Company to the Subscriber; and
- (c) the proposed transfer of Controlling Interest to the Subscriber pursuant to the Share Subscription and the Perpetual Convertible Securities Subscription,

are in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour thereof at the EGM.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held on 2 September 2014 at 9:30 a.m. at Suntec Singapore, International Convention & Exhibition Centre, Meeting Rooms 300 and 301, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 for the purpose of considering and, if thought fit, passing with or without modifications the Ordinary Resolutions set out in the Notice of EGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf may complete, sign and return the proxy form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible, and in any event to reach the registered office of the Company at 6 Temasek Boulevard, #24-04 Suntec Tower Four, Singapore 038986 not later than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be entitled to attend and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as at 48 hours before the time fixed for holding the EGM, as certified by CDP to the Company.

15. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by all the Directors (including those who have delegated detailed supervision of this Circular) and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Share Subscription, the Perpetual Convertible Securities Subscription, the allotment and issue of the Conversion Shares arising from the conversion of the Perpetual Convertible Securities, the proposed transfer of

LETTER TO SHAREHOLDERS

Controlling Interest to the Subscriber pursuant to the Share Subscription and the Perpetual Convertible Securities Subscription, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 6 Temasek Boulevard, #24-04 Suntec Tower Four, Singapore 038986 during normal business hours from the date hereof up to and including the date of the EGM:

- (a) Share Subscription Agreement;
- (b) Perpetual Convertible Securities Subscription Agreement; and
- (c) Memorandum and Articles of Association of the Company.

Yours faithfully,

For and on behalf of the Board of Directors of
Ying Li International Real Estate Limited

Fang Ming
Executive Chairman and Chief Executive Officer

APPENDIX

SUMMARY OF THE TERMS AND CONDITIONS OF THE PERPETUAL CONVERTIBLE SECURITIES

This Appendix contains a summary of the terms and conditions of the Perpetual Convertible Securities to be issued by the Company to the Subscriber, and does not purport to be complete and may not contain all the information that is important to you. Terms defined in the Perpetual Convertible Securities Subscription Agreement and the terms and conditions of the Perpetual Convertible Securities shall, unless otherwise defined in this appendix, have the same meanings in this Appendix.

Principal terms and conditions of the Perpetual Convertible Securities are summarised as follows:

Company : Ying Li International Real Estate Limited.

Principal Size : S\$185,000,000 in aggregate principal amount of Perpetual Convertible Securities comprising two tranches.

Tranche 1 Perpetual Convertible Securities shall comprise S\$165,000,000 in aggregate principal amount of Perpetual Convertible Securities and can be redeemed by the Company after the date of the fifth anniversary of the relevant Issue Date.

Tranche 2 Perpetual Convertible Securities shall comprise S\$20,000,000 in aggregate principal amount of Perpetual Convertible Securities and 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.

In the event of a delisting or suspension of trading of shares for more than 180 consecutive market days, the holders of the Perpetual Convertible Securities shall have the option to require the Company to redeem the outstanding Perpetual Convertible Securities (please refer to the sub-section entitled “*Delisting or suspension*” in this Appendix for further details). Subject to the foregoing, there are no conditions attached to the redemption of the Tranche 1 and Tranche 2 Perpetual Convertible Securities.

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Issue date : The Perpetual Convertible Securities may be issued in two stages as set out below:

- (i) Up to S\$50,000,000 in aggregate principal amount of Perpetual Convertible Securities, comprising a portion of Tranche 1 Perpetual Convertible Securities (the “**First Stage Perpetual Convertible Securities**”), may be issued, at the Company’s sole discretion, at any time within two (2) months from the extraordinary general meeting convened to seek shareholders’ approval for the Perpetual Convertible Securities Subscription (the “**EGM**”); and
- (ii) the balance of S\$135,000,000 in aggregate principal amount of Perpetual Convertible Securities, comprising the remaining portion of Tranche 1 Perpetual Convertible Securities and the entirety of Tranche 2 Perpetual Convertible Securities (the “**Second Stage Perpetual Convertible Securities**”), may be issued, at the Company’s sole discretion, at any time within four (4) months from the EGM.

For the avoidance of doubt, the Company may issue the Second Stage Perpetual Convertible Securities only after the First Stage Perpetual Convertible Securities have been issued.

Each date of issue of the Perpetual Convertible Securities is referred to herein as an “**Issue Date**”.

Perpetual Convertible Securities Issue Price : S\$185,000,000, being 100% of the aggregate principal amount of the Perpetual Convertible Securities.

Maturity date : There is no maturity date.

Form and denomination : The Perpetual Convertible Securities will be issued in bearer form with a minimum denomination of S\$250,000.

Distribution : The Perpetual Convertible Securities confer the holders a right to receive distribution (each a “**Distribution**”) at the applicable distribution rate from and including the Issue Date to but excluding and payable, on 15 May 2015, thereafter annually in arrear on the 15 May of each subsequent year (each such date being a “**Distribution Payment Date**”).

In the event that a Distribution Payment Date does not fall on a Business Day, the Distribution shall be deemed to be payable on the next Business Day.

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- Rate of Distribution : The distribution rate (the “**Rate of Distribution**”) shall be:
- (i) in respect of the period from, and including the Issue Date to, the third anniversary from the Issue Date (but excluding the date of the third anniversary from the Issue Date), 8.75% per annum;
 - (ii) in respect of the period from the third anniversary of the Issue Date (and including the date of the third anniversary from the Issue Date) to the fifth anniversary from the relevant Issue Date (but excluding the date of the fifth anniversary from the Issue Date), 9.5% per annum; and
 - (iii) in respect of the period from and including the date of the fifth anniversary from the Issue Date, 9.5% plus 5.0% per annum plus the applicable 5-year U.S. Treasury Rate, which will be reset every five years,

save that in the event of a Change in Control Event or an Event of Default, the Rate of Distribution shall be:

- (iv) where, a Change in Control Event (as defined below) or an Event of Default (as defined below) occurs during the period commencing and including the Issue Date and ending on the third anniversary of the relevant Issue Date (including the date of the third anniversary from the Issue Date), in respect of the period from, and including the date of occurrence of the Change in Control Event or Event of Default (the “**Default Date**”) to the second anniversary of the Default Date (but excluding the date of the second anniversary of the Default Date), 9.5% per annum; and
- (v) where, a Change in Control Event or an Event of Default occurs during the period commencing and including the Issue Date and ending on the third anniversary of the relevant Issue Date (including the date of the third anniversary from the Issue Date), in respect of the period from the second anniversary of the Default Date (including the date of the second anniversary of the Default Date), 9.5% plus 5.0% per annum plus the applicable 5-year U.S. Treasury Rate, which will be reset every five years.

The applicable 5-year U.S. Treasury Rate refers to the prevailing rate that represents the average for the week immediately prior to the date on which the reset is calculated as published by the Board of Governors of the U.S. Federal Reserve.

In summary, where there is a Change in Control Event or Default Event, a higher Rate of Distribution will be incurred earlier (as compared to a situation where there is no such event). There is no time limit on the applicability of the higher distribution rate triggered by a Change in Control Event or Default Event, which will continue until the Perpetual Convertible Securities are redeemed.

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Optional deferral of Distribution : The Company may at its sole discretion elect to defer any scheduled Distribution (the “**Arrears of Distribution**”) to the next scheduled Distribution Payment Date by giving prior written notice. The Company may further defer any Arrears of Distribution following the foregoing notice requirement and is not subject to any limits as to the number of times scheduled Distribution and Arrears of Distribution can be deferred.

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Convertible Securities at the prevailing Rate of Distribution calculated by applying the Rate of Distribution to the amount of the Arrears of Distribution (and the amount of such interest, the “**Additional Distribution Amount**”). In the event the Company elects to defer any scheduled Distribution, all outstanding principal of the Perpetual Convertible Securities and Arrears of Distribution and Additional Distribution Amount (if any) shall immediately incur additional interest of 0.015% per day from the date of that scheduled Distribution (such amount of additional interest accrued, the “**Additional Interest Amount**”). The amount of the Additional Distribution Amount and Additional Interest Amount shall be due and payable on the next Distribution Payment Date unless such amounts are deferred by the Company in accordance with the terms and conditions of the Perpetual Convertible Securities.

Distributions are cumulative subject to limited exceptions set forth under the terms and conditions of the Perpetual Convertible Securities.

The Company may pay the Arrears of Distribution, Additional Distribution Amount and Additional Interest Amount in whole or in part to the holders on the 15th day of each month (subject to a minimum amount of S\$500,000 being paid). Such payment will be made in the following order:

- (i) **first**, towards payment of any Additional Interest Amount;
- (ii) **second**, towards payment of any Additional Distribution Amount; and
- (iii) **third**, towards payment of any Arrears of Distribution.

In the event that the Company does not elect to defer any scheduled Distribution in a certain year, each holder shall have the option to elect for either:

- (i) the amounts of Distribution, Arrears of Distribution, any Additional Distribution Amount and any Additional Interest Amount accumulated and outstanding as at the Distribution Payment Date in that year (the “**Accumulated Amounts**”) to be paid in whole or in part by the Company on that Distribution Payment Date in the following order:
 - (a) **first**, towards payment of any Additional Interest Amount;

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(b) **second**, towards payment of any Additional Distribution Amount;

(c) **third**, towards payment of any Arrears of Distribution; and

(d) **fourth**, towards payment of any Distribution; or

(ii) to convert the Accumulated Amounts into Conversion Shares at the Conversion Price.

Dividend and distribution stopper : Unless and until the Company satisfies in full all outstanding Arrears of Distribution, any Additional Distribution Amount and any Additional Interest Amount, 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, buy-back or acquire for any consideration any share capital thereof (including preference shares) or Parity Securities but without prejudice to the right of a holder of Perpetual Convertible Securities to convert any part of the Perpetual Convertible Securities into Conversion Shares.

“**Parity Securities**” means any security issued by the Company which ranks or is expressed to rank *pari passu* with the Perpetual Convertible Securities.

Conversion of Distribution, Arrears of Distribution, Additional Distribution Amount and Additional Interest Amount : Subject to the terms and conditions of the Perpetual Convertible Securities, all or part of the Distribution, Arrears of Distribution, Additional Distribution Amount and/or Additional Interest Amount may be converted into Conversion Shares at the Conversion Price during the Conversion Period at the option of the holder of the Perpetual Convertible Securities.

Conversion period : The Perpetual Convertible Securities, Distribution, Additional Distribution Amount and/or Additional Interest Amount are convertible at any time between the expiry of three (3) years from the Issue Date (including the date of the third anniversary from the Issue Date) and the expiry of six (6) years from the Issue Date (excluding the date of the sixth anniversary of the Issue Date). The Perpetual Convertible Securities will no longer be freely convertible commencing from and including the date of the sixth anniversary of the Issue Date, but this would be subject to the following provisions:

(i) if an offer is made to Shareholders for all the outstanding Shares of the Company, the Perpetual Convertible Securities and the Accumulated Amounts may be converted at any time on or after the offer is formally announced and the Company will comply with the applicable rules and regulations; or

(ii) if an Event of Default or Change of Control Event occurs, the Perpetual Convertible Securities and the Accumulated Amounts may be converted at any time on or after the date of the Event of Default or the Change of Control Event.

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If, for the period from the date of issue of any Tranche 1 Perpetual Convertible Securities contemplated under the Perpetual Convertible Securities Subscription Agreement to three (3) years thereafter (including the date of the third anniversary of the date of issue), the Company proceeds to issue new Shares to third parties which will reduce the shareholding of the Subscriber to less than 10.0% of the equity of the Company on an enlarged basis, the Subscriber shall be entitled, at its sole discretion, to convert any or all of the Tranche 1 Perpetual Convertible Securities at any time from and including the date of issue of the new Shares.

Status of the Perpetual Convertible Securities : The Perpetual Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* without any preference among themselves. In the event of a Winding-up of the Company, the rights and claims of a holder of the Perpetual Convertible Securities shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Company, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company other than the claims of holders of the Parity Securities.

Status of the Conversion Shares : The Conversion Shares, when allotted and issued on conversion of the Perpetual Convertible Securities, Distribution, Additional Distribution Amount and/or Additional Interest Amount will rank *pari passu* in all respects with the other Shares then outstanding, except for any dividends, rights, allotments or other distributions, the record date for which is prior to the date of issue of the Conversion Shares.

Initial Conversion Price : S\$0.318 per Share, represents (i) a premium of approximately 10% to the volume weighted average price (“**VWAP**”) of S\$0.2888 per Share as quoted on the SGX-ST on 24 June 2014 (being the full market day on which Shares were traded prior to the date of the Perpetual Convertible Securities Subscription Agreement) (the “**Reference Trading Day**”); (ii) a premium of approximately 10% to the VWAP of S\$0.2892 per Share as quoted on the SGX-ST for the last five consecutive calendar days up to and including the Reference Trading Day; and (iii) a premium of approximately 11% to the VWAP of S\$0.2862 per Share as quoted on the SGX-ST for the last 10 consecutive calendar days up to and including the Reference Trading Day.

The initial Conversion Price was determined by the Company and the Subscriber after arm’s length negotiations. When determining the initial Conversion Price, the Company has taken into account, among other things, the last traded price of the Shares on 24 June 2014 prior to the signing of the Perpetual Convertible Securities Subscription Agreement, the prevailing market price of the Shares, the valuation metrics of similar instruments issued by the Company’s listed comparable companies and the strategic value of the investment.

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Conversion Price adjustment : The Conversion Price will be subject to adjustment for, among other things, the following dilutive events:

- consolidation, subdivision or reclassification of Shares of the Company (ie. when there are variations to the rights attached to a particular class of shares);
- capitalisation of profits or reserves;
- distributions;
- rights issues of Shares or options over Shares;
- rights issues of other securities;
- issues of Shares at less than 90% of the then prevailing market price;
- modification of rights of conversion of existing securities;
- other offers to Shareholders; or
- other events which are not included in the above. Please refer to the section “*Adjustments to Conversion Price*” for further details.

Company call : In respect of Tranche 1 Perpetual Convertible Securities, the Company may after five (5) years from the Issue Date (including the date of the fifth anniversary from the Issue Date) from the Issue Date redeem all or some of the Perpetual Convertible Securities (subject to the minimum of S\$10,000,000 in aggregate principal amount of Perpetual Convertible Securities) together with all outstanding Arrears of Distribution, any Additional Distribution Amount, any Additional Interest Amount and the Distribution accrued to the date fixed for redemption (the “**Amount Outstanding**”) by giving the holders at least one month’s prior notice at the rate contemplated under the following formula:

Amount Outstanding x $((1.0 + 0.035 \times (\text{number of days elapsed since the Issue Date}/365))$.

In respect of Tranche 2 Perpetual Convertible Securities, the Company may (i) between the period of two (2) years from the Issue Date (including the date of the second anniversary of the Issue Date) and three (3) years (excluding the date of the third anniversary of the Issue Date) from the Issue Date (the “**First Redemption Period**”) and (ii) after five (5) years (including the date of the fifth anniversary of the Issue Date) from the Issue Date (the “**Second Redemption Period**”) redeem all, but not some, of the Amount Outstanding by giving the holders at least one month’s prior notice at the rate contemplated under the following formula:

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- (i) Amount Outstanding x (1.0 + 0.055 x (number of days elapsed since the Issue Date/365)) in respect of redemption made during the First Redemption Period; and
- (ii) Amount Outstanding x (1.0 + 0.035 x (number of days elapsed since the Issue Date/365)) in respect of redemption made during the Second Redemption Period.

Clean-up call : If at any time the aggregate principal amount of the Perpetual Convertible Securities outstanding issued under Tranche 1 Perpetual Convertible Securities is less than 5.0% of the aggregate principal amount originally issued, the Company shall have the option to redeem such outstanding Perpetual Convertible Securities under Tranche 1 Perpetual Convertible Securities in whole but not in part at their principal amount together with all outstanding Arrears of Distribution, any Additional Distribution Amount, any Additional Interest Amount and the Distribution accrued to the date fixed for redemption. This clean-up call does not apply to Tranche 2 Perpetual Convertible Securities.

Tax call : If there is any change to Singapore law which would result in the Company paying or the Company becoming liable to pay additional tax amounts, the Company shall have the option to redeem such outstanding Perpetual Convertible Securities in whole but not in part at their principal amount together with, if any, all outstanding Arrears of Distribution, Additional Distribution Amount, Additional Interest Amount and Distribution accrued to the date fixed for redemption. Holders have the right to elect for their Perpetual Convertible Securities not to be redeemed, whereupon the Company shall be entitled to pay Distributions, Arrears of Distributions, Additional Distribution Amounts and Additional Interest Amounts net of such additional tax amounts and such holders shall have no entitlement to any gross up for the additional tax amounts.

Accounting call : If there is any change or amendment to the International Financial Reporting Standards (or such other accounting or reporting standards that the Group has adopted or is subject to) which would result in the Perpetual Convertible Securities ceasing to qualify as equity in the financial statements of the Company, the Company shall have the option to redeem such outstanding Perpetual Convertible Securities in whole but not in part at their principal amount together with, if any, all outstanding Arrears of Distribution, Additional Distribution Amount, Additional Interest Amount and Distribution accrued to the date fixed for redemption.

Change in Control Event : A Change in Control Event refers to any of the following events:

- (i) Fang Ming no longer holds a direct or indirect controlling interest of at least 15% in the equity of the Company on a fully diluted basis; or

APPENDIX

- (ii) (As long as the Subscriber holds any of the Perpetual Convertible Securities) Fang Ming ceases to be the Chairman of board of directors of the Company without prior written consent of the Subscriber.

Event of Default : An Event of Default refers to any of the following events:

- (i) a default in the payment of any principal, premium or Distribution due in respect of the Perpetual Convertible Securities is subsisting for a period of more than three (3) Business Days;
- (ii) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of Perpetual Convertible Securities, Distribution, Additional Distribution Amount and/or Additional Interest Amount;
- (iii) the Company does not perform or comply with one or more of its other obligations under the Perpetual Convertible Securities of which default is incapable of remedy or, if such default is capable of remedy but is not remedied within 21 days after written notice of such default shall have been given to the Company;
- (iv) if (a) any present or future indebtedness of the Company or any Subsidiary of the Company becomes (or becomes capable of being declared) due and repayable prematurely by reason of an event of default (however described); (b) the Company or any subsidiary of the Company fails to make any payment in respect of any present or future indebtedness on the due date for payment as extended by any originally applicable grace period; (c) any security given by the Company or any subsidiary of the Company for any present or future indebtedness becomes enforceable; or (d) default is made by the Company or any subsidiary of the Company in making any payment due under any guarantee and/or indemnity given by it in relation to any present or future indebtedness of any other person; provided that no such event shall constitute an Event of Default unless the relative present or future indebtedness, either alone or when aggregated with other present or future indebtedness relative to all (if any) other such events which shall have occurred, shall amount to at least S\$5.0 million (or its equivalent in any other currency);
- (v) if (a) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the property, assets or revenues of the Company or any principal subsidiary (as defined in the Companies Act) and is not discharged or stayed within 30 days; or (b) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any subsidiary of the Company;

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- (vi) any step is taken to enforce any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any principal subsidiary (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager, judicial manager or other similar person) and is not discharged or stayed within 30 days;
- (vii) the Company or any principal subsidiary is insolvent or bankrupt or unable to pay its debts when they fall due, or stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any substantial part) which it will otherwise be unable to pay when due, or proposes or makes a general assignment or an arrangement or composition or compromise with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any substantial part of (or of a particular type of) the debts of the Company or any principal subsidiary;
- (viii) an order is made or a resolution is passed for the Winding-up, dissolution, administration or judicial management of the Company or any principal Subsidiary, or the Company or any principal Subsidiary has passed a special resolution to have itself wound up or has made an announcement or issued a notice to that effect, or the Company or any principal subsidiary ceases or threatens to cease to carry on all or a substantial part of its business or operations, (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an ordinary resolution of the holder(s) or (b) in the case of a principal Subsidiary, whereby the undertaking and assets of such principal Subsidiary are transferred to or otherwise vested in the Company or another Subsidiary of the Company;
- (ix) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Perpetual Convertible Securities Subscription Agreement and (b) to ensure that those obligations are legally binding and enforceable is, in the case of (a) or (b) above, not taken, fulfilled or done; or

APPENDIX

- (x) a final judgment or judgments for the payment of money are rendered against the Company or any Subsidiary of the Company and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 30 days after the expiration of such stay;
- (xi) it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Perpetual Convertible Securities;
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the above; or
- (xiii) the Shares of the Company are delisted or trading of the Shares is suspended for more than sixty (60) consecutive market days.

Delisting or suspension : When the Shares cease to be listed or admitted to trading or the trading of which is suspended for a period of more than 180 consecutive market days, holders shall have the option to require the Company to redeem all, or some only, of the outstanding Perpetual Convertible Securities at their principal amount together with, if any, all outstanding Arrears of Distribution, Additional Distribution Amount, Additional Interest Amount and the Distribution accrued to the date fixed for redemption.

With reference to sub-section (xiii) under “Event of Default” above, the delisting or suspension of trading of shares for a period between 60 and 180 consecutive market days will trigger an event of default under the terms and conditions of the Perpetual Convertible Securities. In such an event of default, the Company would have to pay the relevant Rate of Distribution to the holder of the Perpetual Convertible Securities, but the holder does not have the option to require the Company redeem the Perpetual Convertible Securities.

When the delisting or suspension of trading of shares continues for a period of more than 180 consecutive market days, this clause will be operative and the holders will then have the option to require the Company to redeem the outstanding Perpetual Convertible Securities at the principal amount together with all Accumulated Amounts.

Default interest : In the event the Company does not provide the holders prior written notice of its election to defer any scheduled Distribution to the next scheduled Distribution, such unpaid amount of scheduled Distribution will bear interest from the date of default to the day on which all such sums due in respect of such Perpetual Convertible Securities up to but excluding that day are received by or on behalf of the holders, at the rate of interest of 15.0% per annum based on the following formula:

Unpaid amount of scheduled Distribution x 15% x (number of days elapsed since the date of default/365).

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Conversion Shares : Based on the initial Conversion Price and assuming there are no adjustments thereto, the number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the Perpetual Convertible Securities is 581,761,006, representing (i) approximately 26.74% of the entire issued share capital of the Company as at the Latest Practicable Date (prior to the enlargement of the share capital of the Company by the Share Subscription); (ii) approximately 22.76% of the entire issued share capital of the Company subsequent to the share capital of the Company having been enlarged by the Share Subscription; and (iii) approximately 18.54% of the entire issued share capital of the Company as further enlarged by a full conversion of Tranche 1 and Tranche 2 of the Perpetual Convertible Securities (in each case assuming no other issue of Shares is made) and not including any conversion of Arrears of Distribution, Additional Distribution Amount and Additional Interest Amount.

The Conversion Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Conversion Shares except for any dividends, rights, allotments or other distributions, the record date for which is prior to the date of the issue of the Conversion Shares.

Transferability : The Perpetual Convertible Securities are freely transferrable.

Voting : Holder(s) of the Perpetual Convertible Securities will not be entitled to attend or vote at any meetings of the Company by reason only of being holder(s).

Listing : Save as required in the manner set out below, no application will be made for the listing of the Perpetual Convertible Securities on the SGX-ST or any other stock exchange. The Company has, subject to, *inter alia*, Shareholders' approval and compliance with the SGX-ST's listing requirements, received the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares on the Mainboard of the SGX-ST.

Voting rights : The Perpetual Convertible Securities do not confer any voting rights on its holder(s).

ADJUSTMENTS TO CONVERSION PRICE

The Conversion Price will be subject to adjustment in the following events:

Conversion Price adjustment upon consolidation, subdivision or reclassification : If and whenever there shall be an alteration to the number of issued Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of issued Shares immediately before such alteration; and

B is the aggregate number of issued Shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

Conversion Price adjustment upon capitalisation of profits or reserves : (a) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of issued Shares immediately before such issue; and

B is the aggregate number of issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

ADJUSTMENTS TO CONVERSION PRICE

- (b) In the case of an issue of Shares by way of a distribution or bonus issue of Shares issued in lieu of the whole or any part of a specifically declared Dividend in cash (“**Scrip Dividend**”) where the aggregate then prevailing market price on the date of announcement of the terms of such issue of such Shares multiplied by the number of such Shares issued exceeds 105% of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of issued Shares immediately before such Scrip Dividend;

B is the aggregate number of issued Shares which the Relevant Cash Dividend would purchase at such then prevailing market price; and

C is the number of Shares to be issued pursuant to such Scrip Dividend;

or by making such other adjustment as an independent investment bank shall certify to the holders is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

Conversion Price adjustment upon distributions

- : If and whenever the Company shall pay or make any capital distribution to the Shareholders (except to the extent the Conversion Price falls to be adjusted under other provisions of the terms and conditions of the Perpetual Convertible Securities that would otherwise require an adjustment), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

ADJUSTMENTS TO CONVERSION PRICE

where:

A is the then prevailing market price of one Share on the date on which the capital distribution is first publicly announced; and

B is the fair market value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made or if a record date is fixed therefor, immediately after such record date. For the avoidance of doubt, when the capital distribution is by means of a distribution of cash dividend, only such portion of the cash dividend which exceeds the threshold referred to in proviso (a) of the definition of capital distribution (the “**excess portion**”) shall be regarded as capital distribution and only the excess portion shall be taken into account in determining the fair market value of the portion of the capital distribution attributable to one Share.

Conversion Price adjustment
upon rights issues of shares or
options over shares

: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 90% of the then prevailing market price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at the then prevailing market price per Share; and

ADJUSTMENTS TO CONVERSION PRICE

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

Conversion Price adjustment upon rights issues of other securities

: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the then prevailing market price of one Share on the date on which such issue or grant is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the relevant stock exchange.

ADJUSTMENTS TO CONVERSION PRICE

Conversion Price adjustment upon issues at less than current market price

: If and whenever the Company shall issue any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or issue or grant any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 90% of the then prevailing market price on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or would purchase at the then prevailing market price; and

C is the number of Shares to be issued pursuant to such issue of Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue or grant of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

ADJUSTMENTS TO CONVERSION PRICE

Conversion Price adjustment upon other issues at less than the then prevailing market price : Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this provision, if and whenever the Company or any of its subsidiaries, or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries), any other company, person or entity shall issue any securities (other than the Perpetual Convertible Securities) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares at a consideration per Share which is less than 90% of the then prevailing market price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at the then prevailing market price; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

ADJUSTMENTS TO CONVERSION PRICE

Conversion Price adjustment upon modification of rights of conversion

: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities which are issued at less than 90% of the then prevailing market price (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90% of the then prevailing market price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such prevailing market price or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of the right of subscription attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as an independent investment bank, considers appropriate (if at all) for any previous adjustment under this condition or the condition where the Conversion Price is subject to adjustment for issues at less than 90% of the then prevailing market price.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

ADJUSTMENTS TO CONVERSION PRICE

Conversion Price adjustment upon other offers to Shareholders : If and whenever the Group or (at the direction or request of or pursuant to any arrangements with the Group) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under the adjustment provisions pertaining to (i) rights issues of Shares or options over Shares at less than 90% of the then prevailing market price; (ii) rights issues of other securities; (iii) issues at less than 90% of the then prevailing market price; or (iv) other issues at less than the then prevailing market price) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the then prevailing market price of one Share on the date on which such issue is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

ADJUSTMENTS TO CONVERSION PRICE

Conversion Price adjustment upon other events : If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in any of the conditions as specified in the terms and conditions of the Perpetual Convertible Securities, the Company shall, at its own expense, consult an independent investment bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to the Conversion Price adjustment conditions as specified in the terms of the Perpetual Convertible Securities have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of the Conversion Price adjustment conditions as specified in the terms of the Perpetual Convertible Securities as may be advised by the independent investment bank to be in its opinion appropriate to give the intended result.

This is a common term included in the terms and conditions of the Perpetual Convertible Securities without referring to any specific circumstances. It is expected the circumstances in which the Company would seek to avail itself to this flexibility to be extremely limited. As summarised above, there is a requirement to consult an independent investment bank in making this adjustment, and the determination would be made by this independent investment bank not by the Company.

The Conversion Price may not be reduced below the level permitted by applicable laws and regulations from time to time (if any).

Exception : No adjustment will be made to the Conversion Price when Shares are issued, offered or granted to employees of the Company pursuant to existing options which have been granted under the existing share option scheme and the existing performance share plan of the Company prior to the date of completion of the Perpetual Convertible Securities Subscription Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

YING LI INTERNATIONAL REAL ESTATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199106356W)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Ying Li International Real Estate Limited (the “**Company**”) will be held on 2 September 2014, at 9:30 a.m. at Suntec Singapore, International Convention & Exhibition Centre, Meeting Rooms 300 and 301, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 for the purpose of considering, and if thought fit, passing with or without modifications the following ordinary resolutions:

ORDINARY RESOLUTION 1: THE PROPOSED ALLOTMENT AND ISSUE OF 381,000,000 SUBSCRIPTION SHARES COMPRISING 17.51% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE

THAT subject to and contingent on Ordinary Resolution 2 being passed, approval be and is hereby given to the Directors:

- (a) for the allotment and issuance by the Company of 381,000,000 Subscription Shares comprising 17.51% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee, at the issue price of S\$0.260 per Subscription Share, on the terms and subject to the conditions of the Share Subscription Agreement, whereby such Subscription Shares shall rank in all respects *pari passu* with the Shares existing at the date of issue of the Subscription Shares, save that they shall not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before to the date of issue of the Subscription Shares, and will be admitted to listing on the Mainboard of the SGX-ST; and
- (b) that any Director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider desirable, necessary or expedient to give effect to the matters referred to in paragraph (a) above (including any amendment to the Share Subscription Agreement, execution of any other agreements or documents or procurement of third party consents) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED ISSUE OF S\$185,000,000 PERPETUAL SUBORDINATED CONVERTIBLE CALLABLE SECURITIES CONVERTIBLE INTO 581,761,006 NEW ORDINARY SHARES COMPRISING 26.74% OF THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE

THAT subject to and contingent on Ordinary Resolution 1 being passed, approval be and is hereby given to the Directors:

- (a) to allot and issue S\$185,000,000 perpetual subordinated convertible callable securities (the “**Perpetual Convertible Securities**”) to Everbright Hero Holdings Limited or its nominee, such Perpetual Convertible Securities to be convertible, at the option of the holder thereof, into

NOTICE OF EXTRAORDINARY GENERAL MEETING

581,761,006 new ordinary shares of the Company comprising 26.74% of the existing issued share capital of the Company (the “**Conversion Shares**”) at an initial conversion price of S\$0.318 per Conversion Share, and subject to such adjustments as the terms and conditions of the Perpetual Convertible Securities shall stipulate;

- (b) to allot and issue:
 - (i) such number of Conversion Shares as may be required or permitted to be allotted or issued on the conversion of the Conversion Securities, to the holders of the Perpetual Convertible Securities on the conversion thereof, subject to and otherwise in accordance with the terms and conditions of the Perpetual Convertible Securities, whereby such Conversion Shares shall rank *pari passu* in all respects with the then existing Shares of the Company, except for any dividends, rights, allotments or other distributions the record date for which is before the relevant conversion date of the Perpetual Convertible Securities;
 - (ii) on the same basis as paragraph (b)(i) above, such further Conversion Shares as may be required to be allotted and issued on the conversion of any of the Perpetual Convertible Securities upon the adjustment of the conversion price in accordance with the terms and conditions of the Perpetual Convertible Securities; and
- (c) that any Director of the Company be and is hereby authorised to take such steps, make such amendments to the terms and conditions of the Perpetual Convertible Securities (provided that the amendments are not material) and exercise such discretion as he may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters.

ORDINARY RESOLUTION 3: THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO EVERBRIGHT HERO HOLDINGS LIMITED OR ITS NOMINEE PURSUANT TO THE SHARE SUBSCRIPTION AND THE PERPETUAL CONVERTIBLE SECURITIES SUBSCRIPTION

THAT subject to and contingent on both Ordinary Resolutions 1 and 2 being passed, approval be and is hereby given to the Directors:

- (a) for the transfer of a Controlling Interest in the Company to Everbright Hero Holdings Limited or its nominee arising from the allotment and issuance of the Subscription Shares and the Conversion Shares (upon the exercise of the Perpetual Convertible Securities) to Everbright Hero Holdings Limited or its nominee pursuant to Rule 803 of the Listing Manual; and
- (b) that any Director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider desirable, necessary or expedient to give effect to the matters referred to in paragraph (a) above as he shall think fit and in the interests of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 1 AND 2 ARE INTER-CONDITIONAL ON EACH OTHER. IN THE EVENT THAT EITHER ORDINARY RESOLUTION 1 OR 2 IS NOT PASSED, BOTH ORDINARY RESOLUTIONS 1 AND 2 WILL NOT BE PASSED.

ORDINARY RESOLUTION 3 IS CONDITIONAL UPON THE PASSING OF ORDINARY RESOLUTIONS 1 AND 2.

BY ORDER OF THE BOARD

Ying Li International Real Estate Limited

Cai Mingyi
Company Secretary

18 August 2014

Notes:

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the proxy form must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Temasek Boulevard, #24-04 Suntec Tower Four, Singapore 038986, not less than 48 hours before the time appointed for the Extraordinary General Meeting.

PROXY FORM

YING LI INTERNATIONAL REAL ESTATE LIMITED

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

IMPORTANT

1. For investors who have used their CPF monies to buy Ying Li International Real Estate Limited shares, the Circular is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We (Name) _____

of (Address) _____

being a member/members of Ying Li International Real Estate Limited (the "Company") hereby appoint:

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Extraordinary General Meeting of the Company (the "Meeting") to be held on 2 September 2014 at 9:30 a.m. at Suntec Singapore, International Convention & Exhibition Centre, Meeting Rooms 300 and 301, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 or at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/her/they will on any matter arising at the Meeting.

Ordinary Resolution relating to:		For	Against
1	The proposed allotment and issue of 381,000,000 Subscription Shares comprising 17.51% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee		
2	The proposed issue of S\$185,000,000 perpetual subordinated convertible callable securities convertible into 581,761,006 new ordinary Shares comprising 26.74% of the existing issued share capital of the Company to Everbright Hero Holdings Limited or its nominee		
3	The proposed transfer of Controlling Interest in the Company to Everbright Hero Holdings Limited or its nominee pursuant to the Share Subscription and the Perpetual Convertible Securities Subscription		

Dated this _____ day of _____ 2014.

Signature(s) of Member(s) or Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead by completing and signing the Proxy Form.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares held by him. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Temasek Boulevard, #24-04 Suntec Tower Four, Singapore 038986, not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for the Meeting, as certified by The Central Depository (Pte) Limited to the Company.