

# Extraordinary General Meeting

## *Meeting to Approve GLP's Landmark Agreement in China*

April 24, 2014 at 3:00 PM

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# GLP's Landmark Agreement in China

- Chinese SOEs and leading financial institutions investing up to US\$2.5bn
  - US\$2.35 billion of new China Holdco shares and US\$163 million in GLP Listco (1.5% interest)
  - Two tranche transaction: 1<sup>st</sup> tranche US\$1.6 billion, 2<sup>nd</sup> tranche up to US\$875 million
  - Strategic Partners include Bank of China, China Life and HOPU Funds (backed by some of China's largest SOEs & institutional investors)
  - In total, Strategic Partners, with participation by GLP employees, to own up to 34.0% stake in China Holdco

**ACCELERATING GROWTH  
TO MEET DEMAND**

**HUGE CHINA LOGISTICS  
OPPORTUNITY**

**STRENGTHENS  
NETWORK AND BRAND  
RECOGNITION**

**ESTABLISHES STRONG  
PLATFORM FOR FUTURE  
GROWTH**

# Strategic Rationale

## Access to Strategic Land

- Land supply increasingly constrained amid new land reforms in China
- Strategic Partners strengthen GLP's land acquisition capability to accelerate future growth

## Increased Leasing Demand

- Partnering with SOEs to optimize their supply chains amid government push to increase efficiency and competitiveness
- Requirements getting larger; having a portfolio to accommodate growth will be key to winning and retaining customers

## Strengthened Network & Brand

- Stronger local presence to solidify GLP's role as top logistics solution provider in China
- Enlarged network effect and one-stop solutions to drive value for customers while increasing stickiness

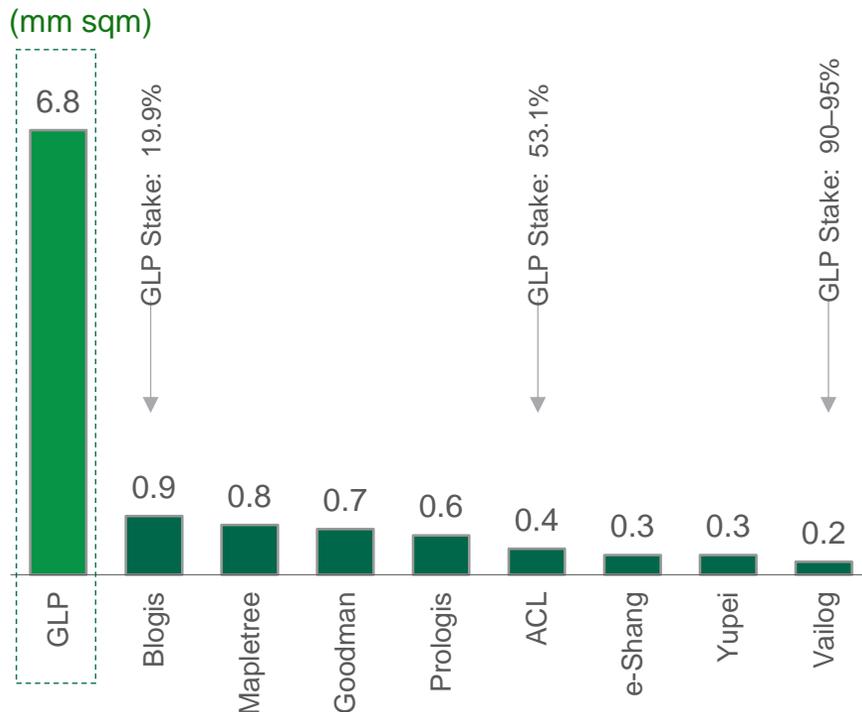
## Building The Best Team

- China Holdco shares and potential options instrumental in attracting and retaining the most talented team in the industry

# Strengthening Our Leadership Position for the Future

- Stronger relationships with large users of space
- Improved solutions to enlarge gap between us and competitors
- Larger customer network and stronger brand recognition

## Market Leader in China



## Recently Announced Strategic Partnerships

<b>COFCO</b>	The largest supplier of food and agricultural products in China
<b>Sinotrans</b>	Largest state-owned logistics company in China
<b>Bank of China</b>	One of the largest banks in China
<b>Jinbei</b>	A leading SOE auto manufacturer; subsidiary of Brilliance Automotive, the JV partner of BMW in China
<b>Guangdong Holdings</b>	One of the largest SOEs in Guangdong

Source: Company websites, various news sources, CBRE estimates based on available information

# Huge China Logistics Opportunity

## Today

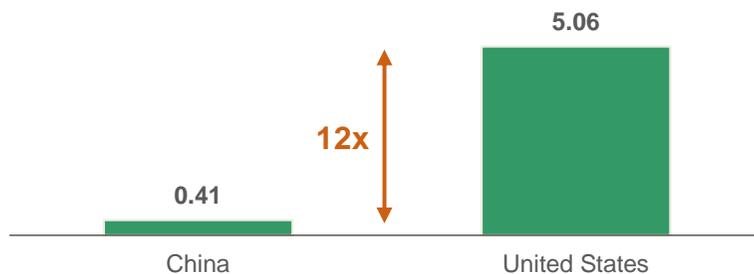
- ✓ Logistics space per capita in China is 1/12<sup>th</sup> the US
- ✓ Total market supply: 550 million sqm (of which ~20% is modern)
- ✓ Existing warehouse stock is mostly too small or obsolete
- ✓ Logistics cost as a percentage of GDP is more than 2x that of the US (18% vs. 8%)

## 15 Years from Now

- ✓ Expect logistics space per capita in China to reach 1/3<sup>rd</sup> of the US by 2029
  - Conservative assumption since China GDP would have surpassed US GDP in 2027
- ✓ Total market supply: 2.4 billion sqm
- ✓ GLP's estimated size of **modern** logistics market: US\$2.5 trillion

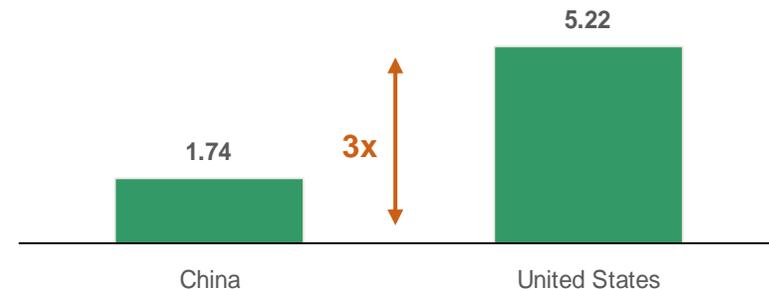
### Logistics Space Per Capita is 1/12<sup>th</sup> of the US Today

(sqm per capita)



### Logistics Space Per Capita is 1/3<sup>rd</sup> of the US by 2029

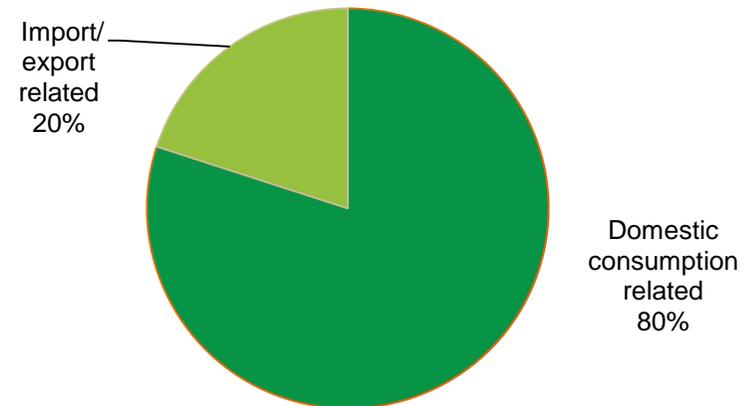
(sqm per capita)



# Domestic Consumption Driving Logistics Needs

- **Retail sales have grown by CAGR of 17.4% in past 7 years<sup>1</sup>**
  - China retail sales grew 13.1% in 2013<sup>1</sup> and are forecast to grow by 13.4% in 2014<sup>2</sup>
- **Urbanization trends boosting consumption**
  - Urbanization ratio reached 51% in 2011 and is expected to continue rising to 70% by 2030
  - More than 10m people migrate to urban areas annually<sup>1</sup>
- **Increasing household income per capita triggering wave of consumption growth**
  - Coastal area income per capita reached inflexion point of USD5,000, triggering consumption of automobiles and other durable goods
- **Government focused on making domestic consumption the growth engine of the economy**
  - The 12<sup>th</sup> Five-year plan (2011-2015) to increase reliance on domestic growth

## Breakdown of Leased Area in China (Dec 2013)



## Top 10 Tenants in China (Dec 2013)

Rank	Name	Industry	% leased area
1	Amazon*	Retailer	5.1%
2	Deppon	3PL	4.4%
3	Nice Talent	3PL	2.1%
4	Vipshop*	Retailer	2.0%
5	DHL	3PL	1.7%
6	Toll	3PL	1.7%
7	Schenker	3PL	1.6%
8	VANCL*	Retailer	1.4%
9	Sankyu Logistics	3PL	1.3%
10	JD.com (360buy)*	Retailer	1.2%
<b>Total</b>			<b>22.5%</b>

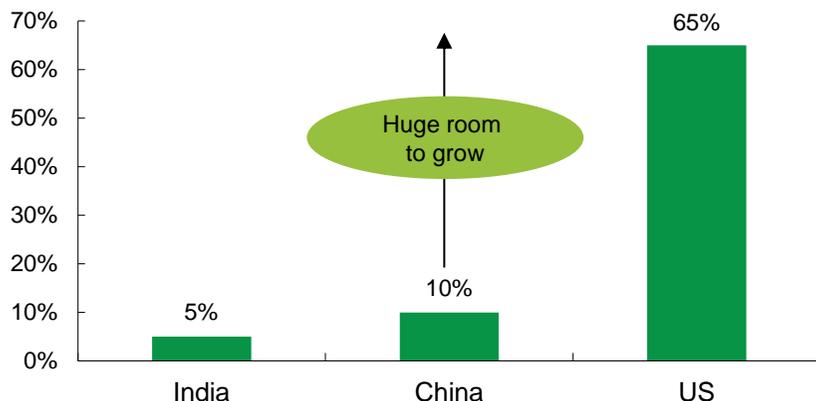
\* E-Commerce customer

### Notes:

1. National Statistics Bureau of China
2. March 2014 issue of Consensus Forecast

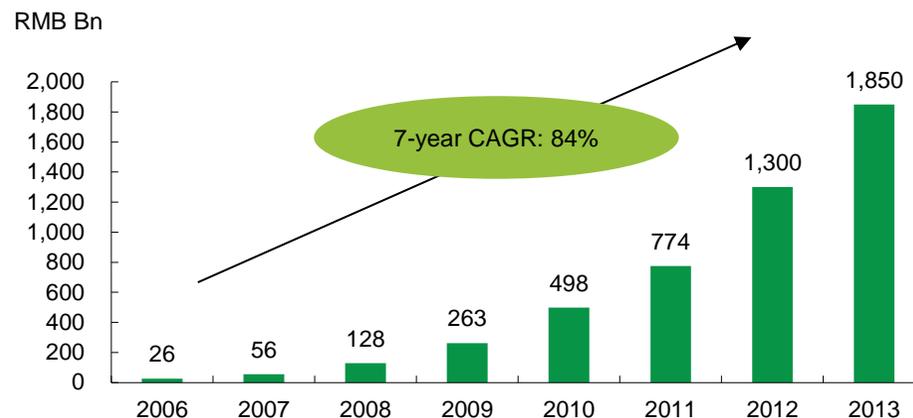
# Capitalizing on China's Fast Evolving Retail Landscape

## Chain Store Sales as % of Total Retail



Source: Strong and Steady, 2011 Asia's Retail and Consumption Outlook by PWC

## 2006-2013 Online Retail Sales in China



Source: iResearch Consulting Group; Ministry of Commerce

- GLP's modern logistic facilities support the rapid growth of chain stores in China

- Accelerating store opening of major chain stores in China; Watsons plans to increase number of stores in China from over 1,300 at the end of 2012 to 3,000 by 2016
- China's retail chain market has significant room to grow compared to the U.S.

- E-commerce is a fast growing industry for GLP

- Online retail sales have increased roughly 70-fold since 2006 (7-year CAGR of 84%)
- Online retail volume accounted for 7.9% of the total retail sales in 2013<sup>1</sup>

Notes:  
1. iResearch Consulting Group

# Appendix



GLP Amagasaki  
Japan



GLP Park Suzhou  
China



GLP Park Colgate and Elog  
Brazil



# China Holdco Share Issuances

## INVESTOR CONSORTIUM SHARES

- The Investor Consortium, together with the Employee Team, will invest up to US\$2.3bn. The Investor Consortium will acquire a stake of up to 30.3% in the China Holdco
- Consideration for the China Holdco shares will be fixed on the basis of the net book value per share of the China Holdco (at time of issuance of the applicable tranche)
  - As at 31 December 2013, the equity attributable to shareholders of the China Holdco was US\$4.582bn

## EMPLOYEE SHARES

- As a condition to the obligations of the Investor Consortium to invest in the China Holdco, an Employee Team, including Mr. Jeffrey H. Schwartz and Mr. Ming Z. Mei, will be subscribing for shares of the China Holdco for a stake of up to 3.7% in the China Holdco
  - Of the up to 3.7% allocated to the Employee Team, Mr. Schwartz and Mr. Mei will each be allocated up to 0.8% of China Holdco
- Mr. Schwartz and Mr. Mei will each invest \$10M to finance this investment. The remaining consideration payable by the Employee Team, including Mr. Schwartz and Mr. Mei, will be financed with a non-recourse loan from the Investor Consortium. Terms include:
  - **Interest Rate:**
    - 8% if the internal rate of return of the Investor Consortium is < 20%; or
    - 5% if the internal rate of return of the Investor Consortium is >= 20%
  - **Term:** 5 years and Investor Consortium has option to extend for an additional year (and if extended, interest rate will increase to 15% during this extended year)
  - **Recourse to Employee Team:** No

## China Holdco Share Issuances (continued)

### EMPLOYEE OPTIONS

- The Investor Consortium will grant the Employee Team an option for 5.0% of the aggregate number of China Holdco shares subscribed for by the Investor Consortium, or up to 1.5% of China Holdco. Terms include:
  - **Exercise condition:** exercisable upon an IPO of the China Holdco or other qualified sale transaction or exit event if the Investor Consortium achieve an internal rate of return  $\geq 15\%$
  - **Exercise Price:** equal to the subscription price of the Investor Consortium (for the applicable tranche) *plus* interest (8% if the Investor Consortium achieves an internal rate of return  $\geq 15\%$  and  $< 20\%$  or 5% if the Investor Consortium achieves an internal rate of return  $\geq 20\%$ )
  - **Exercise Period:** four years for all employee options and five years for 50% of the employee options (and the Investor Consortium has the right to determine if the remaining 50% of employee options will remain valid between the fourth and fifth year)
- Of the up to 1.5% granted to the Employee Team, Mr. Schwartz and Mr. Mei will each be granted up to 0.3% of China Holdco options

## Additional Transaction Details

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- ✓ GLP maintains operational control of the China Holdco
  - GLP continues to control planning and implementation of the China Holdco's growth strategy
  
- ✓ Mr. Fang Fenglei, chairman of HOPU Investments Co., Ltd, will be appointed as an additional Director of GLP
  
- ✓ The Investor Consortium has right to appoint two of six directors of the China Holdco

## Additional Transaction Details (continued)

- ✓ Each of Mr. Schwartz and Mr. Mei has undertaken that as a Director of GLP or any company within the GLP Group:
  - (a) he will, at meetings of the Board of Directors of GLP, abstain from voting on resolutions to be passed or decisions to be made by the Board of Directors in relation to (i) GLP's shareholding interests in the China Holdco; and (ii) any agreements entered into by GLP, China Holdco or any other subsidiary of GLP or China Holdco, with the Investor Consortium; and
  - (b) notwithstanding paragraph (a) above, he will continue to discharge his responsibilities and fiduciary duties as a Director of GLP or any company within the GLP Group, including participation in meetings of the relevant board of directors and deliberation and reporting on relevant matters during such board meetings, and shall use his powers and authority as a Director of GLP or, as the case may be, any company within the GLP Group, with a view to causing the GLP Group to continue to abide by the GLP Group's guidelines, policies and procedures.
- ✓ Employee Team members subscribing for the China Holdco employee shares or receiving the China Holdco employee options will abstain from voting for the transaction at this Extraordinary General Meeting

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