

REAL ESTATE EQUITY RESEARCH

Yanlord Land Group Limited

SGX: YNLG

Bloomberg: YLLG:SP

ISIN code: SG1T57930854

Country: Singapore

Industry: Real Estate,
Real Estate Development & Operations

22 July 2022

RECOMMENDATION: BUY

Current price: S\$1.040

Target price: S\$1.423

Issued units: 1,931.54 million (31 Dec 21)

Market capitalisation: S\$2,008.80 million

52-week range: S\$1.040 - S\$1.280

PRICE PERFORMANCE



COMPANY DESCRIPTION

Yanlord Land Group Limited (collectively defined herein as Yanlord) is a real estate developer incorporated & domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The principal activities of Yanlord are in the business of property development, property investment and hotel operations as well as property management with operations in People's Republic of China (PRC) & Singapore

SUMMARY

For full year ended 31 December 2021 (FY2021), Yanlord recorded a 45.6% yoy increase in revenue to RMB34.833 billion from RMB23.918 billion over the same period a year ago. This increase is mainly due to the increase in gross floor area (GFA) delivered to its customers. In line with the increase in GFA delivered, cost of sales also increased by 70.3% to RMB25.901 billion in FY2021 from RMB15.210 billion in FY2020. Accordingly, Yanlord recorded a 2.6% yoy increase in gross profit of RMB8.932 billion in FY2021 compared to RMB8.708 billion the same period a year ago. During this period, Yanlord reported profit attributable to owners of the company of RMB2.656 billion, representing a 2.5% yoy increase from FY2020. This translates to an earnings per share of RMB137.51 cents. Meanwhile, a dividend of 6.80 Singapore cents (equivalent to 32.75 Renminbi cents) per ordinary share for FY2021 has been paid on 6 June 2022.

RECOMMENDATION

Based on Yanlord's reported NAV per share of S\$3.69 and trailing 12 months earnings per share of 28.56 cents as at 31 December 2021, the share is currently trading at a P/B of 0.28x and P/E of 3.64x. Our peer comparison results show that Yanlord could be undervalued given its lower P/B and P/E compared to its peer average P/B of 0.52x and peer average P/E of 5.62x. Adopting a relative valuation approach, we estimate a target price of S\$1.919 and S\$1.605 if Yanlord were to trade at its peer average P/B and P/E multiples respectively. However, our peer comparison analysis results show that Yanlord's dividend yield of 6.54% is relatively less attractive than the peer average dividend yield of 9.12%. Adopting a relative valuation approach, we estimate a target price of S\$0.746. Taken together, we estimate a target price of S\$1.423, which is the average of our estimated target price based on the P/B, P/E and dividend yield peer comparison analysis. This target price represents a 36.83% upside from the current share price of S\$1.040. We believe this upside could be justified by a potential recovery on the property market and the easing of benchmark loans rates in China. Further, in an event of a privatisation, we estimate a privatisation offer of S\$1.454 per share, representing a price premium of 39.8%. Given the above, we believe a buy recommendation is warranted on Yanlord.

KEY FINANCIALS

Year ended Dec 31	Revenue (RMB million)	Profit ⁽¹⁾ (RMB million)	EPS (SG cents)	P/E (x)	DPU (SG cents)	Dividend yield (%)	NAV per unit (RMB)	P/B (x)
2020 actual	23,918.1	2,591.9	27.87	3.66	6.80	6.7%	3.35	0.30
2021 actual	34,833.1	2,656.0	28.56	3.57	6.80	6.7%	3.68	0.28
2022 forecast	39,356.4	2,665.4	28.66	3.56	6.80	6.7%	-	-
2023 forecast	39,516.6	2,884.3	31.01	3.29	6.80	6.7%	-	-

The equivalent in SGD is calculated at the average exchange rate of S\$1:RMB4.8156

NM: not meaningful

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S\$1.020

(1) Profit attributable to owners of the Company

Source: Yanlord, FPA Financial

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COMPANY OVERVIEW

In this section, we will discuss Yanlord's corporate profile, substantial shareholders, overview of its portfolio and its geographical revenue contribution.

(I) Corporate Profile

Yanlord is a real estate developer focusing on developing high-end fully-fitted residential, commercial and integrated property projects in strategically selected key and high-growth cities in the PRC and Singapore. Yanlord has been listed on the Mainboard of the Singapore Exchange since June 2006.

Since Yanlord's foray into the PRC property market in 1993, it has successfully developed a number of large-scale residential property developments with international communities of residents. Building on its established track record for developing high-end residential property developments in prime locations within affluent cities of the PRC, the "Yanlord" name has been developed into a premium brand synonymous with quality within the property development industry of the PRC. Typically, Yanlord's residential property developments are characterised by large-scale, multi-phased projects designed and built by international architects, leading designers and reputable contractors. As at 31 December 2021, Yanlord has an established presence in 20 key high-growth cities within the six major economic regions of the PRC. In Singapore, Yanlord currently has two residential projects under development, namely Leedon Green and Dairy Farm Residences.

As of 31 December 2021, Yanlord had approximately total assets of RMB154.4 billion and equity attributable to owners of the Company of RMB34.3 billion.

(II) Substantial Shareholders

As at 10 March 2022, Mr Zhong Sheng Jian is Yanlord's largest substantial shareholder with 1,382,072,000 shares representing 71.55% total interest as shown in **Exhibit 1**. According to information available as at 10 March 2022, approximately 26% of the issued ordinary shares (excluding treasury shares) of Yanlord is held by the public.

Exhibit 1: Yanlord's Register of Substantial Shareholders

Substantial Shareholder	Direct interest	Deemed interest	Total interest	
			Number of shares	% ⁽¹⁾
Yanlord Holding Pte Ltd	1,278,390,000	-	1,278,390,000	66.19%
Zhong Sheng Jian	103,682,000	1,278,390,000	1,382,072,000	71.55%

(1) Total interest percentage is calculated based on 1,931,535,376 issued units as at 10.03.22

Source: Yanlord, FPA Financial

Mr. Zhong Sheng Jian is the founder of Yanlord and is responsible for the overall management and strategy development of Yanlord. He has (i) a direct interest of 103,682,000 units and (ii) a deemed interest of 1,278,390,000 units held by Yanlord Holdings Pte. Ltd. (YHPL). YHPL is a company which is owned by Mr. Zhong Sheng Jian (95% shareholding interest) and his spouse (5% shareholding interest).

(III) Overview of Portfolio

Yanlord's principal activities is in the business of property development, property investment and hotel operations, property management services as well as other non-property business

Property Development

Yanlord develops large-scale projects located in prime and high-end residential areas. Yanlord's development comprises apartment complexes and villas that are designed to provide its customers with an assurance of quality, a complete lifestyle experience and a sense of community living. Residential property developments are equipped with facilities and amenities such as child-care centres, kindergartens, dining facilities, gym facilities, swimming pools and other sporting facilities. Yanlord also develops high-end commercial and integrated properties such as offices, serviced apartments and retail shops for sale in the PRC.

Property Investment and Hotel Operations

Since 2003, as part of its strategy to generate additional and recurrent revenue streams, Yanlord retains some of its commercial and integrated developments as investment properties for lease in order to maximise long-term benefits from the growth potential of the selected commercial property segments in key cities. Yanlord plans to build up a portfolio of investment properties selectively and progressively, while continuing to grow its core property development business. .

Property Management Services

Yanlord also provides property management services for its commercial and residential properties. While Yanlord places strong emphasis on maintaining the quality of its property developments, provision of excellent property management services has also enhanced the value of its brand equity, strengthened the recognition by its customers and protected the image of its developments. Yanlord believes that this business model preserves the value of its existing property developments and enhances its reputation as a responsible property developer.

Other Non-Property Business

Through United Engineers Limited (UEL), Yanlord expanded its footprint into various businesses internationally. With operations in Singapore and Malaysia, O'Connor's is a leading systems integrator offering security and surveillance, communication and technology, and healthcare and medical solutions to various sectors. Distribution division supplies architectural ceiling and partition, fire protection, concrete wall and cladding panel systems for the construction sector, laundry and boiler equipment for the hospitality sector, as well as workshop equipment and spare parts to the automotive sector. It also has a sand mining and ready-mix concrete business in Australia. Manufacturing division has established precision engineering and electronics manufacturing factories in PRC and in United Kingdom serving customers internationally. In United States, Speedling operates greenhouses supplying vegetable and ornamental seedlings and horticultural products.

The development schedule summary of Yanlord's completed development properties, properties under development and properties held for future development is shown in **Exhibit 2** to **Exhibit 11** on the next 10 pages.

Exhibit 2: Yanlord's Completed Development Properties as at 31 December 2021

Project	Description (units)	Interest Attributable (%)	Site Area (sqm)	GFA (sqm)	Type
Chengdu					
Hengye International Plaza ⁽¹⁾ 恒业国际广场 ⁽¹⁾	226	100	26,473	40,665	S
Hengye Star Gardens 恒业星园	814	100	23,036	83,943	R,S
Orchard Villa (Phase 1 to 6) 锦绣尚郡, 一 - 六期	1,040	99	281,533	240,450	R,S
Stream In Cloud (Phase 1) 溪云居, 一期	318	80	46,697	18,105	R
Yanlord Landmark ⁽¹⁾ 仁恒置地广场 ⁽¹⁾	425 (S+H) and 32-storey (O)	100	19,166	165,755	O,S,H
Yanlord Riverbay 仁恒滨河湾	2,283	70	119,043	391,803	R
Guiyang					
Xintian Centre 新天商业中心	123	67	18,820	14,376	S
Yanlord Villas 仁恒别墅	92	67	53,541	36,131	R
Haikou					
Yanlord Begonia Park (Phase 1) 仁恒海棠公园, 一期	824	51	37,475	104,959	R
Hangzhou					
Hangzhou Bayfront Isle (Phase 1) 前湾, 一期	664	30	39,778	79,713	R
Hangzhou Bayfront Isle (Phase 2) ⁽¹⁾ 前湾, 二期 ⁽¹⁾	400 (R) and commercial podium	30	31,848	68,508	R,S
Yanlord Riverside Gardens ⁽²⁾ 仁滨公寓 ⁽²⁾	346	50	31,776	75,715	R
Jinan					
Yanlord Century Gardens ⁽²⁾ 仁恒世纪花园 ⁽²⁾	797	35	47,166	114,208	R,S
Yanlord Century Plaza ⁽²⁾ 仁恒世纪广场 ⁽²⁾	523	35	9,169	45,190	O,S,H
Nanjing					
Bamboo Gardens 翠竹园	2,770	100	233,000	394,310	R
Oasis New Island Gardens 绿洲新岛花园	2,247	100	109,467	271,514	R
Orchid Mansions ⁽¹⁾ 玉兰山庄 ⁽¹⁾	259	100	94,134	69,649	R
Plum Mansions, including Lakeside Mansions 梅花山庄·湖畔之星	1,943	100	113,182	327,667	R
Riverbay Century Gardens (Phase 1) ⁽²⁾ 江湾世纪花园, 一期 ⁽²⁾	776	51	72,481	151,470	R
The Park Mansion 公园世纪苑	610	50	52,785	87,123	R
The River Time ⁽²⁾ 江湾时代花园 ⁽²⁾	137	50	11,434	20,556	R
Yanlord G53 Apartments ⁽¹⁾ 仁恒G53公寓 ⁽¹⁾	921	100	46,640	96,354	R,S
Yanlord International Apartments, Tower A ⁽¹⁾ 仁恒国际公寓, A栋 ⁽¹⁾	210	100	3,337	42,494	H
Yanlord International Apartments, Tower B 仁恒国际公寓, B栋	254	100	25,078	67,683	R

Source: Yanlord

Exhibit 3: Yanlord's Completed Development Properties as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Site Area (sqm)	GFA (sqm)	Type
Nanjing					
Yanlord Landmark ⁽¹⁾ 仁恒置地广场 ⁽¹⁾	Commercial complex	100	45,067	125,875	O,S,H
Yanlord Phoenix Hill (Phase 1) 凤凰山居, 一期	324	51	120,254	71,068	R
Yanlord Taoyuan Gardens ⁽²⁾ 桃园世纪华庭 ⁽²⁾	1,021	33	61,465	160,550	R,O,S
Yanlord Yangtze Riverbay Town ⁽¹⁾ 仁恒江湾城 ⁽¹⁾	3,927	100	303,379	720,847	R,S
Nantong					
Four Seasons Gardens 四季花园	1,084	60	62,151	136,555	R,S
Yanlord Gardens (Phase 1) 仁恒花园, 一期	569	31	46,157	81,836	R
Yanlord Gardens (Phase 2) 仁恒花园, 二期	335	31	39,771	54,280	R
Sanya					
Sanya Hai Tang Bay - Land Parcel 9 ⁽³⁾ 三亚海棠湾 - 9 号地块 ⁽³⁾	593	100	193,772	102,659	R,H
Shanghai					
Bayside Gardens ⁽²⁾ 御澜湾苑 ⁽²⁾	764	50	117,399	116,408	R,S
Yanlord Apartments 仁恒公寓	95	67	4,146	13,579	R
Yanlord Eastern Gardens 仁恒东邑雅苑	1,194	100	128,532	180,583	R
Yanlord Gardens 仁恒滨江园	1,943	67	138,802	415,360	R
Yanlord on the Park 仁恒世纪公寓	717	50	55,776	148,122	R
Yanlord Plaza 仁恒广场	411 (R) and 4-storey (O)	67	10,845	53,047	R,O
Yanlord Riverside City ⁽¹⁾ 仁恒河滨城 ⁽¹⁾	4,216 (R) and 9-storey (S)	67	306,406	741,417	R,S
Yanlord Riverside Gardens 仁恒河滨花园	1,663	100	128,895	319,756	R
Yanlord Sunland Gardens ⁽¹⁾ 仁恒森兰雅苑 ⁽¹⁾	1,627	100	202,851	336,001	R,S,H
Yanlord Town 仁恒家园	428	50	94,174	75,573	R
Yanlord Townhouse 仁恒怡庭	269	100	54,208	65,572	R
Yanlord Western Gardens 仁恒西郊雅苑	1,470	60	136,937	247,503	R
Yunjie Riverside Gardens ⁽²⁾ 运杰河滨花园 ⁽²⁾	1,712	50	210,566	253,048	R,S
Shenyang					
Orchard Summer Palace 夏宫城市广场	765	99	15,030	165,990	O,S,H
Weiyong Technology Building ⁽¹⁾ 维用科技大厦 ⁽¹⁾	4-storey (O) and 2-storey (S)	79	9,692	9,107	O,S

Source: Yanlord

Exhibit 4: Yanlord's Completed Development Properties as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Site Area (sqm)	GFA (sqm)	Type
Shenzhen					
Yanlord Four Seasons Gardens 仁恒四季园	1,063	95	28,959	125,930	R,S
Yanlord Four Seasons New Gardens 仁恒四季新园	2,330	95	39,600	167,158	R,S
Yanlord Reverie Apartments 仁恒梦公寓	2,859	100	36,952	119,588	S,H
Yanlord Rosemite ⁽¹⁾ 仁恒峦山美地花园 ⁽¹⁾	1,540	100	46,777	148,424	R,S
Suzhou					
Canal Times 运河时代花园	301	100	24,938	52,184	R
Four Seasons Heming Gardens 四季和鸣雅园	1,349 (R) and retail shops	60	86,441	189,921	R,S
New Tang's Mansion ⁽²⁾ 浅棠平江 ⁽²⁾	1,035	30	56,746	143,702	R
Riverbay Gardens 江湾雅园	1,874	30	123,313	293,598	R
Riverside Gardens 河滨花园	698	85	44,671	89,218	R
Smriti Curtilage 藕前别墅	40	100	8,698	10,346	R
Suzhou Wuzhong Area C1 Land - Villas 苏州吴中区C1地块 - 别墅	22	100	57,857	22,614	R
Tang Yue Bay Gardens 棠悦湾花园	1,366	100	77,820	172,894	R
Yanlord Lakeview Bay ⁽¹⁾ 仁恒双湖湾 ⁽¹⁾	1,699	100	368,104	388,194	R,S
Yanlord Peninsula (Apartment) 星屿仁恒	704	100	78,310	100,206	R
Yanlord Peninsula (Townhouse) 星岛仁恒	350	100	168,000	91,963	R
Yanlord Seacoast Royale ⁽²⁾ 海河云庭 ⁽²⁾	879	15	84,860	135,618	R
Tangshan					
Tangshan Nanhu Eco-City - Land Parcel A8 ⁽²⁾ 唐山南湖生态城, A8 地块 ⁽²⁾	1,220	50	64,656	169,551	R
Tangshan Nanhu Eco-City - Land Parcel A9 ⁽²⁾ 唐山南湖生态城, A9 地块 ⁽²⁾	759	50	42,626	119,116	R,S
Tangshan Nanhu Eco-City - Land Parcel A19 ⁽²⁾ 唐山南湖生态城, A19 地块 ⁽²⁾	116	50	46,199	38,611	R
Tianjin					
Tianjin Hong Qiao Land (Phase 1) ⁽²⁾ 红咸雅苑, 一期 ⁽²⁾	1,500 (R) and retail shops	25	73,207	197,013	R,S
Tianjin Jinnan Land ⁽¹⁾ 景新花园 ⁽¹⁾	3,412	100	165,812	376,440	R,S
The Mansion In Park (Phase 1) ⁽²⁾ 仁恒公园世纪, 一期 ⁽²⁾	1,078	50	72,321	161,799	R,S
Yanlord Majestive Mansion 仁恒海和院	1,803	60	183,925	254,318	R,S
Yanlord Riverside Gardens 仁恒河滨花园	2,184	80	130,789	326,220	R
Yanlord Riverside Plaza (Phase 1) ⁽¹⁾ 仁恒海河广场, 一期 ⁽¹⁾	971 (R) and 7-storey (S)	100	43,605	218,190	R,S
Yanlord Riverside Plaza (Phase 2) ⁽¹⁾ 仁恒海河广场, 二期 ⁽¹⁾	544 (R), 29-storey (O) and retail shops	100	51,672	163,971	R,O,S

Source: Yanlord

Exhibit 5: Yanlord's Completed Development Properties as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Site Area (sqm)	GFA (sqm)	Type
Tianjin					
Yilu Gardens ⁽²⁾ 依澜花园 ⁽²⁾	844	25	74,715	147,787	R,S
Yiwan Gardens ⁽²⁾ 依湾花园 ⁽²⁾	810	17	50,811	86,496	R
Wuhan					
Yanlord on the Park 仁恒·公园世纪	895	55	35,296	151,029	R
Zhuhai					
Yanlord Marina Centre - Section A ⁽¹⁾⁽²⁾ 仁恒滨海中心 - A标段 ⁽¹⁾⁽²⁾	136 (O), 4 (S) and 324 (H)	95	10,482	93,809	O,S,H
Yanlord Marina Centre - Section B ⁽¹⁾ 仁恒滨海中心 - B标段 ⁽¹⁾	409	95	31,722	133,299	R,S
Yanlord Marina Peninsula Gardens (Phase 1) ⁽¹⁾ 仁恒滨海半岛花园, 一期 ⁽¹⁾	1,004	57	62,285	152,926	R,S
Yanlord Marina Peninsula Gardens (Phase 2) 仁恒滨海半岛花园, 二期	1,043	57	62,674	161,606	R,S
Yanlord Marina Peninsula Gardens (Phase 3) 仁恒滨海半岛花园, 三期	1,659	57	102,725	184,226	R
Yanlord New City Gardens ⁽¹⁾ 仁恒星园 ⁽¹⁾	2,697	90	229,931	412,930	R,S
Yanlord North Shore Gardens 仁恒北岸苑	381	57	13,938	41,097	R
Subtotal (PRC)			6,914,771	13,445,069	
Malaysia - Kuala Lumpur					
The Manhattan ⁽⁴⁾	129	100	1,888	10,590	R
Singapore					
Park Avenue Robertson ⁽¹⁾⁽⁵⁾ 柏薇(罗伯逊)服务公寓 ⁽¹⁾⁽⁵⁾	36	100	1,174	3,286	H
Rochester Mall and Park Avenue Rochester ⁽¹⁾⁽⁶⁾ 罗切斯特商场和柏薇(罗切斯特)酒店 ⁽¹⁾⁽⁶⁾	351 (H) and 3-storey (S)	100	14,331	29,576	S,H
The Seletar Mall ⁽²⁾ 利达广场 ⁽²⁾	9-storey	30	8,790	26,291	S
UE BizHub CENTRAL ⁽³⁾⁽⁴⁾	11-storey high-tech facilities and ancillary offices	100	23,975	36,076	O
UE BizHub CITY ⁽²⁾ UE 广场 ⁽²⁾	150 (H), 18-storey (O) and 4-storey (S)	100	32,982	69,284	O,S,H
UE BizHub TOWER ⁽¹⁾⁽⁴⁾	23-storey	100	2,616	26,866	O,S
UE BizHub WEST ⁽¹⁾⁽⁴⁾	12-storey and 8-storey	100	17,789	46,547	O
WBL Building ⁽³⁾⁽⁴⁾	7-storey and 2-storey	99	5,511	14,050	O
Subtotal (Non-PRC)			109,056	262,566	
Total			7,023,827	13,707,635	

R = Residential
O = Office and Conference Centre
S = Shop and Retail
H = Hotel and Serviced Apartment
N = Others (Including Tourism Attraction and Medical Center)

Notes:

- ⁽¹⁾ Consists of properties held for investment with unexpired terms of lease between 22-860 years as at December 31, 2021
⁽²⁾ Being held under associate or joint venture
⁽³⁾ Being held under property, plant and equipment
⁽⁴⁾ Being no Chinese name available
⁽⁵⁾ Formerly known as Park Avenue Robertson (公园大道(罗伯逊)服务公寓)
⁽⁶⁾ Formerly known as Rochester Mall and Park Avenue Rochester (罗切斯特商场和公园大道(罗切斯特)酒店)

Source: Yanlord

Exhibit 6: Yanlord's Properties Under Development as at 31 December 2021

Project	Description (units)	Interest Attributable (%)	Actual/ Estimated Completion Date	Site Area (sqm)	GFA (sqm)	Percentage of Completion (%)	Type
Chengdu							
Orchard Villa (Phase 6) 锦绣尚郡, 六期	294	99	Nov-22	35,009	47,440	66	R
Stream In Cloud (Phase 2 and 3) 溪云居, 二、三期	1,018	80	1st Quarter 2023	103,370	87,947	45	R
Haikou							
Yanlord Begonia Park (Phase 2) 仁恒海棠公园, 二期	378 (R), office block and retail shops	51	Jul-22	33,416	90,991	49	R,O,S
Yanlord Begonia Park (Phase 3) 仁恒海棠公园, 三期	237	51	2nd Quarter 2024	10,848	40,336	33	R
Yanlord Gardens (Phase 1) ⁽¹⁾ 仁恒滨江园, 一期 ⁽¹⁾	798 (R) and retail shops	70	Sep-22	57,354	107,851	44	R,S
Yanlord Gardens (Phase 2) ⁽¹⁾ 仁恒滨江园, 二期 ⁽¹⁾	1,176 (R) and retail shops	70	1st Quarter 2024	91,456	159,731	3	R,S
Hangzhou							
Hangzhou Bay (Phase 1) ⁽¹⁾ 前湾·江上湾 ⁽¹⁾	1,015	30	Mar-22	55,354	133,006	47	R
Hangzhou Bay (Phase 2) ^{(1) (2)} 前湾·畅想江澜湾 ^{(1) (2)}	1,274	30	2nd Quarter 2024	71,367	185,542	23	R
Hangzhou Bayfront Isle (Phase 3) 前湾, 三期	146 (R+H) and retail shops	30	3rd Quarter 2024	17,765	35,601	3	R,S,H
IHG Keyi Hangzhou International Hospital ⁽¹⁾ 英慈科谊医院 ⁽¹⁾	Self-operating medical center	30	Feb-22	25,670	38,505	29	N
The Corals ⁽¹⁾ 珊瑚世纪雅园 ⁽¹⁾	916 (R) and retail shops	50	Jun-22	77,273	123,518	61	R,S
Jinan							
The Mansion in Park ⁽¹⁾ 仁恒奥体公园世纪 ⁽¹⁾	1,074 (R) and retail shops	35	2nd Quarter 2023	63,634	139,951	24	R,S
Nanjing							
Cloud Serenity Gardens ⁽¹⁾ 云逸都荟花园 ⁽¹⁾	3,165	18	Jan-22	153,262	386,026	83	R,S
Majestic Mansion ⁽¹⁾ 海和院 ⁽¹⁾	479	51	Sep-22	55,372	77,513	45	R
Riverbay Century Gardens (Phase 2) ⁽¹⁾ 江湾世纪花园, 二期 ⁽¹⁾	617	51	Jul-22	102,818	134,703	51	R
The River Time ⁽¹⁾ 江湾时代花园 ⁽¹⁾	162	50	Jul-22	13,577	24,409	63	R
Yanlord Hub City 城市星徽名苑	1,228 (R) and retail shops	100	1st Quarter 2023	61,329	145,814	42	R,S
Yanlord Phoenix Hill (Phase 1) 凤凰山居, 一期	5	51	Dec-22	2,560	1,513	76	R
Nantong							
Yanlord Gardens (Phase 3) 仁恒花园, 三期	548	31	Mar-22	45,649	81,994	89	R

Source: Yanlord

Exhibit 7: Yanlord's Properties Under Development as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Actual/ Estimated Completion Date	Site Area (sqm)	GFA (sqm)	Percentage of Completion (%)	Type
Shanghai							
Cloud Villa ⁽¹⁾ 怡雅园 ⁽¹⁾	784	15	Apr-22	108,388	86,826	68	R
Jingan Century ⁽¹⁾ 璟安悦庭 ⁽¹⁾	693	28	Mar-22	27,809	70,879	48	R,H
Moons Villa 仁恒·海明园	560 (R) and retail shops	50	Sep-22	83,262	84,060	45	R,S
Poetic Villa ⁽¹⁾ ⁽⁴⁾ 荟雅华庭 ⁽¹⁾ ⁽⁴⁾	745	28	4th Quarter 2023	83,042	99,163	36	R
Shanghai Curtilage ⁽¹⁾ 海和院 ⁽¹⁾	1,175	30	Jun-22	121,049	122,693	70	R
Suhe Century ⁽⁵⁾ 晋元南华庭 ⁽⁵⁾	360 (R) and commercial complex	30	1st Quarter 2025	28,288	74,746	1	R,O,S
Shanghai Olympic Garden (Phase 3 - Section 2) ⁽¹⁾ 上海奥林匹克花园, 三期二标 ⁽¹⁾	490	45	Nov-22	33,471	50,843	45	R
Shanghai San Jia Gang Land Plot 仁恒滨海度假村	157	67	2nd Quarter 2024	67,978	36,364	3	O,S,H
Yanlord Arcadia ⁽¹⁾ 仁恒海上源 ⁽¹⁾	1,171 (R) and retail shops	52	3rd Quarter 2023	69,400	192,458	38	R,S
Shenyang							
Yanlord on the Park 仁恒公园世纪	526	99	3rd Quarter 2023	18,488	99,561	41	R
Shenzhen							
Yanlord Century Mansion 仁恒世纪大厦	364 (H) and retail shops	95	Sep-22	5,744	57,500	36	O,S
Yanlord Reverie Park ⁽¹⁾ 仁恒芯梦公园 ⁽¹⁾	Office block, retail shops and serviced apartment	49	Dec-21	43,969	210,983	58	O,S,H
Yanlord Reverie Plaza ⁽⁶⁾ 仁恒梦创广场 ⁽⁶⁾	Commercial complex	100	Aug-22	29,790	208,303	38	O,S,H
Suzhou							
Lantern (Phase 1) ⁽¹⁾ 洞庭, 一期 ⁽¹⁾	675	11	2nd Quarter 2023	104,545	132,588	25	R
Lantern (Phase 2) ⁽¹⁾ 洞庭, 二期 ⁽¹⁾	Hotel	11	2nd Quarter 2023	32,645	25,949	25	H
Smriti Curtilage and Cangjie Commercial Plaza ⁽⁶⁾ 耦前别墅; 仓街商业广场 ⁽⁶⁾	53 (R) and retail mall	100	Dec-22	75,500	89,800	64	R,S
Suzhou No. 2021-WG-17 Land ⁽¹⁾ 苏No. 2021-WG-17号地块 ⁽¹⁾	Bungalow	17	3rd Quarter 2023	39,945	76,457	1	R
Yanlord La Viva Riverbay ⁽¹⁾ 滨河四季云庭 ⁽¹⁾	1,534	15	Nov-22	86,741	186,887	77	R

Source: Yanlord

Exhibit 8: Yanlord's Properties Under Development as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Actual/ Estimated Completion Date	Site Area (sqm)	GFA (sqm)	Percentage of Completion (%)	Type
Taicang							
Yanlord Central Lake 仁恒时代天镜	1,296 (R) and commercial complex	60	2nd Quarter 2024	174,312	320,770	29	R,O,H
Tangshan							
Tangshan Nanhu Eco-City - Land Parcels A14 and A15 ⁽¹⁾ 唐山南湖生态城, A14、A15地块 ⁽²⁾	230	50	Nov-22	18,168	21,988	36	S,H
Tianjin							
Star Century 恒美雅苑	751	51	2nd Quarter 2024	53,201	95,784	7	R
Yanlord Majestic Mansion 仁恒海和院	114	60	Apr-22	9,589	13,259	99	S
Yilu Gardens ⁽¹⁾ 依露花园 ⁽²⁾	1,452 (R) and retail shops	25	Dec-22	55,189	109,165	59	R
Yiwan Gardens ⁽¹⁾ 依湾花园 ⁽²⁾	640 (R) and retail shops	17	Nov-22	47,452	80,778	55	R,S
Wuhan							
The Yangtze Garden (Phase 1) ⁽⁷⁾ 仁恒滨江园, 一期 ⁽⁷⁾	249	50	4th Quarter 2023	10,875	48,999	20	R
The Yangtze Garden (Phase 2) ⁽⁸⁾ 仁恒滨江园, 二期 ⁽⁸⁾	Office block and retail shops	50	4th Quarter 2023	11,303	52,770	20	O,S
Yanlord Elegant Villa ⁽¹⁾ 仁恒西湖山居 ⁽²⁾	469	25	1st Quarter 2024	79,247	79,072	1	R
Wuxi							
Central Lake ⁽¹⁾ 星湖雅园 ⁽²⁾	1,145	15	1st Quarter 2024	86,898	167,376	80	R
Majestic Mansion 海和清舒院	Residential	51	4th Quarter 2023	36,901	41,646	5	R
Yancheng							
Yanlord The Mansion in Park 星岸家园	1,551	51	3rd Quarter 2027	80,033	190,027	1	R
Yanlord Riverside Gardens (Phase 1) 仁恒河滨花园, 一期	916	51	1st Quarter 2024	51,913	143,218	44	R,S
Yanlord Riverside Gardens (Phase 2) 仁恒河滨花园, 二期	844	51	1st Quarter 2027	54,435	124,461	6	R
Zhongshan							
Four Seasons Park (Phase 1C) ⁽¹⁾⁽⁹⁾ 星月万像花苑 ⁽¹⁾⁽⁹⁾	1,179	30	1st Quarter 2023	47,298	129,361	77	R,S
Zhuhai							
Yanlord The Great Bay (Phase 1) ⁽¹⁰⁾ 仁恒滨海湾花园, 一期 ⁽¹⁰⁾	Residential	100	1st Quarter 2024	34,805	135,172	5	R,S
Subtotal (PRC)				2,988,756	5,702,297		

Source: Yanlord

Exhibit 9: Yanlord's Properties Under Development as at 31 December 2021 (Cont'd)

Project	Description (units)	Interest Attributable (%)	Actual/ Estimated Completion Date	Site Area (sqm)	GFA (sqm)	Percentage of Completion (%)	Type
Singapore							
Dairy Farm Residences 岱莉轩	460 (R) and shops	100	Dec-22	19,648	41,260	47	R,S
Leedon Green ⁽¹⁾ 绿墩雅苑 ⁽¹⁾	638	50	2nd Quarter 2023	30,357	49,011	30	R
Subtotal (Non-PRC)				50,005	90,271		
Total				3,038,761	5,792,568		

R = Residential
O = Office and Conference Centre
S = Shop and Retail
H = Hotel and Serviced Apartment
N = Others (Including Tourism Attraction and Medical Center)

Notes:

- ⁽¹⁾ Being held under associate or joint venture
⁽²⁾ Formerly known as Hangzhou Intelligent City Project - Medical Land Parcels (Phase 4) (杭州传化科技城项目 - 国际医疗园, 四期)
⁽³⁾ Formerly known as Nanjing No. 2018G19 Land (南京 No. 2018G19地块)
⁽⁴⁾ Formerly known as Shanghai Pudong Kangqiao Land (上海浦东康桥地块)
⁽⁵⁾ Formerly known as Shanghai Jingan Jinyuan South Land Parcels (上海静安晋元南地块)
⁽⁶⁾ Consists of properties held for investment with unexpired terms of lease between 34-36 years as at December 31, 2021
⁽⁷⁾ Formerly known as Hankou Riverside International Business District (Phase 1) (汉口滨江国际商务区, 一期)
⁽⁸⁾ Formerly known as Hankou Riverside International Business District (Phase 2) (汉口滨江国际商务区, 二期)
⁽⁹⁾ Formerly known as Four Seasons Park (Phase 1) (星月彩虹花苑, 一期)
⁽¹⁰⁾ Formerly known as Zhuhai East Coast Liu Shi Shan Redevelopment Project (珠海东岸留诗山更新项目)

Source: Yanlord

Exhibit 10: Yanlord's Properties Held for Future Development as at 31 December 2021

Project	Description (Units)	Interest Attributable %	Site Area (sqm)	GFA (sqm)	Type
Haikou					
Yanlord Gardens (Phase 3) ⁽¹⁾ 仁恒滨江园, 三期 ⁽¹⁾	136 units (R) and retail shops	70	38,726	67,637	R,S
Hangzhou					
Hangzhou Bay Commercial Land Parcels - Commercial Complex ⁽²⁾ 前湾国际商贸园 - 商业综合体 ⁽²⁾	Conference center, shopping mall and self-operating hotel	30	78,870	118,446	O,S,H
Hangzhou Bay Medical Land Parcels - Commercial Complex ^{(1),(2)} 前湾国际医疗园 - 商业综合体 ^{(1),(2)}	Conference center and self-operating hotel	30	41,512	93,864	O,H
Nanjing					
Nanjing No. 2016G84 Land - Land Parcel B and G ⁽¹⁾ 南京 No. 2016G84 地块 - B、G 地块 ⁽¹⁾	Commercial complex and tourism	51	251,141	344,672	O,S,H,N
Yanlord Phoenix Hill (Phase 2 to 4) 凤凰山居, 二至四期	825 units	51	372,397	186,693	R,S
Sanya					
Hainan Beautycrown Cultural Tourism Land Parcels ⁽¹⁾ 海南美丽之冠文化旅游区地块 ⁽¹⁾	Resorts and tourism	55	66,629	44,633	S,H,N
Shanghai					
Shanghai Minhang District Minhang New City Meilong Community MHPO-0303 Unit 01-25-02 Land ⁽¹⁾ 上海闵行区闵行新城梅陇社区MHPO-0303单元01-25-02地块 ⁽¹⁾	Residential	45	61,300	97,529	R
Shenyang					
Orchard Manor 锦绣山庄	Villas	99	74,688	29,875	R
Shenzhen					
Shenzhen Longgang District Bantian Redevelopment Project 深圳龙岗区 - 坂田城市更新项目	Residential and commercial complex	100	52,768	235,717	R,O,S
Shenzhen Longgang District Redevelopment Project (Phase 3) 深圳龙岗区 - 城中村改造项目, 三期	850 units	95	33,207	129,090	R,S
Shenzhen Longgang District Redevelopment Project (Phase 4) 深圳龙岗区 - 城中村改造项目, 四期	Residential	95	13,131	50,660	R
Yanlord Landmark 仁恒置地广场	Under planning	100	2,513	13,680	R,O,S
Tangshan					
Tangshan Nanhu Eco-City - Land Parcel A11 ⁽¹⁾ 唐山南湖生态城, A11地块 ⁽¹⁾	Office block	50	14,796	22,954	O
Tianjin					
The Mansion In Park (Phase 2) ⁽¹⁾ 仁恒公园世纪, 二期 ⁽¹⁾	Office block and retail shops	50	30,272	66,185	O,S
The Mansion In Park (Phase 3) ⁽¹⁾ 仁恒公园世纪, 三期 ⁽¹⁾	Self-operating hotel	50	32,699	53,858	H
Tianjin Hong Qiao Land (Phase 2) ⁽¹⁾ 红咸雅苑, 二期 ⁽¹⁾	Serviced apartment and retail shops	25	33,713	56,760	S,H

Source: Yanlord

Exhibit 11: Yanlord's Properties Held for Future Development as at 31 December 2021 (Cont'd)

Project	Description (Units)	Interest Attributable %	Site Area (sqm)	GFA (sqm)	Type
Wuxi					
Cheng No. 2021-C-7 Land 澄 No. 2021-C-7号地块	Residential and retail shops	61	198,167	213,133	R,S
Wuxi No. 2021-52 XDG-2021-68 Land ⁽¹⁾ 锡国土(经) 2021-52 XDG-2021-68号地块 ⁽²⁾	Residential and retail shops	1	118,500	242,003	R,S,H
Yancheng					
Yanlord The Mansion in Park 星岸家园	Residential	51	34,677	82,335	R
Yangzhou					
Yangzhou West District New District Xiangming Lake Project 扬州西区新城香茗湖项目	564 units	50	54,460	85,387	R,S
Zhongshan					
Four Seasons Park (Phase 2) ⁽¹⁾ ⁽⁴⁾ 星月四季花苑 ⁽¹⁾ ⁽⁴⁾	820 units (R) and retail shops	30	64,858	88,230	R,S
Zhuhai					
Yanlord The Great Bay (Phase 1 and 2) ⁽⁵⁾ 仁恒滨海湾花园, 一、二期 ⁽⁵⁾	Residential and office blocks	100	100,287	195,214	R,O
Total			1,769,311	2,518,555	

R = Residential

O = Office and Conference Centre

S = Shop and Retail

H = Hotel and Serviced Apartment

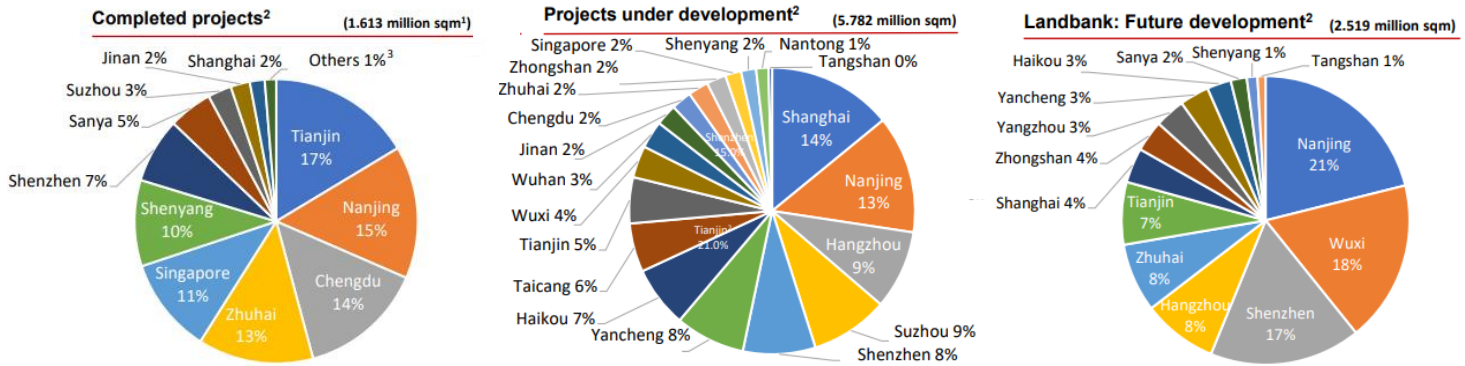
N = Others (Including Tourism Attraction and Medical Center)

Notes:⁽¹⁾ Being held under associate or joint venture⁽²⁾ Being split-off from Hangzhou Bayfront Isle (Phase 3) (前湾, 三期)⁽³⁾ Formerly known as Hangzhou Intelligent City Project - Medical Land Parcels (杭州传化科技城项目 - 国际医疗园)⁽⁴⁾ Formerly known as Four Seasons Park (Phase 2) (星月彩虹花苑, 二期)⁽⁵⁾ Formerly known as Zhuhai East Coast Liu Shi Shan Redevelopment Project (珠海东岸留诗山更新项目)

Source: Yanlord

The geographical breakdown of Yanlord’s completed development properties, properties under development and properties held for future development is shown in **Exhibit 12**.

Exhibit 12: Breakdown of Yanlord’s Development Properties



Notes:
 1. The Group has completed 13,708 million sqm, of which 1,613 million sqm are GFA completed and retained as investment properties, fixed assets or yet to be sold/delivered to customers.
 2. Contains projects being held under associates or joint ventures.
 3. Others including Hangzhou, Nantong, Tangshan, Wuhan in the PRC, as well as Kuala Lumpur in Malaysia.

Source: Yanlord

(IV) Geographical Revenue Contribution

Yanlord operates in two principal geographical areas – the People’s Republic of China (PRC) and Singapore. As mentioned on page 3, Yanlord has an established presence in 20 key high-growth cities within the six major economic regions of the PRC, namely:

- Yangtze River Delta – Shanghai, Nanjing, Suzhou, Hangzhou, Nantong,
- Yancheng, Taicang, Wuxi and Yangzhou;
- Western China – Chengdu;
- Bohai Rim – Tianjin, Tangshan, Jinan and Shenyang;
- Greater Bay Area – Shenzhen, Zhuhai and Zhongshan;
- Hainan – Haikou and Sanya; and
- Central China – Wuhan.

Meanwhile, in Singapore, Yanlord has two residential projects under development, namely Leedon Green and Dairy Farm Residences.

In FY2021, PRC remained as Yanlord’s largest revenue contributor, contributing 94.1% of its total revenue followed by Singapore at 4.7% and Others at 1.2% as shown in **Exhibit 13**.

Exhibit 13: Yanlord’s Geographical Revenue Breakdown

RMB '000	FY2019		FY2020		FY2021	
	Revenue	Contribution (%)	Revenue	Contribution (%)	Revenue	Contribution (%)
PRC	18,515,864	99.2%	22,815,215	95.4%	32,786,984	94.1%
Singapore	96,829	0.5%	703,993	2.9%	1,623,654	4.7%
Others	53,665	0.3%	398,867	1.7%	422,496	1.2%
Total	18,666,358	100.0%	23,918,075	100.0%	34,833,134	100.0%

Source: Yanlord

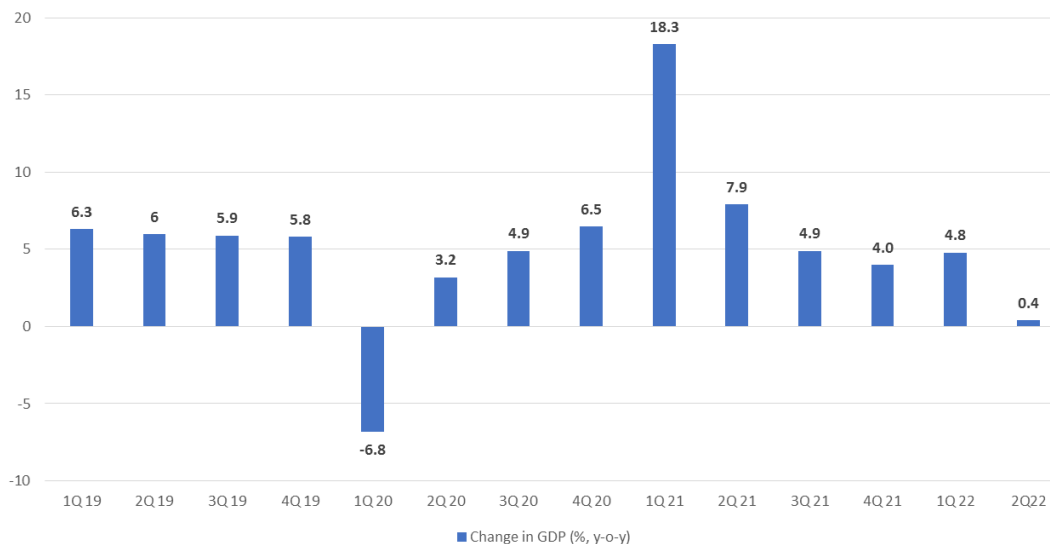
INDUSTRY OUTLOOK

As shown in **Exhibit 13**, for FY2021, PRC had remained the largest revenue contributor contributing more than 94.0% of Yanlord's revenue. Hence, we will focus our industry review on PRC, which has a substantial impact on Yanlord's revenue. In Singapore, as shown in **Exhibit 9**, Yanlord has two residential projects under development, namely Leedon Green and Dairy Farm Residences. Hence, we would also conduct a review on Singapore's residential market.

(I) China's Economy

According to National Bureau of Statistic of China (NBS), in the second quarter of 2022, China recorded its weakest growth rate in more than two years, a measure of the costs imposed on the world's second-largest economy by Beijing's zero-tolerance approach to Covid-19. During the second quarter, China's gross domestic product (GDP) expanded by an annual 0.4% in the second quarter, slowing from a 4.8% growth in the previous quarter as shown in **Exhibit 14**.

Exhibit 14: Change in China quarterly GDP (% , y-o-y)



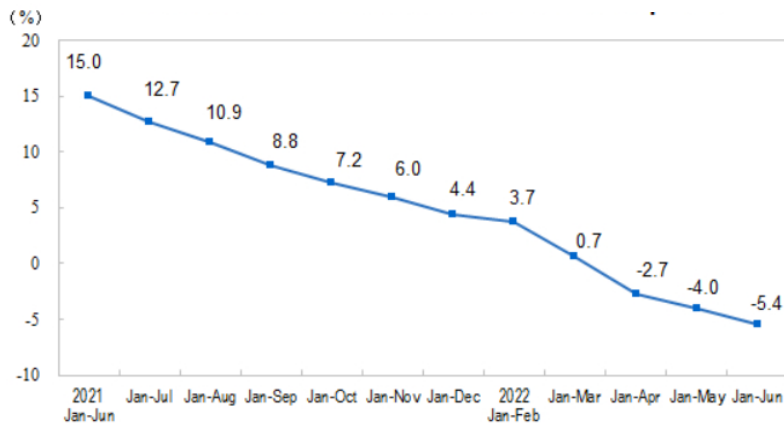
Source: Data compiled from NBS

We note that JPMorgan and Goldman Sachs lowered its China 2022 full-year growth. JPMorgan cut its China full-year growth forecast from 4.3% to 3.7% as it believes a deeper-than-expected contraction was now likely, due to the country's COVID-19 lockdowns. Meanwhile, Goldman Sachs cut their China GDP forecast to 4% from 4.5%. Goldman Sachs noted that since March, mainland China has struggled to contain its worst Covid outbreak in two years. In addition, the bank does not expect China will start fully easing Covid controls before the second quarter of 2023.

However, the Chinese government has been ramping up stimulus and support measures in recent months to mitigate the impact of the economic disruption caused by an outbreak of the highly transmissible Omicron variant of COVID-19 in several areas of the country. To boost economic activity in the wake of the recent Covid-19 lockdown, the government introduced 33 policies covering fiscal, financial, investment & industrial policies to support businesses and consumer spending as economic activity was hammered by the country's worst Covid outbreak since early 2020. The State Council's measures, which total tens of billions of dollars' worth of relief, include stimulus intended to aid companies that have buckled under the weight of the outbreaks and anti-Covid curbs, along with tools to boost infrastructure investment and improve supply chain disruptions.

(II) China Property Sales**Investment in Real Estate Development**

According to NBS, from January to June, the national investment in real estate development was 6,831.4 billion yuan, a year-on-year (yoy) decrease of 5.4% as shown in **Exhibit 15**; among them, the residential investment was 5,180.4 billion yuan, down 4.5%.

Exhibit 15: Growth Rate of Investment in Real Estate Development

Source: NBS

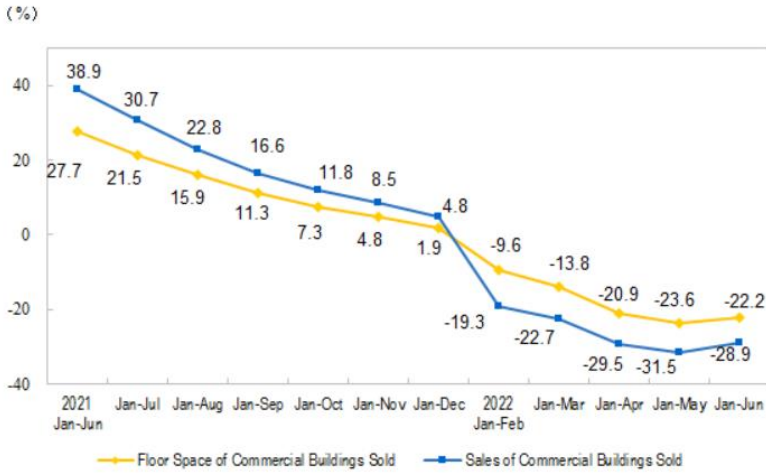
From January to June, the construction area of real estate development enterprises was 8,488.12 million square meters, a yoy decrease of 2.8%. Among them, the residential construction area was 5,994.29 million square meters, decreased by 2.9%. The new construction area of houses was 664.23 million square meters, decreased by 34.4%. Among them, the newly started residential area was 488.00 million square meters, decreased by 35.4%. The completed housing area was 286.36 million square meters, down 21.5%. Among them, the completed residential area was 208.58 million square meters, down 20.6%.

Commercial and Residential Sales

From January to June, the sales area of commercial housing was 689.3 million square meters, a year-on-year decrease of 22.2% while the sales volume of commercial housing was 6,607.2 billion yuan, down 28.9% as shown in **Exhibit 16** on the next page. Among them, the residential sales area and residential sales volume decreased 26.6% and 31.8% respectively.

However, we note that at the end of June, the area of commercial housing for sale was 547.84 million square meters, an increase of 7.3% yoy. Among them, the residential area for sale increased by 13.5%.

Exhibit 16: Growth Rate of Floor Space and Sales of Commercial Building Sold

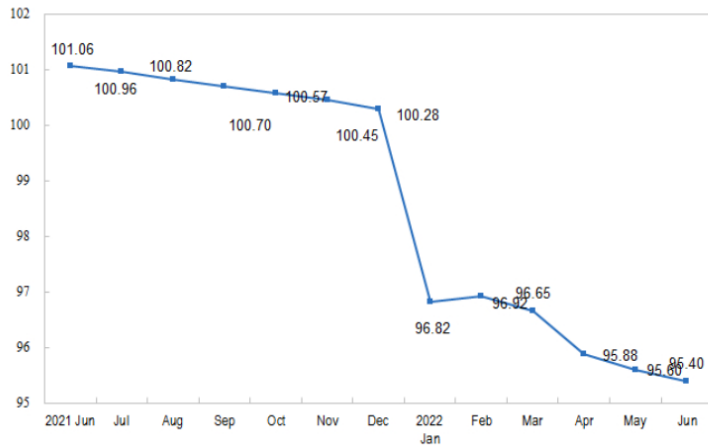


Source: NBS

National Real Estate Climate Index (1)

In June, the prosperity index of real estate development was 95.40, a slight decrease from 95.60 as recorded in May and fell to the lowest level in 2022 as shown in **Exhibit 17**.

Exhibit 17: National Real Estate Climate Index

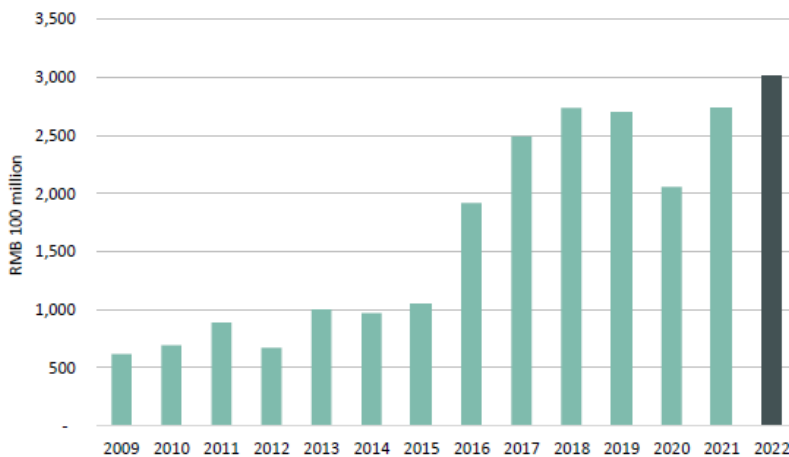


Source: NBS

(1) The national real estate climate index follows the theory of economic cycle fluctuation, based on the business cycle theory and business cycle analysis, using time series, multivariate statistics, econometric analysis, taking real estate development and investment as the benchmarks, selecting related indicators such as real estate investment, capital, area, sales, excluding the impact of seasonal factors, including random factors, compiled by adopting the growth rate cycles method. The historical data will be revised monthly according to the newly added data. National real estate index selected year 2012 as the base year, and its growth rate was set at 100. Typically, the most appropriate level of national real estate climate index is 100, the moderate level is between 95 and 105, the lower level is below 95, and the higher level is above 105.

CBRE noted that China's real estate investment market enjoyed a solid recovery in 2021, with total transaction volume reaching RMB 273 billion, an increase of 33% yoy. CBRE's 2022 China Investor Intentions Survey found that purchasing intentions reached a new high, with 59% of respondents saying they intend to buy more in 2022. Purchasing intentions among both domestic and foreign investors strengthened from the previous survey. Interest among overseas buyers is especially strong, with Shanghai and Beijing both named among the top five cross-border investment destination in Asia Pacific. With the survey detecting a strong willingness to both purchase and sell over the coming year, CBRE expects annual commercial real estate investment volume to increase by 10%-15% yoy in 2022, exceeding RMB 300 billion for the first time as shown in **Exhibit 18**.

Exhibit 18: Domestic Commercial Real Estate Transaction Volume (2009-2022)



Source: CBRE

Shanghai

Jones Lang LaSalle (JLL) noted that sales activities remained solid in January, but were affected by the following Spring Festival holiday in February and the local rebound of the pandemic in March. With a high sales volume achieved in January, Shanghai primary housing market sales activities remained solid in January, but were affected by the following Spring Festival holiday in February and the local rebound of the pandemic in March. With a high sales volume achieved in January, Shanghai primary housing market saw sales volume edge up by 5.1% qoq to about 2.7 million sqm. However, high-end sales slightly declined by 3.3% qoq in 1Q2022. That said, overall sentiment in the high-end segment remained solid as projects that launched in the first quarter received large numbers of buyers. In terms of outlook, JLL expects Shanghai's housing policy stance to remain tight. Looser credit is expected to benefit both first-time homebuyers and upgraders while investment demand will continue to face curbs. JLL expects stable sales momentum in the primary market over 2022, although recent outbreaks mean some sales activities planned for 1H2022 may slip into 2H2022.

Savills noted that specific policies that have been introduced around the country to a greater or lesser extent include lowering down payment requirements, reducing mortgage rates, as well as fewer restrictions on reselling and buyer background requirements, as well as housing subsidies for talent. Commodity residential supply in Q1/2022 totalled 3.06 million sqm, on a par with Q4/2021 and almost double that of a year earlier. First-hand commodity residential transaction volumes increased by 5.5% qoq to 3.06 million sqm, down by 18.1% yoy. Average transaction prices increased by 8.7% qoq to RMB61,500 psm, up by 10.1% yoy as shown in **Exhibit 19**.

Exhibit 19: Shanghai Residential Market, 1Q2022

		Residential (Overall)
Supply	SQM	3,054,614
	YOY (%)	214.90%
Transactions	SQM	2,631,566
	YOY (%)	-18.10%
Average Price	SQM	61,500
	YOY (%)	10.10%

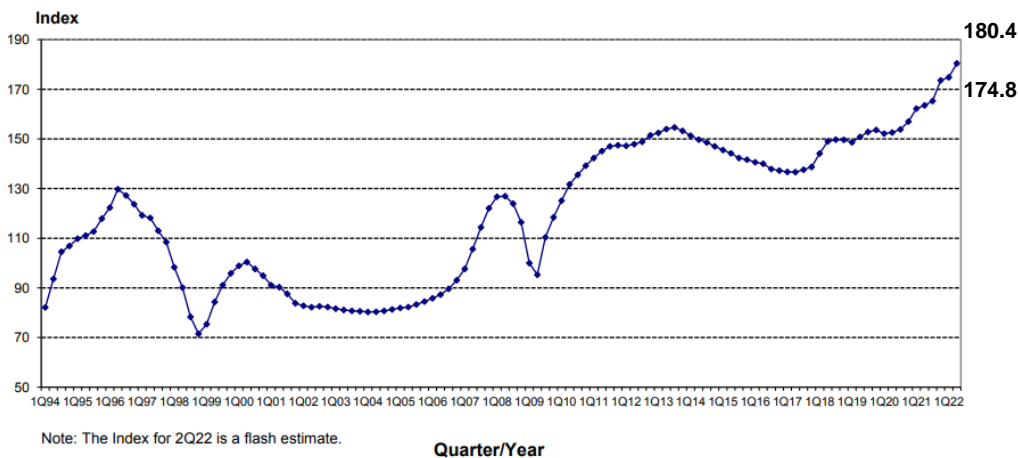
Source: Savills

(II) Singapore Private Residential Market

Property Sales

According to flash estimate from the Urban Redevelopment Authority (URA), prices of private residential properties increased by 3.2% in 2Q2022 compared to the 0.7% increase in the previous quarter, as reflected by an increase in Property Price Index to 180.4 points from 174.8 points as shown in **Exhibit 20**.

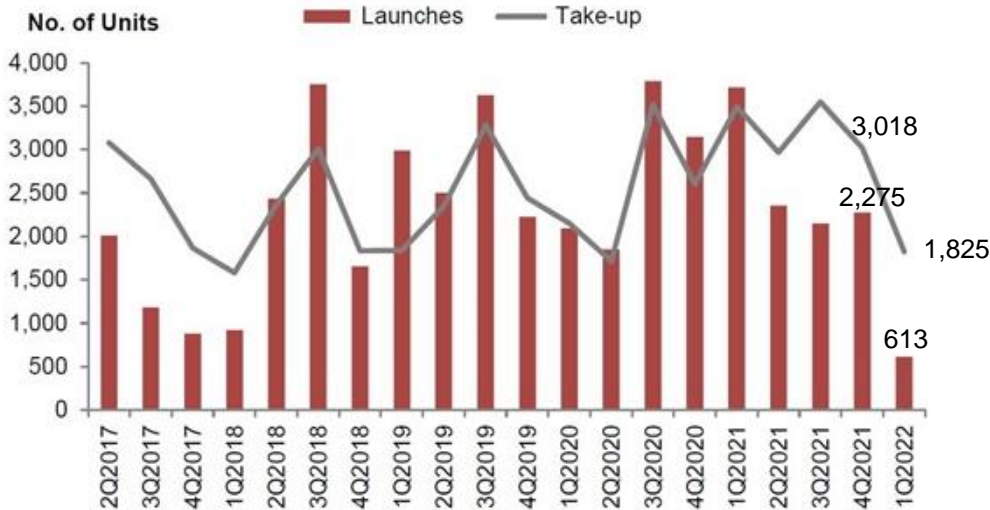
Exhibit 20: Property Price Index of Private Residential Properties (flash estimate)



Source: URA

According to URA, developers launched 613 uncompleted private residential units (excluding ECs) for sale in 1Q 2022, compared with the 2,275 units in the previous quarter. At the same time, developers sold 1,825 private residential units (excluding ECs) in 1Q 2022, compared with the 3,018 units sold in the previous quarter as shown in **Exhibit 21**.

Exhibit 21: Number of Private Housing Units Launched and Sold by Developers (excluding ECs)

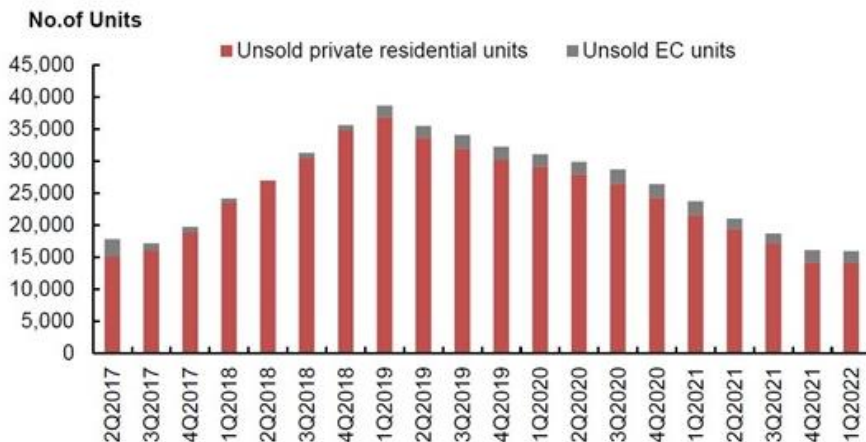


Source: Compiled data from URA

URA noted that as at the end of 1Q 2022, there was a total supply of 47,415 uncompleted private residential units (excluding ECs) in the pipeline with planning approvals, compared with the 46,276 units in the previous quarter. Of this number, 14,087 units remained unsold as at the end of 1st Quarter 2022, compared with the 14,154 units in the previous quarter.

After adding the supply of 5,333 EC units in the pipeline, there were 52,748 units in the pipeline with planning approvals. Of the EC units in the pipeline, 1,878 units remained unsold. In total, 15,965 units with planning approvals (including ECs) remained unsold, compared to 16,139 units in the previous quarter as shown in **Exhibit 22**.

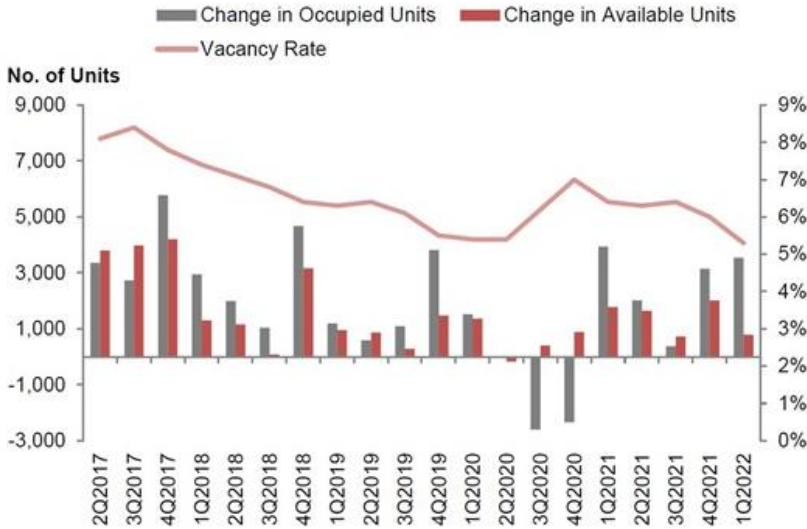
Exhibit 22: Total Number of Unsold Private Residential Units in the Pipeline



Source: Compiled data from URA

According to URA the stock of completed private residential units (excluding ECs) increased by 783 units in 1Q 2022, compared with the increase of 2,008 units in the previous quarter. The stock of occupied private residential units (excluding ECs) increased by 3,544 units in 1Q 2022, compared with the increase of 3,147 units in the previous quarter. As a result, the vacancy rate of completed private residential units (excluding ECs) decreased to 5.3% as at the end of 1Q 2022, from 6.0% in the previous quarter as shown in **Exhibit 23**.

Exhibit 23: Stock and Vacancy of Private Residential Units (excluding ECs)



Source: Compiled data from URA

Knight Frank highlighted that unlike the market situation after the announcement of the previous 2018 cooling measures, there is greater urgency today in what is almost a perfect storm. New inventory has been delayed to the market due to supply-chain disruptions at a time when future supply from land sales remains moderate amid dwindling unsold stock. Knight Frank believes volumes are expected to pick up sometime in Q2 2022, as developers start to launch projects especially those in choice locations and as the Vaccinated Travel Framework (VTF) gains momentum. New sale volumes are expected to reach around 8,000 to 9,000 units for 2022, with around 24,000 to 28,000 transactions for all sales. Home prices are expected to rise by a more subdued 1%-3% in 2022.

Colliers highlighted that as the first data point post cooling measures and given that the first quarter is traditionally a slower quarter, this moderation in growth is to be expected. However, prices and sales might pick up in Q2 2022 with the launch of major projects and as uncertainty over the cooling measures dissipate. The re-opening of borders might also prompt more demand from relocation on the back of Singapore’s effective handling of the pandemic. Colliers expects foreigner demand to recover, especially for higher end properties where they are able to better manage the higher taxes and duties. As more companies begin to increase headcount alongside Singapore’s economic recovery, the pick-up in foreign hiring activity and reopening of borders would likely lead to a further rise in rental demand over the near term. With the higher additional buyer stamp duties, new home sales should come from first time buyers and upgraders, thereby fuelling further growth in the Outside Central Region (OCR) and Rest of Central Region (RCR) segments. Potential buyers might also be motivated to take action and lock in rates now before mortgage rates see a significant increase. With the pace of new launches slowing, higher prices and rising mortgage rates, new home sales should moderate 20-30% from the 13,027 units recorded in 2021 to around 10,000 units. Further, momentum in private home prices is expected to moderate and rise by just 3-5% in 2022, tracking the projected growth in GDP.

Business Times reported that OrangeTee & Tie and PropNex Realty (PropNex) are also positive on Singapore private residential market. OrangeTee & Tie expects private home prices to continue to rise this year on the back of cost pressures, such as escalating energy, steel, raw material and shipping costs. PropNex noted that the slower price growth and pullback in sales volume in Q1 2022 did not come as a surprise, given the fresh property curbs imposed in December. The Additional Buyer's Stamp Duty (ABSD) hikes on foreign buyers and property investors, in particular, likely held back some demand for new and resale homes. In addition, PropNex also noted that the "modest performance" comes on the back of rising interest rates and inflation, as well as geopolitical tensions, which should give rise to a more sustainable price growth this year. PropNex expects private home prices to increase by between 3% and 5% this year, after a blistering 10.6% growth in 2021.

CBRE noted that following the lull period in 1Q2022, sales volumes in 2Q2022 saw an uptick as developers rolled out more new homes. Q22022 preliminary figures show that 2,370 new homes were sold, picking up from 1,825 units sold in 1Q2022. Flash estimates showed that URA's All Private Residential Price Index registered a 3.2% qoq increase in 2Q2022, after the 0.7% q-o-q rise in 1Q2022. This was led by new project launches in the CityFringe(RCR) –which set new benchmark prices –as developers held firm on their asking prices amid higher construction costs and low unsold inventory. In terms of outlook, CBRE believes that strong economic growth, upgraders' demand and rising rents have underpinned the private and public residential market thus far. However, rising macroeconomic uncertainties and mortgage rates may deter potential homebuyers moving forward. CBRE Research maintains its 2022 new home sales forecast at 9,000 –10,000 units, from 13,027 units in 2021. In view of the stronger-than-expected pick-up in home prices in Q2 2022, 2022's full-year price forecast has been raised from 3% to 5%, which still represents a slowdown from the 10.6% increase in 2021.

Savills noted that notwithstanding the higher ABSD rates for Singaporeans buying their second home (from 12% to 17%) and foreigners (from 20% to 30%), global events have overtaken these developments. The zero-COVID policy in China and the war in Ukraine has severely disrupted and dislocated supply chains, leading to sharp commodity price increases. All these have made investing in residential properties an attractive proposition. On the inflation front, its impact on residential real estate has been both direct and indirect. Despite all the challenges, the private residential market is functioning as it should. With equity and bond prices moving down in synch and cash losing value in the high inflationary environment, it appears that there is no alternative other than to buy residential properties. Therefore, unless further downside risks materialise, for instance, another set of government measures to cool demand or a serious deterioration in market conditions (depression rather than stagflation), Savills believes prices in 2022 could rise by 7% YoY.

We have summarized the forecasted growth in private residential property prices by the various commercial real estate services companies in **Exhibit 24**.

Exhibit 24: Singapore Private Residential Property Price Forecast

Company	Forecasted growth in private residential property prices in 2022
Knight Frank	1%-3%
Colliers	3%-5%
PropNex	3%-5%
CBRE	5%
Savills	7%

Source: Respective companies, Business Times

RECENT SHARE PRICE DEVELOPMENT

In the past year, Yanlord's share price fell by 7.96% from S\$1.130 on 23 July 2021 to S\$1.040 on 22 July 2022 as shown in **Exhibit 25**.

Exhibit 25: Yanlord's 1 Year Share Price Performance



Source: Yahoo Finance, FPA Financial

On 12 August 2021, Yanlord announced its half year financial results for the six months ended 30 June 2021 and reported a 44.7% yoy increase in revenue and 67.1% yoy increase in profit attributable to owners of the company. Following the announcement, Yanlord's share price rose by 2.65% from S\$1.130 to S\$1.160.

On 27 February 2022, Yanlord announced its full year financial statement for the year ended 31 December 2021 and reported 45.6% yoy increase in revenue and 2.5% yoy increase in profit attributable to owners of the company. At the same time, Yanlord also proposed the payment of a final tax-exempt dividend of 6.80 Singapore cents per ordinary share for FY2021. Yanlord's share price rose by 2.56% from S\$1.170 to S\$1.200.

On 6 May 2022, we noted that Yanlord announced its unaudited key operating figures for April 2022 and reported a 80.8% yoy drop in contracted pre-sales for the month of April and 14.7% yoy drop in contracted pre-sales for the four months ended 30 April 2022. At the same time, Shanghai also extended its lockdown measures in May 2022 as Covid-19 infections remained persistent in the community, despite China's hardline strategy of isolating all positive cases and their close contacts. We note that Yanlord's share price reached its 52-week low of S\$1.040 on 24 May 2022.

On 30 May 2022, Shanghai announced an end to its two-month lockdown and will move into a normalised epidemic-control phase starting 1 June 2022. Following the announcement, Yanlord's share price rose by 4.67% from S\$1.070 to S\$1.120.

Share Buyback

Yanlord has a Share Buyback Mandate which authorises the directors of Yanlord to buy back or acquire shares representing not more than 10% of the issued and fully paid-up shares, but not exceeding the maximum price. It is a requirement that a company which wishes to purchase or acquire its own shares should obtain approval of its shareholders at a general meeting.

(i) Rationale

The Share Buyback Mandate would give Yanlord the flexibility to purchase the Shares at any time, as and when circumstances permit, during the period that the Share Buyback Mandate is in force. The Share Buyback Mandate provides Yanlord with a simple mechanism to facilitate the return of surplus cash over and above its capital requirements in an expedient and cost-effective manner. The Share Buyback Mandate also allows Yanlord to exercise a certain amount of control over its share capital structure with a view to enhance the earnings per share (EPS) of Yanlord.

As and when circumstances permit, Yanlord will decide whether to effect the Shares purchase or acquisition via Market Purchases and/or Off-Market Purchases, after taking into account the relevant factors such as the working capital requirements, the financial resources available, the expansion and investment plans of Yanlord, the prevailing market conditions, and etc. Such purchase or acquisition will only be made when Yanlord is of the view that it is in the interest of the company and could benefit Shareholders and that the Directors do not propose to carry out buybacks to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of Yanlord.

Insider Trade

Despite the Share Buyback Mandate as mentioned above, Yanlord has not conducted any share buyback since the renewal of the mandate. However, we note that in terms of insider trades, Mr Zhong Sheng Jian, the founder and the largest substantial shareholder of Yanlord had increased his stake in the company through the acquisition of securities via market transactions. Since 2021, Mr Zhong acquired a total of 21,175,500 shares over 9 separate transactions from 18 March 2021 to 19 August 2021 for a total consideration of S\$26.1 million. Following the acquisitions, Mr Zhong currently holds direct interest of 103,682,000 shares and deemed interest of 220,982,600 shares representing a total of 71.55% stake in Yanlord as shown in **Exhibit 26**.

Exhibit 26: Details of Share Acquisitions By Mr Zhong Sheng Jian

Date	No. of shares purchased	Estimated price paid per share	Total consideration	Total interest after acquisition		
				Direct interest	Deemed interest	Shareholdings (%) ⁽¹⁾
18-Mar-21	2,078,900	1.186	\$ 2,464,562	84,585,400	1,278,390,000	70.564%
19-Mar-21	2,992,000	1.190	\$ 3,561,920	87,577,400	1,278,390,000	70.719%
22-Mar-21	2,045,700	1.199	\$ 2,452,059	89,623,100	1,278,390,000	70.825%
30-Apr-21	1,760,300	1.314	\$ 2,312,478	91,383,400	1,278,390,000	70.916%
3-May-21	1,707,200	1.328	\$ 2,266,742	93,090,600	1,278,390,000	71.005%
4-May-21	3,600,000	1.361	\$ 4,900,055	96,690,600	1,278,390,000	71.191%
17-Aug-21	3,273,700	1.158	\$ 3,792,048	99,964,300	1,278,390,000	71.361%
18-Aug-21	1,782,900	1.172	\$ 2,090,094	101,747,200	1,278,390,000	71.453%
19-Aug-21	1,934,800	1.182	\$ 2,287,874	103,682,000	1,278,390,000	71.553%

(1) Shareholding is calculated based on 1,931,535,376 issued units as at 10.03.22

Source: Yanlord, FPA Financial

FINANCIAL ANALYSIS

In this section, we will provide a review of Yanlord's financial performance and capital management.

(I) Financial Review

Review of Financial Year 2022 Results

Yanlord's revenue reported an increase of RMB10.915 billion to RMB34.833 billion for FY2021 from RMB23.918 billion for FY 2020 due to the increase in (gross floor area) GFA delivered to customers, partly offset by decrease in (average selling price) ASP achieved as a result of the change in the composition of product-mix delivered in line with Yanlord's delivery schedule in FY 2021 compared to FY2020. Revenue in FY2021 was mainly generated from Four Seasons Heming Gardens in Suzhou, Yanlord Four Seasons New Gardens in Shenzhen, Yanlord on the Park in Wuhan, Yanlord Majestic Mansion in Tianjin, Yanlord Gardens (Phase 1) in Nantong and Riverside Gardens in Suzhou, represented 14.2%, 11.7%, 9.5%, 8.8%, 7.5% and 7.0%, respectively of Yanlord's gross revenue from sales of properties in FY2021. Other contributors to the Group's revenue mainly included rental of investment properties, income from hotel operations as well as provision of property management services and other ancillary services and revenue from various non-properties businesses.

In line with the increase in GFA delivered, cost of sales, which mainly included land, construction and capitalised borrowing costs, increased by RMB10.691 billion to RMB25.901 billion in FY2021 from RMB15.210 billion in FY2020.

Yanlord's gross profit increased by 2.6% or RMB224 million to RMB8.932 billion in FY2021 compared to RMB8.708 billion in FY2020. Gross profit margin decreased by 10.8 percentage points to 25.6% in FY2021 from 36.4% in FY2020, primarily due to the change in the composition of product-mix delivered in the current reporting periods.

Other operating income and other gains decreased by 33.9% to RMB701 million in FY2021 from RMB1.060 billion in FY2020. The decrease in other operating income and other gains in current reporting periods was primarily due to decrease in interest income and the absence of compensation income resulted from return of partial interest in a property development investment to original shareholder.

Selling expenses decreased by RMB9 million to RMB621 million in FY 2021 compared to the corresponding periods in 2020. Administrative expenses increased by RMB335 million to RMB1.569 billion in FY2021 from RMB1.233 billion in FY2020. The administrative expenses in FY 2021 over FY2020 increased as a result of an increase in allowance for doubtful debts and bad debts written-off for other receivable and increase in staff costs, in line with the continuing growth of Yanlord's business. The net foreign exchange loss arose mainly due to conversion of different monetary currencies in ordinary course of business.

Other operating expenses increased by RMB21 million to RMB39 million in FY2021 from RMB18 million in FY2020 primarily due to increase in research and development cost and donations. Finance cost, net of capitalised interest, decreased by 33.1% or RMB510 million to RMB1.031 billion in FY2021 from RMB1.541 billion in FY2020. The decrease in finance cost was mainly due to decrease in interest on bank loans and other borrowings and an increase in interest capitalised.

Share of profit of associates were RMB37 million in FY2021 compared to share of loss of associates of RMB18 million in FY2020. Meanwhile, share of profit of joint ventures were RMB1.213 billion in FY 2021 compared to RMB38 million in FY 2020. The share of profit of joint ventures was mainly contributed by The Mansion In Park (Phase 1) in Tianjin, Riverbay Century Gardens in Nanjing, Yanlord Riverside Gardens in Hangzhou, Tangshan Nanhu Eco-City and Yanlord Century Gardens in Jinan and SinoSingapore Nanjing Eco Hi-tech Island.

As a result, Yanlord reported profit before income tax of RMB7.757 billion in FY2021 compared to RMB7.485 billion in FY2020. For the period, income tax expense of RMB3.719 billion was recorded as compared to the income tax expense of RMB3.832 billion a year ago. After adjusting for income tax expense, total profit for the year amounted to RMB4.037 billion versus RMB3.652 billion the same period a year ago. In the current period, Yanlord's profit attributable to owners of the Company was RMB2.656 billion compared to RMB2.592 billion recorded last year. Accordingly, Yanlord's reported an earnings per share of RMB137.51 cents in FY2021

Yanlord's FY2021 and FY2020 financial results are summarised in **Exhibit 27**.

Exhibit 27: Yanlord's 1FY202 and FY2022 Financial Results

RMB'000	FY2021	FY2020	y-o-y change
Revenue	34,833,134	23,918,075	45.6%
Cost of sales	(25,901,002)	(15,210,025)	-70.3%
Gross profit	8,932,132	8,708,050	2.6%
<i>Gross profit margin</i>	<i>25.6%</i>	<i>36.4%</i>	<i>NM</i>
Other operating income and other gains	700,859	1,060,074	-33.9%
Fair value gain on investment properties	133,405	1,119,581	-88.1%
Selling expenses	(621,200)	(630,259)	1.4%
Administrative expense	(1,568,582)	(1,233,435)	-27.2%
Other operating expense	(39,192)	(17,981)	-118.0%
Finance cost	(1,031,130)	(1,540,895)	33.1%
Share of profit/ (loss) of associates	37,303	(18,068)	NM
Share of profit of joint ventures	1,213,233	37,609	NM
Profit before income tax	7,756,828	7,484,676	3.6%
Income tax	(3,719,414)	(3,832,320)	2.9%
Profit for the year	4,037,414	3,652,356	10.5%
Profit attributable to:			
Owners of the company	2,656,030	2,591,883	2.5%
Non-controlling interest	1,381,384	1,060,473	30.3%
Earnings per share (RMB cents)	137.51	134.19	2.5%

Source: Yanlord

Review of Historical Financials

We also reviewed Yanlord's historical financial results to evaluate how it has performed prior to the Covid-19 pandemic. We note that Yanlord's revenue has generally increased over the years. However, Yanlord's revenue in FY2019 decreased to RMB18.666 billion from RMB24.888 billion in FY2018. This was mainly due to the decrease in GFA delivered to customers and lower ASP achieved in FY2019. Meanwhile, we note that Yanlord's gross profit margin has declined over the years from 47% in FY2017 to 26% in FY2021. The decrease in gross profit margin in FY2019 from FY2018 was in line with the decrease in GFA delivered in FY2019 compared to the corresponding period in FY2018 while the decrease in gross profit margin in FY2020 from FY2019 was the result of the change in the composition of product mix delivered in line with Yanlord's delivery schedule in FY2020 compared to FY2019.

We also note that Yanlord's share of profits of associates and joint venture companies varied across each year with FY2021 reporting the highest amount of RMB1.251 billion. It was mainly contributed by share of profit of Yanlord Seacoast Royale & New Tang's Mansion in Suzhou, The Mansion In Park (Phase 1) in Tianjin, Riverbay Century Gardens in Nanjing, Yanlord Riverside Gardens in Hangzhou, Tangshan Nanhu Eco-City and Yanlord Century Gardens in Jinan and SinoSingapore Nanjing Eco Hi-tech Island.

Further, we also note that over the past 5 years, Yanlord has maintained a dividend of 6.80 Singapore cents. Accordingly, Yanlord has a payout ratio of between 17.8% and 24.4% from FY2017 to FY2021. Based on Yanlord's closing price as at 31 December between FY2017 and FY2021, Yanlord has a dividend yield of between 4.2% and 6.1% over those years.

We have summarized Yanlord's historical financial figures in **Exhibit 28**.

Exhibit 28: Yanlord's Historical Financial Figures (FY2017-FY2021)

RMB' millions	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	25,638	24,888	18,666	23,918	34,833
Gross profit	12,044	11,455	7,684	8,708	8,932
Gross profit margin	47%	46%	41%	36%	26%
Share of profits of associated and joint venture companies	338	61	343	20	1,251
Total profit	5,620	5,395	5,188	3,652	4,037
Earnings per share (cents)	166.12	183.51	173.46	134.19	137.51
Dividend per share (cents)*	32.75	32.75	32.75	32.75	32.75
Payout ratio	19.7%	17.8%	18.9%	24.4%	23.8%
Closing price as at 31 December	1.62**	1.22	1.21	1.11	1.11
Dividend yield (%)***	4.2%	5.6%	5.6%	6.1%	6.1%

*The said dividend will be paid in Singapore dollar. The equivalent in RMB is calculated at the average exchange rate of S\$1:RMB4.8156

**Closing price as at 29.12.17

*** Calculated based on SGD cents

Source: Yanlord, Yahoo Finance, FPA Financial,

(II) Capital Management

Yanlord reported total asset of RMB154.448 billion as at 31 December 2021 compared to RMB146.560 billion as at 31 December 2020. The increase in total assets was mainly attributable to the increase in other receivables & deposits and cash & cash equivalents. At the same time, total liabilities increased to RMB110.593 billion as at 31 December 2021 from RMB105.942 billion as at 31 December 2020 mainly due to the increase in non-trade amounts due to joint ventures.

Consequently, Yanlord recorded total equity/ net assets of RMB43.856 billion as at 31 December 2021 compared to RMB40.618 billion as at 31 December 2020. Excluding non-controlling interest, net asset attributable to owners of the company amounted to RMB34.276 billion as at 31 December 2021. Accordingly, Yanlord's net asset value (NAV) per share stood at RMB17.75 based on 1.932 billion units in issued share capital.

A summary of Yanlord's balance sheet as at 31 December 2021 and 31 December 2020 is shown in **Exhibit 29** on the next page.

Exhibit 29: Summary of Yanlord's Balance Sheet as at 31 Dec 2021 and 31 Dec 2020

RMB'000	31-Dec-21	31-Dec-20
Total assets	154,448,436	146,559,825
Total liability	110,592,816	105,942,260
Total equity/ net assets	43,855,620	40,617,565
Net assets attributable to ordinary shareholders	34,275,680	31,204,146
Issued share capital	1,931,535,376	1,931,535,376
Net asset value per ordinary share (RMB)	17.75	16.16

Source: Yanlord

Borrowings and Debt Securities

We note that Yanlord's total debt increased to RMB43.041 billion as at 31 December 2021 from RMB42.882 billion as at 31 December 2020. Of Yanlord's total debt of RMB43.041 billion, RMB9.556 billion are current borrowings and RMB33.485 billion are non-current borrowings as shown in **Exhibit 30**.

Exhibit 30: Breakdown of Yanlord's Bank Borrowings and Debt Securities

RMB'000	31-Dec-21	31-Dec-20
Amount repayable within one year or less or on demand		
Secured	3,992,547	5,602,118
Unsecured	5,563,189	2,759,383
Total current borrowings	9,555,736	8,361,501
Amount repayable after one year		
Secured	16,859,384	17,373,748
Unsecured	16,626,021	17,146,674
Total non-current borrowings	33,485,405	34,520,422
Total debt	43,041,141	42,881,923

Source: Yanlord

We also note that Yanlord's borrowings and debt securities comprise of bank & other borrowings, senior notes and current loans from non-controlling shareholders. Bank & other loans amounted to RMB34.760 billion and senior notes amounted to RMB7.915 billion.

As at December 31, 2021, Yanlord's current non-trade amounts due to non-controlling shareholders of subsidiaries are interest-free, unsecured and repayable on demand except for the amounts of RMB366 million which bear interests at 6.0% to 9.5% per annum and are repayable within 1 year.

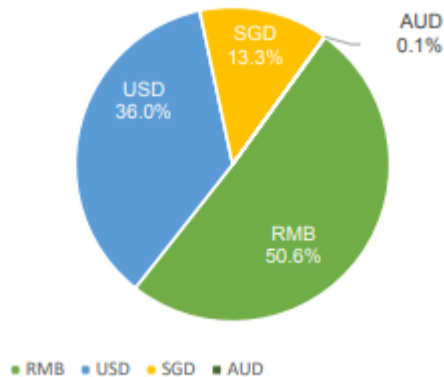
The summary of Yanlord's debt maturity profile for its total debt is shown in **Exhibit 31** on the next page.

Exhibit 31: Yanlord's Debt Maturity Profile as at 31 December 2021

(RMB million)	1 Year	>1 to<2	>2 to <5	>5	As at 31 Dec 2021
Bank and other loans					Total
RMB	4,496	5,309	6,471	5,137	21,414
USD	2,214	1,010	4,372	-	7,596
SGD	2,457	1,686	1,581	-	5,724
AUD	22	5	-	-	27
Sub-total	9,189	8,010	12,424	5,137	34,760
Senior notes					
2023 USD350	-	2,223	-	-	2,223
2024 USD400	-	-	2,534	-	2,534
2026 USD500	-	-	3,158	-	3,158
Sub-total	-	2,223	5,692	-	7,915
Amount due to NCI (Non controlling shareholders of subsidiaries)					
RMB	366	-	-	-	366
Sub-total	366	-	-	-	366
Grand-total	9,555	10,233	18,116	5,137	43,041

Source: Yanlord

In addition, we also note that Yanlord's total borrowing as at 31 December 2021 are exposed to RMB (50.6%), USD (36.0%), SGD (13.3%) and AUD (0.1%) as shown in **Exhibit 32**.

Exhibit 32: Yanlord's Currency Breakdown as at 31 December 2021

Source: Yanlord

With reference to **Exhibit 31**, Yanlord has three senior notes outstanding. The details of the three senior notes are as follows:

YLLGSP 6.750% 23Apr2023 Corp (USD)

The senior notes amounting to US\$350 million (equivalent to RMB2.223 billion) were issued by Yanlord on April 23, 2018 (Notes 2023) for a term of five years with maturity date on April 23, 2023, bears interest at 6.75% per annum with interest payable on April 23 and October 23 of each year, commencing on October 23, 2018. The senior notes are denominated in US dollars. Yanlord and five of its subsidiaries have provided a joint guarantee in respect of Notes 2023.

YLLGSP 6.800% 27Feb2024 Corp (USD)

The senior notes amounting to US\$400 million (equivalent to RMB2.534 billion) were issued by Yanlord on August 27, 2019 (Notes 2024) for a term of four and half years with maturity date on February 27, 2024, bears interest at 6.8% per annum with interest payable on February 27 and August 27 of each year, commencing on February 27, 2020. The senior notes are denominated in US dollars. Yanlord and five of its subsidiaries have provided a joint guarantee in respect of Notes 2024.

YLLGSP 5.125% 20May2026 Corp (USD)

The senior notes amounting to US\$500 million (equivalent to RMB3.158 billion) were issued by Yanlord on May 20, 2021 (Notes 2026) for a term of five years with maturity date on May 20, 2026, bears interest at 5.125% per annum with interest payable on May 20 and November 20 of each year, commencing on November 20, 2021. The senior notes are denominated in US dollars. Yanlord and five of its subsidiaries have provided a joint guarantee in respect of Notes 2026.

The summary of the three senior notes is shown in **Exhibit 33**.

Exhibit 33: Yanlord's Outstanding Senior Notes as at 31 December 2021

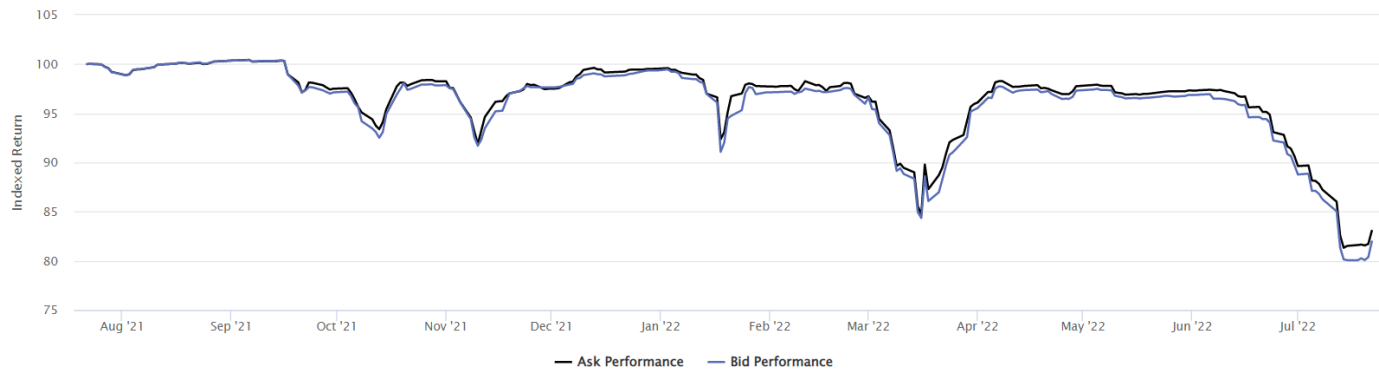
Senior notes	RMB' million	Tenor	Coupon rate	Issued date	Maturity date
Notes 2023 (USD 350m)	2,223	5.0	6.750%	23.4.2018	23.4.2023
Notes 2024 (USD400m)	2,534	4.5	6.800%	27.8.2019	27.2.2024
Notes 2026 (USD500m)	3,158	5.0	5.125%	20.5.2021	20.5.2026

Source: Yanlord

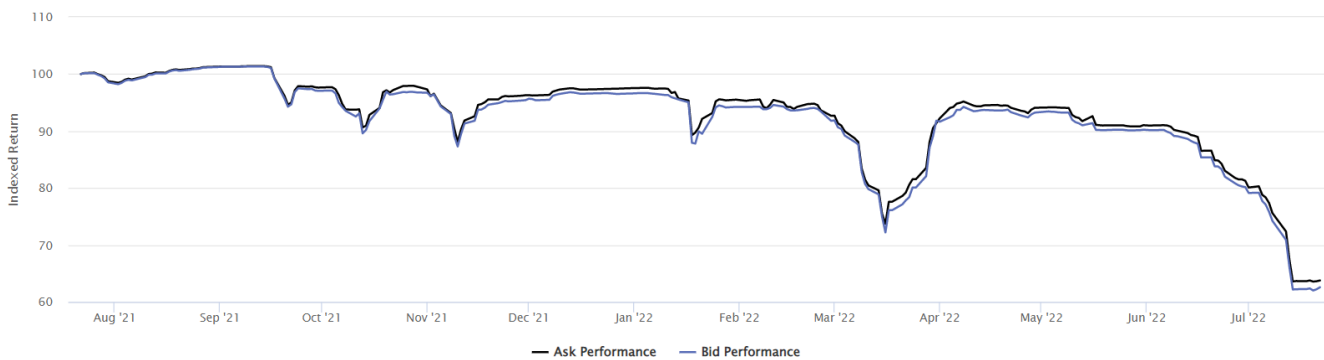
We also conducted a review of the three senior notes and noticed that the performance of the 3 bonds started to fall early June 2022 as shown in **Exhibit 34, 35 and 36**.

YLLGSP 6.750% 23Apr2023 Corp (USD)**Exhibit 34: Bond's 1-year performance**

Source: Bondsupermart

YLLGSP 6.800% 27Feb2024 Corp (USD)**Exhibit 35: Bond's 1-year performance**

Source: Bondsupermart

YLLGSP 5.125% 20May2026 Corp (USD)**Exhibit 36: Bond's 1-year performance**

Source: Bondsupermart

Given the above, as of the ask price of 22 July 2022, the yields of the 3 Yanlord bonds are shown in **Exhibit 37**.

Exhibit 37: Yanlord Bond Yields

Bonds	Coupon rate	Ask price as at 22 July 2022	Yield
YLLGSP 6.750% 23Apr2023 Corp (USD)	6.750%	90.029	7.50%
YLLGSP 6.800% 27Feb2024 Corp (USD)	6.800%	78.590	8.65%
YLLGSP 5.125% 20May2026 Corp (USD)	5.125%	59.892	8.56%

Source: Bondsupermart, FPA Financial

With reference to **Exhibit 37**, the three Yanlord bonds are all trading at a discount. However, we note that while Yanlord's bond have a total value of RMB7.92 billion (US\$1.25 billion), its cash & cash equivalents amounted to RMB21.55 billion (US\$3.19 billion). This means that Yanlord's financials are not stressed and it would be able to fully redeem the bonds if it deem fit. Having said that, as its bonds are trading at a discount, it could negatively impact the bond holders as they suffer capital losses if they choose to sell. In addition, it could also lower its credibility as discount bonds may indicate the investors' belief that Yanlord may face financial distress.

Net Debt to Equity Ratio

Net debt to equity ratio is calculated as total debt less cash and cash equivalents divided by total equity. As at 31 December 2021, Yanlord's borrowings were RMB43.041 billion and its cash & cash equivalents were RMB21.552 billion. Total debt includes bank and other borrowings, senior notes and certain non-trade amounts due to non-controlling shareholders of subsidiaries. Total equity comprises equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits, as well as non-controlling interests as shown in the consolidated statement of financial position. Hence, Yanlord's net debt to equity ratio decreased by 14.2 percentage points to 49.0% as at 31 December 2021, compared to 63.2% as at 31 December 2020 as shown in **Exhibit 38**.

Exhibit 38: Yanlord's Net Debt to Equity Ratio as at 31 December 2021 and 31 December 2020

RMB'000	31-Dec-21	31-Dec-20
Total debt	43,041,141	42,881,923
Cash and cash equivalents	(21,551,718)	(17,199,902)
Net debt	21,489,423	25,682,021
Total equity	43,855,620	40,617,565
Net debt to equity ratio	49.0%	63.2%

Source: Yanlord

With reference to **Exhibit 38**, we note that Yanlord's total debt decreased from RMB42.882 billion as at 31 December 2020 to RMB43.041 billion as at 31 December 2021. We note that during the period, Yanlord fully redeemed a senior note amounting to US\$450 million (equivalent to RMB2.869 billion) issued on January 23, 2017 for a term of five years with maturity date on January 23, 2022 and bears interest at 5.875% per annum. The senior notes were denominated in US dollars

POTENTIAL CATALYSTS

(I) Strong Contracted Pre-sales Performance

On 4 July 2022, Yanlord announced its unaudited key operating figures for June 2022. We note that in June 2022, Yanlord's total contracted pre-sales from residential and commercial units, and car parks amounted to approximately RMB12.578 billion on contracted gross floor area (GFA) of 219,500 square metres (sqm), an increase of 201.0% and 46.8% respectively compared to the corresponding period of 2021 as shown in **Exhibit 39**.

For the first half of 2022, Yanlord's total contracted pre-sales from residential and commercial units, and car parks was approximately RMB31.394 billion on contracted GFA of 629,694 sqm, an increase of 9.5% and a decrease of 30.0% respectively compared to the corresponding period of 2021 as shown in **Exhibit 39**.

Exhibit 39: Yanlord's Unaudited Key Operating Figures for June 2022

Period	Contracted Pre-sales (RMB billion)	YoY ¹ Change	Total Contracted GFA (sqm)	YoY ¹ Change
Contracted pre-sales of the Group together with its joint ventures and associates				
Month of June 2022	12.578	201.0%	219,500	46.8%
Month of June 2021	4.179		149,557	
First half of 2022	31.394	9.5%	629,694	(30.0)%
First half of 2021	28.681		898,943	

Source: Yanlord

With a strong and stable contracted pre-sale, it would ensure Yanlord to be able to recognise the revenue from property sales upon completion of the property. It would also provide a positive indication and certainty for investors towards Yanlord regarding its future revenue and profit.

In addition, on 12 July 2022, Yanlord announced that it garnered RMB4.316 billion pre-sales from 100% sellout at its inaugural launch of Suhe Century in Shanghai. Suhe Century is a joint venture project with Huafa Industrial Co., Ltd. Zhuhai, a China A-share listed enterprise. All the 304 apartment units with a GFA of 32,448 sqm were sold out at the inaugural launch, at an average selling price of approximately RMB133,000 per sqm.

(II) Land Acquisition

In FY2021, Yanlord deployed a total investment of approximately RMB22.617 billion to acquire a total of 12 new projects mainly located in Yangtze River Delta region, including Shanghai and Suzhou, as well as Wuxi and Yangzhou. The 12 new projects have a total GFA of approximately 1,243,000 sqm, the average land cost amounted to RMB18,137 per sqm and the attributable land cost amounted to RMB7.642 billion. Yanlord's land acquisition for FY2021 is shown in **Exhibit 40** on the next page.

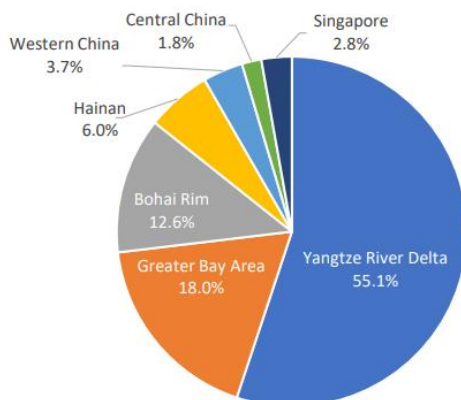
Exhibit 40: Yanlord's Land Acquisition for FY2021

City	Project Name	GFA (sqm)	Attributable Interest As at 31 Dec 2021	Total Land Cost RMB billion	Land Acquisition Methods
Tianjin	Star Century 恒美雅苑	96,000	51%	1.500	Public land auction
Shanghai	Moons Villa 仁恒·海明院	84,000	50%	0.482	Collaboration and acquisition
Wuxi	Central Lake 星湖雅园	167,000	15%	3.222	Public land auction
Yancheng	Yanlord The Mansion in Park (Nearby Small Land Parcel) 星岸家园 (附近小地块)	25,000	51%	0.293	Public land auction
1H 2021		372,000		5.497	
Wuxi	Cheng No. 2021-C-7 Land 澄 No. 2021-C-7 号地块	209,000	61%	3.477	Public land auction
Wuxi	Majestic Mansion 海和清舒院	42,000	51%	1.064	Public land auction
Shanghai	Shanghai Minhang District Minhang New City Meilong Community MHPO-0303 Unit 01-25-02 Land 上海闵行区闵行新城梅陇社区MHPO-0303单元01-25-02地块	98,000	45%	4.621	Public land auction
Suzhou	Suzhou No. 2021-WG-17 Land 苏 No. 2021-WG-17号地块	76,000	16.5%	2.163	Collaboration and acquisition
Wuhan	Yanlord Elegant Villa 仁恒西湖南岸	79,000	25%	0.829	Collaboration and acquisition
Wuxi	Wuxi No. 2021-52 XDG-2021-68 Land 锡国土 (经) 2021-52 XDG-2021-68号地块	242,000	1%	3.672	Public land auction
Yangzhou	Yangzhou West District New District Xiangming Lake Project 扬州西区新城香茗湖项目	85,000	50%	1.048	Collaboration and acquisition
Haikou	Yanlord Begonia Park (Phase 3) 仁恒海棠公园, 三期	40,000	51%	0.246	Collaboration and acquisition
2H 2021		871,000		17.120	

Source: Yanlord

(III) Landbank

Yanlord maintained its prudent landbank replenishment strategy in FY 2021, with a strategic focus on replenishing its landbank in the major cities such as Shanghai, Suzhou and Tianjin, as well as newly entered cities like Wuxi and Yangzhou. As of 31 December 2021, total landbank of Yanlord amounted to a total GFA of approximately 9.92 million sqm in 20 high-growth cities located in the six major economic regions of PRC and in Singapore. Of the total GFA, approximately 55.1% located in the Yangtze River Delta, 18.0% in the Greater Bay Area, 12.6% in Bohai Rim, 6.0% in Hainan, 3.7% in Western China, 2.8% in Singapore and 1.8% in Central China as shown in **Exhibit 41**.

Exhibit 41: Yanlord's Landbank Distribution as at 31 December 2021

Source: Yanlord

FINANCIAL PROJECTION

In this section, we will be providing our projections for Yanlord's revenue, earnings and distribution for FY2022 and FY2023

(I) Revenue Projection

China

As highlighted in the 'Industry Overview' section, we note that China's economy expanded by 4.8% in 1Q2022 and the Chinese government has a GDP growth target of 5.5% in 2022. In addition, CBRE also noted that there is a strong willingness to both purchase and sell in FY2022 and expects the real estate investment volume to increase by 10%-15% yoy in 2022. Hence, for our revenue projection for FY2022, we would assume a 12.5% growth, which is the midway point of CBRE's increase in real estate volume $= [(10\% + 15\%) / 2]$.

Accordingly, the projected China revenue for FY2022 would be RMB36.885 billion as follows:

- Projected China revenue for FY2022 = RMB32.787 billion (FY2021 actual revenue) x 112.5% (projected growth rate) = RMB36.885 billion

Looking ahead in FY2023, we would expect a stronger revenue performance amid the acceleration of vaccination rate leading to a stabilisation of the virus. According to Channel News Asia (CNA), as at 23 June 2022, about 88% of China's population were fully vaccinated. This could bode well for Yanlord as, with higher vaccination rates, the chances of infection would be lower and China would loosen its safety lockdown measures and allow the resumption of activities. Hence, this would allow Yanlord's projects to be completed on schedule, which will in turn improve Yanlord's revenue. According to IMF latest World Economic Outlook (WEO) report, China's economy is expected to grow by 5.1% in 2023. This positive outlook would allow consumers to regain confidence in the economy and improve consumer sentiment, leading to a higher property sales.

Considering the above, we would expect the revenue from China to increase according to IMF's GDP forecast for China. Accordingly, the projected revenue for FY2023 would be RMB38.767 billion, representing a 5.1% yoy growth compared to FY2022 as follows:

- Projected China revenue for FY2023 = RMB36.885 billion (FY2022 forecasted revenue) x 105.1% (projected growth rate) = RMB38.767 billion

Given the above, our projected revenue for China for FY2022 and FY2023 are summarized in **Exhibit 42**.

Exhibit 42: Projected China Revenue for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
China	32,786,984	36,885,357	38,766,510

Source: Yanlord, FPA Financial

Singapore

As shown in **Exhibit 9** on page 12, Yanlord's Singapore properties under development are Dairy Farm Residences and Leedon Green. However, as only Dairy Farm Residences is 100% owned by Yanlord, we will project the revenue to be recognised from this project. To determine the total sales value of the Dairy Farm Residences, we calculated the average sales price of the last 20 transactions and multiply the average sales value by total number of units for the project. The average sales price (based on last 20 transactions) of one unit of Dairy Farm Residences estimated to be S\$1.5 million as shown in **Exhibit 43**.

Exhibit 43: Average Sales Value of Dairy Farm Residences

No.	Project name	Price (\$)	Area (Sqft)	Unit Price (\$psf)	Date of Sale
1	DAIRY FARM RESIDENCES	1,343,600	764	1,758	Jun-22
2	DAIRY FARM RESIDENCES	1,513,900	936	1,617	Jun-22
3	DAIRY FARM RESIDENCES	1,626,000	1,012	1,607	Jun-22
4	DAIRY FARM RESIDENCES	1,227,700	710	1,728	May-22
5	DAIRY FARM RESIDENCES	1,339,700	764	1,753	May-22
6	DAIRY FARM RESIDENCES	1,801,200	1,141	1,579	May-22
7	DAIRY FARM RESIDENCES	1,850,000	1,141	1,621	May-22
8	DAIRY FARM RESIDENCES	1,628,400	1,001	1,627	May-22
9	DAIRY FARM RESIDENCES	1,787,300	1,141	1,566	May-22
10	DAIRY FARM RESIDENCES	1,286,500	764	1,683	Apr-22
11	DAIRY FARM RESIDENCES	1,635,300	1,012	1,616	Apr-22
12	DAIRY FARM RESIDENCES	1,438,800	936	1,536	Apr-22
13	DAIRY FARM RESIDENCES	1,566,100	936	1,672	Apr-22
14	DAIRY FARM RESIDENCES	1,186,200	710	1,670	Apr-22
15	DAIRY FARM RESIDENCES	1,259,400	721	1,746	Mar-22
16	DAIRY FARM RESIDENCES	1,600,700	1,012	1,582	Mar-22
17	DAIRY FARM RESIDENCES	1,458,700	915	1,594	Mar-22
18	DAIRY FARM RESIDENCES	1,335,900	710	1,880	Mar-22
19	DAIRY FARM RESIDENCES	1,346,300	710	1,895	Mar-22
20	DAIRY FARM RESIDENCES	1,342,000	710	1,889	Mar-22
Average	DAIRY FARM RESIDENCES	1,478,685	887	1,681	-

Source: URA, FPA Financial

With the average sales value of one unit, the estimated attributable total sales value of Dairy Farm Residences would be S\$680.20 million = [460 units x S\$1.5 million].

For Dairy Farm Residences, as at 31 December 2021, the project was 47% completed and the percentage of sales completion was at 81%. The attributable revenue recognised of S\$319.69 million up till 31 December 2021 was based on the 47% completion as at 31 December 2021. The balance attributable revenue to be recognised for FY2022 and FY2023 would be recognised based on the completion of the project in FY2022 and FY2023. In addition, according to Yanlord, Dairy Farm Residences is expected to be completed in December 2022. In our projections, we would assume for the construction of this project to be fully completed by 31 December 2022 (FY2022).

The summary of the total units, sales completion as at 31 December 2021, attributable total sales value, completion as at 31 December 2021, attributable revenue recognised up to 31 December 2021, balance attributable revenue to be recognised for FY2022 and FY2023 and the expected completion date for Dairy Farm Residences is shown in **Exhibit 44**.

Exhibit 44: Summary of Dairy Farm Residences as at 31 December 2021

Project name	Total units	Sales completion as at 31 December 2021		Attributable total sales value	% Completion as at 31 December 2021	Attributable revenue recognised up to 31 December 2021	Balance attributable revenue to be recognised for FY2022 and FY2023	Expected completion
		Unit sold ⁽¹⁾	% sold					
Dairy Farm Residences	460	374	81%	680.20	47%	319.69	360.50	Dec-22

(1) based on URA data

Source: Yanlord, URA, FPA Financial

As highlighted in the 'Industry Overview' section, the demand for Singapore private residential market remains strong. Buying sentiment is expected to remain strong with the re-opening of borders and the decline in number of new launches. The URA property price index also rose by 3.2% qoq in 2Q2022. Various commercial real estate services companies also forecasted growth in private residential prices of between 1% and 7% in 2022, as shown in **Exhibit 24** on page 23. Hence, we believe the positive buying momentum will continue into FY2022 and FY2023.

Projected Sales for Dairy Farm Residences

As at 22 July 2022, according to URA data, in FY2022, a total of 86 units have been sold. Including the 86 units sold, the Dairy Farm Residences has been fully sold as shown in **Exhibit 45**.

Exhibit 45: Projected Sales for Dairy Farm Residences for FY2022 and FY2023

Project name	Sales completion as at 31 December		Projected units sold		Projected % of units sold	
	Unit	%	FY2022	FY2023	FY2022	FY2023
Dairy Farm Residences	374	81%	86	0	100%	100%

Source: Yanlord, URA, FPA Financial

Projected Revenue to Recognise for Dairy Farm Residences

As the Dairy Farm Residences project is expected to be completed by FY2022 and that the project is 100% sold, the balance attributable revenue of S\$360.5 million will be fully recognised in FY2022 as shown in **Exhibit 46**.

Exhibit 46: Projected Revenue to Recognise for Dairy Farm Residences for FY2022 and FY2023

Project name	Attributable total sales value	% Completion as at 31 December 2021	Projected units sold		Projected revenue to recognise (S\$ million)	
			FY2022	FY2023	FY2022	FY2023
Singapore	S\$ million	%				
Dairy Farm Residences	680.2	47%	86	0	360.5	0.0

Source: Yanlord, URA, FPA Financial

Accordingly, the projected Singapore revenue in RMB from Dairy Farm Residences would be as follows:

- Projected Singapore FY2022 revenue in RMB from Dairy Farm Residences = S\$360.5 million (FY2022 projected) x 4.8156 (SGDRMB exchange rate) = RMB1.736 billion

In addition, we also note from **Exhibit 5** on page 8 that Yanlord has other offices, shop & retail, and hotel & serviced apartment buildings in its portfolio. To project the revenue for these Singapore properties, we would use Yanlord's FY2019 Singapore revenue as a proxy. In FY2019, the percentage of completion of Dairy Farm Residences was 0%, hence, the revenue contribution from Singapore would be based on the three Singapore properties that Yanlord owned, namely Park Avenue Robertson, Rochester Mall and Park Avenue Rochester and UE Bizhub City. The three properties had a GFA of 102,146 sqm and the Singapore's revenue contribution was RMB96.8 million. As at 31 December 2021, Yanlord's Singapore completed development properties has a GFA of 251,976 sqm.

Given the above, assuming a 10% increase in rental from FY2019 to FY2022, a 5% yoy increase in rental from FY2022 to FY2023 and using the GFA as a proxy, the projected revenue contribution from Yanlord Singapore completed development properties for FY2022 and FY2023 would amount to RMB262.7 million and RMB275.9 million respectively, as follows:

- Projected Singapore FY2022 revenue for completed development properties = RMB96.8 million (FY2019 actual) x (251,976 sqm / 102,146 sqm) (increased in GFA from FY2019 to FY2022) x 110% (projected growth rate) = RMB262.7 million
- Projected Singapore FY2023 revenue for completed development properties = RMB262.7 million (FY2022 projected) x 1.05% (projected growth rate) = RMB275.9 million

Accordingly, our projected revenue in RMB for Singapore for FY2022 and FY2023 are as follows and summarized in **Exhibit 47**.

- Projected Singapore FY2022 revenue for =RMB1.736 billion (projected revenue from Dairy Farm Residences) + RMB262.7 million (projected revenue from completed development properties)
- Projected Singapore FY2023 revenue = RMB275.9 million (projected revenue from completed development properties)

Exhibit 47: Projected Singapore Revenue for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Singapore	1,623,654	1,998,786	275,883

Source: Yanlord, FPA Financial

Total Revenue

We note that historically, the “Others” segment represents around 1%-2% of Yanlord’s total revenue for FY2020 and FY2021 as shown in **Exhibit 48**.

Exhibit 48: Yanlord’s Historical Total Revenue

RMB '000	FY2020		FY2021	
	Revenue	Contribution (%)	Revenue	Contribution (%)
China	22,815,215	95.4%	32,786,984	94.1%
Singapore	703,993	2.9%	1,623,654	4.7%
Others	398,867	1.7%	422,496	1.2%
Total	23,918,075	100.0%	34,833,134	100.0%

Source: Yanlord, FPA Financial

Given the above, we would assume the revenue contribution of 1.2% for “Others” for total revenue projections for FY2022 and FY2023. Accordingly, the projected “Others” revenue would amount to RMB472.3 million and RMB474.2 million for FY2022 and FY2023 respectively as follows:

- Projected revenue for “Others” for FY2022 = 1.2% (revenue contribution) x (RMB36,766.5 million (China’s revenue) + RMB1,998.8 million (Singapore’s revenue) / (93.7% (China’s revenue contribution) + 5.1% (Singapore’s revenue contribution)) = RMB472.3 million
- Projected revenue for “Others” for FY2023 = 1.2% (revenue contribution) x (RMB38,766.5 million (China’s revenue) + RMB275.9 million (Singapore’s revenue) / (98.1% (China’s revenue contribution) + 0.7% (Singapore’s revenue contribution)) = RMB474.2 million

Our projected total revenue for FY2022 and FY2023 are summarized in **Exhibit 49**.

Exhibit 49: Projected Total Revenue for FY2022 and FY2023

RMB '000	FY2020		FY2021		Forecast			
	Revenue	Contribution (%)	Revenue	Contribution (%)	FY2022	Contribution (%)	FY2023	Contribution (%)
China	22,815,215	95.4%	32,786,984	94.1%	36,885,357	93.7%	38,766,510	98.1%
Singapore	703,993	2.9%	1,623,654	4.7%	1,998,786	5.1%	275,883	0.7%
Others	398,867	1.7%	422,496	1.2%	472,277	1.2%	474,199	1.2%
Total	23,918,075	100.0%	34,833,134	100.0%	39,356,420	100.0%	39,516,593	100.0%

Source: Yanlord, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2022 and FY2023, we will now estimate Yanlord's earnings for these periods

Gross Profit

For our gross profit projections, we will consider Yanlord's historical gross margins. We note that from FY2019 to FY2021, Yanlord's gross profit margins had decreased from 41.2% to 25.6%. For FY2022, considering that there has been a few lockdown measures introduced due to China's "Covid-Zero" policy, we would assume FY2021's gross margin of 25.6%. For FY2023, we would assume the same gross profit margin of 25.6%. Accordingly, the projected gross profit for FY2022 and FY2023 would be RMB10.092 billion and RMB10.133 billion respectively as shown **Exhibit 50**.

Exhibit 50: Projected Gross Profit for FY2022 and FY2023

RMB '000	Actual			Forecast	
	FY2019	FY2020	FY2021	FY2022	FY2023
Total revenue	18,666,358	23,918,075	34,833,134	39,356,420	39,516,593
Cost of sales	(10,982,715)	(15,210,025)	(25,901,002)	(29,264,399)	(29,383,499)
Gross profit	7,683,643	8,708,050	8,932,132	10,092,022	10,133,094
Gross profit margin	41.2%	36.4%	25.6%	25.6%	25.6%

Source: Yanlord, FPA Financial

Other Operating Income and Other Gains

As noted on page 26, other operating income and other gains decreased by 33.9% due to the absence of compensation income resulted from return of partial interest in a property development investment to original shareholder. As the compensation income is a one-off incident, we would assume the same other operating income and other gains of RMB700.9 million for FY2022. We will further assume this figure for FY2023 as shown in **Exhibit 51**.

Exhibit 51: Projected Other Operating Income And Other Gains for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Other operating income and other gains	700,859	700,859	700,859

Source: Yanlord, FPA Financial

Fair Value Gain on Investment Properties

As shown in Exhibit 22, the decrease in fair value gain on investment properties in FY2021 was mainly due to lower fair value gain on investment properties. For FY2022 and FY2023, we would assume net change in fair value of investment properties to be zero.

Expenses

There are three types of expense for Yanlord: Selling expense, Administrative expense and Other operating expense. Over the period from FY2019 to FY2021, while the total revenue increased, the percentage of revenue for selling expense decreased from 3.1% to 1.8% and the percentage of revenue for administrative expense decreased from 6.1% to 4.5%. Meanwhile, the percentage of revenue for other operating expenses remained at 0.1%. As we are projecting an increase in revenue for FY2022 and FY2023, we would use the selling expense and administrative expense as percentage of revenue of 1.8% and 4.5% respectively for FY2021 as a proxy for our projections for FY2022 and FY2023. Accordingly, the projected selling expense, administrative expense and other operating expense is shown in **Exhibit 52**.

Exhibit 52: Projected Expenses for FY2022 and FY2023

RMB '000	Actual			Forecast	
	FY2019	FY2020	FY2021	FY2022	FY2023
Total revenue	18,666,358	23,918,075	34,833,134	39,356,420	39,516,593
Selling expenses	(574,450)	(630,259)	(621,200)	(701,866)	(704,723)
as % of revenue	-3.1%	-2.6%	-1.8%	-1.8%	-1.8%
Administrative expenses	(1,145,427)	(1,233,435)	(1,568,582)	(1,772,272)	(1,779,484)
as % of revenue	-6.1%	-5.2%	-4.5%	-4.5%	-4.5%
Other operating expenses	(11,013)	(17,981)	(39,192)	(44,281)	(44,462)
as % of revenue	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%

Source: Yanlord, FPA Financial

Finance Cost

As shown in Exhibit 26, Yanlord's borrowings are denominated in RMB, USD, SGD and AUD. Based on Yanlord's debt maturity profile, the estimated debt for FY2022 and FY2023 would be RMB33,487 million and RMB23,254 million as shown in **Exhibit 53**.

Exhibit 53: Estimated debt for FY2022 and FY2023

RMB millions	Banks and other loans	Senior Notes
FY2022		
RMB	16,918	-
USD	5,382	7,915
SGD	3,267	-
AUD	5	-
Total	25,572	7,915
Total for FY2022		33,487
FY2023		
RMB	11,609	-
USD	4,372	5,692
SGD	1,581	-
AUD	-	-
Total	17,562	5,692
Total for FY2023		23,254

Source: Yanlord, FPA Financial

To project the interest expense on loans and borrowings, we would be using the average of the 10-year bond yield of the respective currencies for the first 7 months of FY2022 as a proxy for interest rate for FY2022. Accordingly, the interest rate for RMB, USD, SGD and AUD for FY2022 would be 2.81%, 2.51%, 2.41% and 2.92% as shown in **Exhibit 54**.

We note that the average 10-year bond yield increased for USD, SGD and AUD by 1.06ppt, 0.89ppt and 1.36ppt respectively from FY2021 to FY2022. For FY2023, we would assume the same increase in percentage points in 10-year bond yield as a proxy for our interest expense on loans and borrowings. Accordingly, the interest rate for USD, SGD and AUD for FY2023 would be 3.57%, 3.30% and 4.29% respectively. We note that China's average 10-year bond yield decreased by 0.22ppt in FY2022 from FY2021. While we note that China may continue to provide stimulus to support the capital market and introduce market-friendly policies to stabilize capital markets & bolster economic growth, we would assume the same interest rate of 2.81% in FY2022 for the RMB denominated loans for FY2023 as shown in **Exhibit 54**.

Exhibit 54: 10-Year Bond Yield

Currency	10-year bond yield (%)				
	FY2021	FY2022 ⁽¹⁾	Yoy change (percentage points)	FY2023	Yoy change (percentage points)
RMB	3.03%	2.81%	-0.22%	2.81%	0.00%
USD	1.45%	2.51%	1.06%	3.57%	1.06%
SGD	1.52%	2.41%	0.89%	3.30%	0.89%
AUD	1.56%	2.92%	1.36%	4.29%	1.36%

(1) Average of the first 7 months of FY2022 (as at 15 July 2022)

Source: MAS, WSJ, FPA Financial

(a) FY2022

Given the above breakdown of banks & other loans, senior notes and the interest rate projections, the projected finance cost for FY2022 would be as follows:

- Interest expense on RMB loans and borrowings in FY2022 = RMB16,918 million (bank and other loans) x 2.81% (interest rate) = RMB474.7 million
- Interest expense on USD loans and borrowings in FY2022 = RMB5,382 million (bank and other loans) x 2.51% (interest rate) = RMB135.0 million
- Interest expense on SGD loans and borrowings in FY2022 = RMB3,267 million (bank and other loans) x 2.41% (interest rate) = RMB78.7 million
- Interest expense on AUD loans and borrowings in FY2022 = RMB5 million (bank and other loans) x 2.92% (interest rate) = RMB0.1 million

As the senior notes are denominated in USD, we would assume UOB's USDCNY 4Q2022 forecast of 6.85, as shown in **Exhibit 55**, as the exchange rate in our projections.

Exhibit 55: UOB'S USDRMB 12-month Forecast

UOB's FX forecast	3Q22	4Q22	1Q23	2Q23
USDRMB	6.80	6.85	6.90	6.90

Source: UOB

Accordingly, the interest expense on all three senior notes (after conversion to RMB) are as follows:

- Interest expense on Senior Note 2023 (USD350) = USD350 million x 6.85 (USDRMB exchange rate) x 6.750% (coupon rate) = RMB161.8 million
- Interest expense on Senior Note 2024 (USD400) = USD400 million x 6.85 (USDRMB exchange rate) x 6.800% (coupon rate) = RMB186.3 million
- Interest expense on Senior Note 2026 (USD500) = USD500 million x 6.85 (USDRMB exchange rate) x 5.125% (coupon rate) = RMB175.5 million

The total interest expense on all three senior notes in FY2022 would amount to RMB523.7 million as follows:

- Total interest expense on senior notes = RMB161.8 million (interest expense for Senior note 2023) + RMB186.3 million ((interest expense for Senior note 2024) + RMB175.5 million (interest expense for Senior note 2026) = RMB523.7 million

The summary of the projected interest expense for FY2022 is shown in **Exhibit 56**.

Exhibit 56: Projected Interest Expense for FY2022

RMB million	Banks and other loans	Interest expense	Senior Notes	Interest expense	Total interest expense
FY2022					
RMB	16,918.0	474.7	-		474.7
USD	5,382.0	135.0	7,915.0	523.7	658.7
SGD	3,267.0	78.7	-		78.7
AUD	5.0	0.1	-		0.1
Total	25,572.0	688.6	7,915.0	523.7	1,212.3

Source: Yanlord, FPA Financial

(b) FY2023

Similarly, as Yanlord has loans that are denominated in USD, we will estimate the interest expense in RMB. It was recently reported on Wall Street Journal (WSJ) that Federal Reserve (Fed) officials have signalled they are likely to raise interest rates by 0.75 percentage point in July, for the second straight meeting, as part of an aggressive effort to combat high inflation. We thus expect more interest rate hikes for the remainder of FY2022. In addition, with reference to **Exhibit 55**, UOB is also expecting USDRMB to increase from 6.80 in 3Q2022 to 6.90 in 2Q2023. Hence, we believe there is a possibility that USD could appreciate against RMB. Given the above, we would assume a USDRMB rate of 7.000 for FY2023.

As we are projecting an increase in USDRMB exchange rate from 6.85 to 7.00, representing an increase of 2.2%, we would expect the interest expense on USD loans and borrowings to increase by 2.2% as follows:

- Interest expense on USD loans and borrowings in FY2023 = RMB4,372 million (bank and other loans) x 3.57% (interest rate) x 1.022% (increase in USDRMB) = RMB159.6 million

Given the above breakdown of banks & other loans, senior notes and the interest rate projections, the projected interest expense for RMB and SGD loans for FY2023 would be as follows:

- Interest expense on RMB loans and borrowings in FY2023 = RMB11,609 million (bank and other loans) x 2.81% (interest rate) = RMB325.8 million
- Interest expense on SGD loans and borrowings in FY2023 = RMB1,581 million (bank and other loans) x 3.30% (interest rate) = RMB52.1 million

Accordingly, the interest expense on all three senior notes (after conversion to RMB) are as follows:

- Interest expense on Senior Note 2023 (USD350) = $4/12$ (4 months interest for senior note maturing in April 2023) x USD350 million x 7.00 (USDRMB exchange rate) x 6.750% (coupon rate) = RMB55.1 million
- Interest expense on Senior Note 2024 (USD400) = USD400 million x 7.00 (USDRMB exchange rate) x 6.800% (coupon rate) = RMB190.4 million
- Interest expense on Senior Note 2026 (USD500) = USD500 million 7.00 (USDRMB exchange rate) x 5.125% (coupon rate) = RMB179.4 million

The total interest expense on all three senior notes in FY2023 would amount to RMB424.9 million as follows:

- Total interest expense on senior notes = RMB55.1 million (interest expense for Senior note 2023) + RMB190.4 million ((interest expense for Senior note 2024) + RMB179.4 million (interest expense for Senior note 2026) = RMB424.9 million

The summary of the projected interest expense for FY2023 is shown in **Exhibit 57**.

Exhibit 57: Projected Interest Expense for FY2023

RMB million	Banks and other loans	Interest expense	Senior Notes	Interest expense	Total interest expense
FY2023					
RMB	11,609.0	325.8	-		325.8
USD	4,372.0	159.6	5,692	424.9	584.5
SGD	1,581.0	52.1	-		52.1
AUD	-	-	-		-
Total	17,562.0	537.5	5,692.0	424.9	962.4

Source: Yanlord, FPA Financial

The summary of the projected finance cost for FY2022 and FY2023 is shown in **Exhibit 58**.

Exhibit 58: Projected Finance Cost for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Finance cost	(1,031,130)	(1,212,263)	(962,396)

Source: Yanlord, FPA Financial

Share of Profit/ (Loss) of Associates and Joint Ventures

We note that historically, the share of profits/ (loss) of associate and joint ventures varies. For our projections, we would assume the 3-year average the share of profit of associate and joint ventures as a proxy for FY2022 and FY2023. The 3-year average the share of profit of associate and joint ventures are RMB31.0 million and RMB506.8 million as shown in **Exhibit 59**.

Exhibit 59: Yanlord's Historical Share of Profit/ (Loss) of Associates and Joint Ventures

RMB'000	Actual			
	FY2019	FY2020	FY2021	Average
Share of profit/ (loss) of associates	73,716	(18,068)	37,303	30,984
Share of profit of joint ventures	269,473	37,609	1,213,233	506,772

Source: Yanlord, FPA Financial

In addition, as shown in **Exhibit 9** on page 12, Yanlord has a 50% interest in Leedon Green and the project is jointly developed by Yanlord and MCL Land Limited. Hence, we will project the share of profit from this joint venture. To determine the total sales value of the Leedon Green, we calculated the average sales price of the last 20 transactions and multiply the average sales value by total number of units for the project. The average sales price (based on last 20 transactions) of one unit of Leedon Green estimated to be S\$2.0 million as shown in **Exhibit 60**.

Exhibit 60: Average Sales Value of Leedon Green

No.	Project name	Price (\$)	Area (Sqft)	Unit Price (\$psf)	Date of Sale
1	LEEDON GREEN	1,513,000	581	2,603	Jul-22
2	LEEDON GREEN	1,743,000	667	2,612	Jul-22
3	LEEDON GREEN	2,876,000	958	3,002	Jul-22
4	LEEDON GREEN	1,715,000	667	2,570	Jun-22
5	LEEDON GREEN	2,156,000	700	3,081	Jun-22
6	LEEDON GREEN	1,867,000	710	2,628	Jun-22
7	LEEDON GREEN	1,865,000	614	3,040	Jun-22
8	LEEDON GREEN	2,000,000	710	2,815	Jun-22
9	LEEDON GREEN	2,652,000	958	2,768	Jun-22
10	LEEDON GREEN	2,862,000	958	2,987	Jun-22
11	LEEDON GREEN	1,873,000	710	2,636	Jun-22
12	LEEDON GREEN	3,066,000	1,044	2,936	Jun-22
13	LEEDON GREEN	2,090,000	700	2,987	Jun-22
14	LEEDON GREEN	1,520,000	581	2,615	Jun-22
15	LEEDON GREEN	1,871,000	614	3,049	Jun-22
16	LEEDON GREEN	1,955,000	700	2,794	Jun-22
17	LEEDON GREEN	1,881,000	710	2,648	Jun-22
18	LEEDON GREEN	1,735,000	667	2,600	Jun-22
19	LEEDON GREEN	1,761,000	614	2,870	Jun-22
20	LEEDON GREEN	1,898,000	710	2,672	Jun-22
Average	LEEDON GREEN	2,044,950	729	2,796	-

Source: URA, FPA Financial

With the average sales value of one unit, the estimated attributable total sales value of Leedon Green would be S\$1,304.7 million = [638 units x S\$2.0 million].

For Leedon Green, as at 31 December 2021, the project was 30% completed and the percentage of sales completion was at 49%. The attributable revenue recognised of S\$391.4 million up till 31 December 2021 was based on the 30% completion as at 31 December 2021. The balance attributable revenue to be recognised for FY2022 and FY2023 would be recognised based on the completion of the project in FY2022 and FY2023. In addition, according to Yanlord, Leedon Green is expected to be completed in June 2023. In our projections, we would assume for the construction of this project to be fully completed by 31 December 2023 (FY2023).

The summary of the total units, sales completion as at 31 December 2021, attributable total sales value, completion as at 31 December 2021, attributable revenue recognised up to 31 December 2021, balance attributable revenue to be recognised for FY2022 and FY2023 and the expected completion date for Leedon Green is shown in **Exhibit 61**.

Exhibit 61: Summary of Leedon Green as at 31 December 2021

Project name	Total units	Sales completion as at 31 December 2021		Attributable total sales value	% Completion as at 31 December 2021	Attributable revenue recognised up to 31 December 2021	Balance attributable revenue to be recognised for FY2022 and FY2023	Expected completion
		Unit sold ⁽¹⁾	% sold					
Singapore	Unit	Unit sold ⁽¹⁾	% sold	S\$ million	%	S\$ million	S\$ million	Period
Leedon Green	638	314	49%	1,304.68	30%	391.40	913.27	Jun-23

Source: Yanlord, FPA Financial

Projected Sales for Leedon Green

As at 22 July 2022, according to URA data, a total of 414 units have been sold. Out of the 414 units, 100 units were sold in FY2021. With the strong demand for private residences, we project that 100 more units will be sold for the remaining 5 months for FY2022. For FY2023, we expect the remaining 124 units to be sold as shown in **Exhibit 62**.

Exhibit 62: Projected Sales for Leedon Green for FY2022 and FY2023

Project name	Sales completion as at 31 December		Projected units sold		Projected % of units sold	
	Unit	%	FY2022	FY2023	FY2022	FY2023
Leedon Green	314	49%	200	124	81%	100%

Source: Yanlord, FPA Financial

Projected Revenue to Recognise for Leedon Green

For Leedon Green, the projected revenue to recognize would be based on the completion of the project. According to Housing Developers Rules, payments for uncompleted projections or building under construction will be collected progressively as shown in **Exhibit 63**.

Exhibit 63: Progressive Payment Schedule

Stage of construction	Description	Percentage of purchase price
1	Signing the Sales and Purchase Agreement	20%
2	Foundation work	10%
3	Reinforced concrete work	10%
4	Partition walls	5%
5	Roofing	5%
6	Door sub-frames/ door frames, window frames, electrical wiring (without fittings), internal plastering, and plumbing	5%
7	Car parks roads, and drains serving the housing project	5%
8	Building; roads, drainage, and sewage works; connection of water; and electricity and gas supplies (At this stage, the Temporary Occupation permit (TOP) is normally released)	25%
9	Final Payment Date and/ or Completion	15%

Source: Singapore Statutes Online

Considering the payment progressive schedule on the previous page, with the expected completion date of Leedon to be by 2023, we would assume that stages 1-6 would be completed by FY2022 and stages 7-9 to be completed by FY2023. Accordingly, the projected percentage completion to recognise for FY2022 and FY2023 would be 55% and 100% as shown in **Exhibit 63**. As a result, the projected revenue recognised for Leedon Green for FY2022 and FY2023 would be S\$326.2 million and S\$587.1 million respectively as follows:

- Projected revenue to recognise for Leedon Green for FY2022: = [55%-30% (projected % completion for the year) x S\$1,304.7 million (attributable total sales value)] = S\$326.2 million
- Projected revenue to recognise for Leedon Green for FY2023: = [100%-55% (projected % completion for the year) x S\$1,304.7 million (attributable total sales value)] = S\$587.1 million

The summary of the projected revenue to recognise for Leedon Green is shown in **Exhibit 64**.

Exhibit 64: Projected Revenue to Recognise for Leedon Green for FY2022 and FY2023

Project name	Attributable total sales value	% Completion as at 31 December 2021	Projected % completion to recognise		Projected revenue to recognise (S\$ million)	
			FY2022	FY2023	FY2022	FY2023
Singapore	S\$ million	%	FY2022	FY2023	FY2022	FY2023
Leedon Green	1,304.68	30%	55%	100%	326.17	587.11

Source: Yanlord, FPA Financial

Accordingly, the projected Singapore revenue in RMB from Leedon Green would be as follows:

- Projected FY2022 revenue in RMB from Leedon Green = S\$326.2 million (FY2022 projected) x 4.8156 (SGDRMB exchange rate) = RMB1.571 billion
- Projected FY2023 revenue in RMB from Leedon Green = S\$587.1 million (FY2023 projected) x 4.8156 (SGDRMB exchange rate) = RMB2.827 billion

Based on Yanlord's historical profit before income tax margin, the margin decreased from 31.3% in FY2020 to 22.3% in FY2021 as shown in **Exhibit 65**. For our projections, we would assume the Leedon Green project to have a profit before income tax margin of 22.3% as recorded in FY2021.

Exhibit 65: Yanlord's Historical Profit Before Income Tax Margin

RMB'000	FY2020	FY2021
Revenue	23,918,075	34,833,134
Profit before income tax	7,484,676	7,756,828
Profit before income tax margin	31.3%	22.3%

Source: Yanlord, FPA Financial

In addition, considering Yanlord's 50% interest in the project, Yanlord's share of profit from the Leedon Green for FY2022 and FY2023 would be RMB174.9 million and RMB314.8 million respectively as follow:

- Projected FY2022 profit from Leedon Green = RMB1.571 billion (FY2022 projected revenue) x 22.3% (profit before income tax margin) x 50% (interest attributable to Yanlord) = RMB174.9 million
- Projected FY2023 profit from Leedon Green = RMB2.827 billion (FY2023 projected revenue) x 22.3% (profit before income tax margin) x 50% (interest attributable to Yanlord) = RMB314.8 million

Accordingly, the share of profit of joint venture for FY2022 and FY2023 would be RMB681.7 million and RMB821.6 million respectively as follows:

- Projected FY2022 share of profit of joint ventures = RMB506.8 million (projected profit) + RMB174.9 million (profit from Leedon Green) = RMB681.7 million
- Projected FY2023 share of profit of joint ventures = RMB506.8 million (projected profit) + RMB314.8 million (profit from Leedon Green) = RMB821.6 million

The summary of the projected share of profit of associates and joint venture is shown in **Exhibit 66**.

Exhibit 66: Projected Share Of Profit Of Associates And Joint Venture for FY2022 and FY2023

RMB'000	Actual				Forecast	
	FY2019	FY2020	FY2021	Average	FY2022	FY2023
Share of profit/ (loss) of associates	73,716	(18,068)	37,303	30,984	30,984	30,984
Share of profit of joint ventures	269,473	37,609	1,213,233	506,772	681,658	821,567

Source: Yanlord, FPA Financial

Profit Before Income Tax

Given the above projections, we estimate a profit before tax of RMB7,774.8 million in FY2022 and RMB8,195.4 million in FY2023 as shown in **Exhibit 67**.

Exhibit 67: Projected Profit Before Income Tax for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Revenue	34,833,134	39,356,420	39,516,593
Cost of sales	(25,901,002)	(29,264,399)	(29,383,499)
Gross profit	8,932,132	10,092,022	10,133,094
Other operating income and other gains	700,859	700,859	700,859
Fair value gain on investment properties	133,405	-	-
Selling expenses	(621,200)	(701,866)	(704,723)
Administrative expense	(1,568,582)	(1,772,272)	(1,779,484)
Other operating expense	(39,192)	(44,281)	(44,462)
Finance cost	(1,031,130)	(1,212,263)	(962,396)
Share of profit/ (loss) of associates	37,303	30,984	30,984
Share of profit of joint ventures	1,213,233	681,658	821,567
Profit before income tax	7,756,828	7,774,839	8,195,439

Source: Yanlord, FPA Financial

Income Tax

We note that Yanlord's effective tax rate for FY2020 and FY2021 was 51% and 48% respectively. As we do not have sufficient information to appropriately estimate the effective tax rate, we would assume the effective tax rate to remain unchanged for FY2022 and FY2023 at 48%. Accordingly, the income tax expense in FY2022 and FY2023 would amount to RMB3,728.1 million and RMB3,929.7 million as shown in **Exhibit 68**.

Exhibit 68: Projected Income Tax for FY2022 and FY2023

RMB'000	Actual		Forecast	
	FY2020	FY2021	FY2022	FY2023
Profit before income tax	7,484,676	7,756,828	7,774,839	8,195,439
Income tax	(3,832,320)	(3,719,414)	(3,728,050)	(3,929,729)
Effective tax rate	51%	48%	48%	48%

Source: Yanlord, FPA Financial

Profit For The Year

Adjusted for tax expense, total projected profit for FY2022 and FY2023 would be RMB4,046.8 million = [RMB7,774.8 million (FY2022 profit before income tax) – RMB3,728.1 million (FY2022 income tax)] and RMB4,265.7 million = [RMB8,195.4 million (FY2023 profit before income tax) – RMB3,929.7 million (FY2023 income tax)] respectively.

We note that profit attributable to non-controlling interest (NCI) for FY2021 was RMB1,381.4 million. We would assume for NCI to remain unchanged at RMB1,381.4 million in FY2022 and FY2023. Accordingly, profit attributable to owners of the company would amount to RMB2,665.4 million and RMB2,884.3 million for FY2022 and FY2023 respectively, as shown in **Exhibit 69**.

Exhibit 69: Projected Profit for The Year for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Revenue	34,833,134	39,356,420	39,516,593
Cost of sales	(25,901,002)	(29,264,399)	(29,383,499)
Gross profit	8,932,132	10,092,022	10,133,094
Other operating income and other gains	700,859	700,859	700,859
Fair value gain on investment properties	133,405	-	-
Selling expenses	(621,200)	(701,866)	(704,723)
Administrative expense	(1,568,582)	(1,772,272)	(1,779,484)
Other operating expense	(39,192)	(44,281)	(44,462)
Finance cost	(1,031,130)	(1,212,263)	(962,396)
Share of profit/ (loss) of associates	37,303	30,984	30,984
Share of profit of joint ventures	1,213,233	681,658	821,567
Profit before income tax	7,756,828	7,774,839	8,195,439
Income tax	(3,719,414)	(3,728,050)	(3,929,729)
Profit for the year	4,037,414	4,046,789	4,265,710
Profit attributable to:	-	-	-
Owners of the company	2,656,030	2,665,405	2,884,326
Non-controlling interest	1,381,384	1,381,384	1,381,384

Source: Yanlord, FPA Financial

Earnings Per Share

Earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year. Assuming the latest available weighted average number of ordinary shares outstanding of 1,931,535,376 shares as at 31 December 2021, we projected an earnings per share of RMB137.99 cents and RMB149.33 cents for FY2022 and FY2023 as shown in **Exhibit 70**.

Exhibit 70: Projected Earnings Per Share for FY2022 and FY2023

RMB'000	Actual	Forecast	
	FY2021	FY2022	FY2023
Profit attributable to owners of the company	2,656,030	2,665,405	2,884,326
Weighted average number of ordinary shares outstanding	1,931,535,376	1,931,535,376	1,931,535,376
Earnings per share (RMB cents)	137.51	137.99	149.33

Source: Yanlord, FPA Financial

(III) Dividends Projection

We note that from FY2017 to FY2021, Yanlord maintained its dividends distribution at 6.80 Singapore Cents. Considering the above, we would project dividends distribution to maintain at 6.80 Singapore Cents (RMB32.74 cents) for FY2022 and FY2023 as shown in **Exhibit 71**.

Exhibit 71: Projected Dividend for FY2022 and FY2023

RMB'000	Actual ⁽¹⁾					Forecast ⁽²⁾	
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Dividends per share (SGD)	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Dividends per share (RMB)	33.31	33.33	34.31	34.19	32.75	32.74	32.74

(1) Based on SGDCNY exchange rate as per each respective year

(2) Based on SGDCNY exchange rate of 4.81468 as at 15 July 2022

Source: Yanlord, Oanda, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison Analysis

We performed a peer comparison analysis to review how Yanlord is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to Yanlord in terms of industry and business operations and did a comparison by considering the peer's P/E, P/B and dividend yield. Considering the above, we selected Ho Bee Land Limited and GuocoLand Limited which are listed on the Singapore stock exchange. Considering that Yanlord is heavily dependent on its property development in PRC, we also selected KWG Group Holdings Ltd, Longfor Group Holdings, China Resources Land Limited, Hopson Development Holdings Ltd, Country Garden Holdings Co Ltd, Henderson Land Development Company Limited and China Overseas Land & Investment Limited. We have included the summary of the peer companies' corporate profile as follows:

(a) Ho Bee Land Limited

Ho Bee Land Limited is a Singapore-based company that is engaged in property development, property investment and investment holding. The Company has property investments and developments in Singapore, Australia, China, United Kingdom and Germany. The Company operates through two segments: Property investment and Property development. The Property investment segment includes investment in properties. The Property development segment is engaged in the development and trading of properties.

(b) GuocoLand Limited

GuocoLand Limited is a Singapore-based regional property company. The principal activities of the company and its subsidiaries include investment holding, property development and investment, hotel operations, and provision of management, property management, marketing and maintenance services. Its portfolio consists of residential, hospitality, commercial, retail and integrated developments spanning across the region. Its segments include GuocoLand Singapore, GuocoLand China, GuocoLand Malaysia, and others. Its segments provide development of residential, commercial and integrated properties, and property investment in Singapore, China and Malaysia.

(c) KWG Group Holdings Ltd

KWG Group Holdings Ltd is an investment holding company principally engaged in the property development. The Company operates its business through four segments. The Property Development segment is engaged in the sale of properties. The Property Investment segment is engaged in the leasing of properties. The Hotel Operation segment is engaged in the operation of hotels. The Property Management segment is engaged in the provision of property management services.

(d) Longfor Group Holdings Ltd

Longfor Group Holdings Ltd is a Hong Kong-based investment holding company principally engaged in property businesses. The Company operates through three segments. Property Development segment is engaged in the development and sales of office buildings, commercial properties, residential properties and car parks in China. Property Investment segment is engaged in the leasing of investment properties developed by the Company to generate rental income and to gain from appreciation in the properties' values. Property Management and Related Services segment is mainly engaged in the provision of property management services in China. The Company operates businesses in Beijing, Chengdu, Chongqing, Dalian, Hangzhou and Shanghai, among others.

(e) China Resources Land Limited

China Resources Land Limited is an investment holding company mainly engaged in the development of properties for sale. Along with subsidiaries, the Company operates its business through four segments: The Development Properties for Sale segment, the Property Investment and Management segment, the Hotel Operations segment, the Construction, Decoration Service and Others segment. The Company's investment properties include commercial buildings, offices and hotels, among others.

(f) Hopson Development Holdings Ltd

Hopson Development Holdings Ltd is an investment holding company principally engaged in property development and infrastructure business. At present, it has two management modes of light and heavy: gradually forming a dual-platform business of investment real estate and commercial operation and management. Hopson's business management segments cover commercial complexes, office buildings, industrial complexes, hotels & serviced apartments. Relying on the core capabilities of whole industry chain investment, whole life cycle asset management, whole business chain commercial operation, and all-round risk control, it forms a comprehensive business model.

(g) Country Garden Holdings Co Ltd

Country Garden Holdings Company Limited is an investment holding company principally engaged in the sales of properties. Since its founding in 1992, Country Garden has become one of China's best-known developers. This Fortune 500 firm operates in property management and development with subsidiaries in construction and hospitality. The company builds condos and housing developments internationally in China, Australia, Malaysia, and Indonesia, among other places. Country Garden has developed a variety of residential, commercial, industrial, and hotel projects in China and internationally.

(h) Henderson Land Development Company Limited

Henderson Land Development Co Ltd is an investment holding company principally engaged in the property development. The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses

(i) China Overseas Land & Investment Limited

China Overseas Land & Investment Ltd. is a Hong Kong-based investment holding company principally engaged in property businesses. It is an indirect subsidiary of China State Construction Engineering Corporation Limited. The Company has 43 years of property development and commercial property management operation experience, developing business in Hong Kong, Macau and 80 cities in Mainland, as well as in countries such as the US, the UK, Australia and Singapore. In 2021, the Company's total assets reached RMB869.9 billion and net assets amounted to RMB357.1 billion

The results of our peer comparison analysis are summarized in **Exhibit 72**.

Exhibit 72: Peer Comparison

Company	Stock listing	Stock code	Price as at 22 Jul 2022	Market cap (million)	EPU ⁽¹⁾ (cents)	P/E (x)	DPU ⁽¹⁾ (cents)	Dividend yield (%)	NAV per share ⁽²⁾	P/B (x)
Yanlord Land Group Limited ⁽³⁾	SGX	Z25	1.040	2,008.80	28.56	3.64	6.80	6.54	3.69	0.28
Peer companies:										
Ho Bee Land Limited ⁽³⁾	SGX	H13	2.800	1,859.25	49.77	5.63	20.00	7.14	5.92	0.47
GuocoLand Limited ⁽³⁾	SGX	F17	1.620	1,917.06	17.55	9.23	12.00	7.41	3.62	0.45
KWG Group Holdings Ltd ⁽⁴⁾	HKSE	1813	1.640	5,216.96	88.37	1.86	43.02	26.23	13.92	0.12
Longfor Group Holdings Ltd ⁽⁴⁾	HKSE	0960	26.600	161,675.85	470.93	5.65	201.00	7.56	24.62	1.08
China Resources Land Limited ⁽⁴⁾	HKSE	1109	32.050	228,546.61	454.00	7.06	169.20	5.28	36.98	0.87
Hopson Development Holdings Limited ⁽⁴⁾	HKSE	0754	10.320	26,955.25	371.00	2.78	65.00	6.30	47.45	0.22
Country Garden Holdings Co Ltd ⁽⁴⁾	HKSE	2007	3.140	72,707.96	122.00	2.57	31.10	9.90	8.69	0.36
Henderson Land Development Company Limited ⁽⁴⁾	HKSE	0012	27.100	131,201.59	273.00	9.93	180.00	6.64	69.20	0.39
China Overseas Land & Investment Limited ⁽⁴⁾	HKSE	0688	21.450	234,767.75	367.00	5.84	121.00	5.64	31.39	0.68
Peer average	-	-	-	-	-	5.62	-	9.12	-	0.52

The equivalent in SGD is calculated at the average exchange rate of S\$1:RMB4.8156

Figures have been rounded

(1) Trailing 12-month data

(2) NAV as at 31 Dec 21

(3) Currency in SGD

(4) Currency in HKD

Source: Respective company data, Yahoo Finance, FPA Financial

(a) P/B Multiple

Based on the results in **Exhibit 72**, we note that Yanlord is currently trading at a P/B multiple of 0.28x, which is lower than the peer average P/B of 0.52x, which may suggest that it is undervalued at the current share price of S\$1.040. Adopting a relative valuation approach, we estimate a target price of S\$1.919 if Yanlord were to trade at the peer average P/B multiple of 0.52x as follows:

➤ Estimated target price = [peer average P/B] x [Yanlord's NAV per share] = 0.52 x S\$3.69 = S\$1.919

The estimated target price of S\$1.919 would imply a upside potential of 84.52% from the current price of S\$1.040.

(b) P/E Multiple

Based on the results in **Exhibit 72** above, we note that Yanlord's is currently trading at a P/E multiple of 3.64x, which is lower than the peer average P/E of 5.62x, which may suggest that it is undervalued at the current share price of S\$1.040. Adopting a relative valuation approach, we estimate a target price of S\$1.605 as follows:

➤ Estimated target price = [peer average P/E] x [Yanlord's EPS] = 5.62 x S\$0.2856 = S\$1.605

The estimated target price of S\$1.605 would imply a upside potential of 54.33% from the current price of S\$1.040.

(c) Dividend Yield

Furthermore, based on the results in **Exhibit 72** on the previous page, we note that Yanlord's dividend yield of 6.54% is relatively less attractive than the peer average dividend yield of 9.12%. Adopting a relative valuation approach, we estimate a target price of S\$0.746 as follows:

- Estimated target price = [(Yanlord's dividend yield/ peer average dividend yield) x Yanlord's current price] = (6.54% / 9.12%) x S\$1.040 = S\$0.746

The estimated target price of S\$0.746 would imply a downside potential of 28.27% from the current price of S\$1.040

(d) Estimated target price

Considering the above, Yanlord is currently undervalued compared to its peers in terms of P/B and P/E. However, Yanlord is less attractive in terms of dividend yield. Adopting a relative valuation approach, we estimate a target price of S\$1.919, S\$1.605 and S\$0.746 based on the peer average P/B, P/E and dividend yield comparison analysis respectively. By taking the average of our estimated target price, we derived a target price of S\$1.423 as follows:

- Estimated target price = [(Estimated target price from P/B analysis + Estimated target price from dividend yield analysis) / 3] = (S\$1.919 + S\$1.605 + S\$0.746) / 3 = S\$1.423

The estimated target price of S\$1.423 would imply an upside potential of 36.83% from the current price of S\$1.040

(II) Potential Yanlord Privatisation

As noted on **Exhibit 1**, Mr Zhong Shen Jian, the founder and chairman of Yanlord is deemed to hold 71.55% stake in the company, comprising of direct interest of 103,682,000 units and deemed interest of 1,278,390,000 units..

We note that the Singapore Exchange (SGX) had seen an increasing trend of privatisation offer during the past 2 years. In addition, Yanlord is currently trading at S\$1.040 as at 22 July 2022, which represents a 72% discount to NAV per share of S\$3.69 as at 31 December 2021. Given the increasing trend of privatisation offers for SGX-listed companies within the past year and that Yanlord is trading at more than 50% discount to NAV, we identify a possibility of a privatisation offer from Mr Zhong.

To estimate the potential takeover cost for Yanlord, we will review privatisation offers for SGX-listed companies in 2021 and 2022. After reviewing 18 privatisation offers between 2021 and 2022, we shortlisted 8 privatisation offers which we deemed to be similar to Yanlord. The average price premium of the 8 privatisation offers was 39.8% as shown in **Exhibit 73**.

Exhibit 73: Privatization offers for SGX-listed Companies

Target	Acquirer	Currency	Last transaction ⁽¹⁾		Offer price per share	Price premium ⁽²⁾
			Date	Price		
GL Limited	Guoco Group Limited	SGD	14-Jan-21	0.560	0.800	42.9%
World Class Global Limited	Aspial Corporation Limited	SGD	11-Mar-21	0.099	0.210	112.1%
Fragrance Group Limited	JK Global Treasures Pte Ltd	SGD	8-Jul-21	0.118	0.138	16.9%
SPH	Cuscaden Peak Pte Ltd	SGD	2-Aug-21	1.500	2.360	57.3%
Roxy-Pacific Holdings Limited	TKL & Family Pte Ltd	SGD	14-Sep-21	0.405	0.485	19.8%
SingHaiyi Group	Haiyi Treasure Pte. Ltd	SGD	8-Nov-21	0.108	0.117	8.3%
Frasers Hospitality Trust	Frasers Property	SGD	7-Apr-22	0.570	0.700	22.8%
Hwa Hong Corporation Limited	Sanjuro United Pte. Ltd.	SGD	17-May-22	0.290	0.400	37.9%
Average						39.8%

(1) Refers to last transaction prior to takeover announcement

(2) Refers to premium of offer price over last traded share price prior to takeover announcement

Source: Respective companies' announcements

In the case of Yanlord, as noted on page 3, approximately 26% of the issued ordinary shares of Yanlord are held by the public, which equates to S\$522.29 million in market capitalisation at the current price of S\$1.040 = [26% x current market capitalisation of S\$2,008.8 million].

While we are not aware of any proposed privatisation plan, in the event that a privatisation were to happen, we projected 3 scenarios for the estimated acquisition cost with a price premium of 8.3%, 39.8% and 57.3% for scenario 1, 2 and 3 respectively. The estimated acquisition cost for scenario 1, 2 and 3 would be S\$565.8 million, S\$730.0 million and S\$821.7 million respectively as shown in **Exhibit 74**.

Our base scenario would be scenario 2. With a 39.8% average privatisation price premium, the estimated acquisition cost to privatise Yanlord would be approximately S\$1.454 per share which would be equivalent to a total cost of S\$730.0 million = [139.8% x 522.29 million] as shown in **Exhibit 74**.

Exhibit 66: Estimated Total Cost for the Potential Yanlord Privatisation

Scenario	Current share price (S\$)	Price premium	Estimated offer price per share (S\$)	Estimated total cost (S\$ million)
1	1.040	8.3%	1.127	565.8
2	1.040	39.8%	1.454	730.0
3	1.040	57.3%	1.636	821.7

Source: FPA Financial

(III) Valuation Summary

The results from our peer comparison analysis suggest that Yanlord is currently undervalued compared to its peers in terms of P/B and P/E multiples. However, Yanlord's dividend yield is relatively less attractive than its peers. Adopting a relative valuation approach, we estimate a target price of S\$1.919, S\$1.605 and S\$0.746 based on its P/B, P/E and dividend yield analysis respectively.

Meanwhile, our base case is that Yanlord will continue to be listed publicly. However, as Mr Zhong is deemed to hold 71.55% stake in the company and that Yanlord is trading at more than 50% discount to NAV, there is a possibility for Yanlord to be taken private. If Yanlord were to be privatized, based on our base scenario we estimate a privatisation offer price of S\$1.454 per share based on the average price premium of 39.8% across the 8 privatisation offers for SGX-listed companies

Considering the above, by taking the average of our estimated target price of S\$1.919, S\$1.605 and S\$0.746 based on the P/B, P/E and dividend yield analysis respectively, we derived an estimated target price of S\$1.423 $=[(S\$1.919 + S\$1.605 + S\$0.746) / 3]$. Accordingly, our estimated target price of S\$1.423 implies a potential upside of 36.83% from the current price of S\$1.040.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 75** to evaluate the various components of the analysis thus far.

Exhibit 75: SWOT analysis

SWOT analysis

<u>Strengths</u> <ul style="list-style-type: none"> • Stable financial track record • Research and Development • Award winning properties 	<u>Weaknesses</u> <ul style="list-style-type: none"> • Limited portfolio diversification
<u>Opportunities</u> <ul style="list-style-type: none"> • New launches • Strong pipeline for growth • PBOC rate cuts 	<u>Threats</u> <ul style="list-style-type: none"> • Project disruptions due to COVID-19 resurgence • Strong competition

(I) Strengths

As highlighted in our review of Yanlord’s historical financial performance on page 26, its profitability has remained stable over the last few years. This has allowed Yanlord to provide stable returns for its shareholders. Even in times of weaker financial performance, stable dividends have been paid over the last few years.

To encounter the challenging market, and with an objective to speed up development pace, refine cost management and assure product quality, Yanlord’s R&D department has established and been continuing implementing the business line-specific systematic construction; progressively launched R&D project-based management platform, R&D design resources management platform and kicked-off R&D product visualisation platform. Through optimising and synergising the management tools connecting between Yanlord and cities’ offices, as well as with horizontal and vertical integration, to elevate standardised designs and precise project implementations, whilst accommodating continuous management system upgrade and optimisation and focussing on property sales launches and property deliveries. This has helped Yanlord to be able to run its daily operations effectively and remained competitive in the market.

In FY2021, Yanlord won a total of 37 design awards in the PRC and overseas, including Yanlord Central Lake in Taicang won the Gold Award in 2021 London Design Awards, Suzhou No. 2021-WG-17 Land in Gusu district attained the LEED Platinum Design Certificate, Star Century in Tianjin obtained a two-star certification from the China National Green Construction Design, and The Mansion in Park in Jinan obtained the Healthy Building Design Certificate. Yanlord was also conferred a national level award for engineering excellence in FY 2021, namely, the “2021 China Civil Engineering Zhan Tianyou Award for Outstanding Residential Community Gold Award” which was awarded to Tang Yue Bay Gardens in Suzhou. Additionally, The Mansion in Park’s No.10 building in Tianjin won the “Tianjin Construction Engineering Quality Structural Evaluation Award”, and Yanlord North Shore Gardens in Zhuhai won the “Guangdong Province Construction Engineering Quality Structure Award”

(II) Weaknesses

As mentioned on page 15, Yanlord reported revenue of RMB23.918 billion and RMB34.833 billion for FY2020 and FY2021 respectively. However, Yanlord is only exposed to China and Singapore markets. As shown in **Exhibit 12**, approximately 89% of its completed projects and 98% of its projects under developments are in China. In addition, China contributed 95.4% and 94.1% of Yanlord's revenue in FY2020 and FY2021 respectively. As a result, Yanlord is vulnerable to any potential risks related to China's economic and social conditions. The lack of diversification may stifle Yanlord's growth prospects, reduce its competitiveness, and harm its financial performance.

(III) Opportunities

Yanlord launched new projects for pre-sales in accordance with their development schedule. This would include launching of new projects and new batches of existing projects in 1H2022 as shown in **Exhibit 76**. These projects will allow Yanlord to generate future revenue to be recognised and improve its profitability

Exhibit 76: Yanlord's new projects and new batches of existing projects in 1H2022

- Yangtze River Delta: Shanghai Jingan Jinyuan South Land Parcels (上海静安晋元南地块), Moons Villa (仁恒·海明园), Poetic Villa (荟雅华庭), Yanlord Arcadia (仁恒海上源) and Shanghai Olympic Garden (Phase 3 - Section 2) (上海奥林匹克花园, 三期二标) in Shanghai; Riverbay Century Gardens (Phase 2) (江湾世纪花园, 二期) and Majestic Mansion(海和院) in Nanjing; Lantern (Phase 1 and 2) (澜庭, 一期及二期) in Suzhou; Hangzhou Bay (Phase 2) (前湾·畅想江澜湾); Yanlord The Mansion in Park (星岸家园) in Yancheng; Yanlord Central Lake (Phase 3) (仁恒时代天镜, 三期) in Taicang; Central Lake (Phase 1) (星湖雅园, 一期) in Wuxi;
- Bohai Rim: Star Century (恒美雅苑) in Tianjin;
- Greater Bay Area: Yanlord Reverie Park (仁恒芯梦公园) in Shenzhen; Yanlord North Shore Gardens (仁恒北岸苑) in Zhuhai; Four Seasons Park (Phase 1C) (星月万像花苑) in Zhongshan;
- Western China: "Stream In Cloud (Phase 3) (溪云居, 三期) in Chengdu;
- Central China: The Yangtze Garden (Phase 1) (仁恒滨江园, 一期) in Wuhan; and
- Hainan: Yanlord Gardens (Phase 1 and 2) (仁恒滨江园, 一期及二期) in Haikou.

Source: Yanlord

Well-diversified and strategic landbank helps Yanlord to enhance its operations and top-line performance. In FY2021, Yanlord acquired 12 land sites for new projects with a total planned GFA of 1.2 million square meter in China. As at 31 December 2021, Yanlord has a land bank of approximately 9.92 million sqm in the prime location in 20 high-growth cities located in the six major economic regions of PRC and in Singapore. The strategic land portfolio helps the company to distinguish itself as a benchmark of excellence and enhance its brand value in the construction industry

The People's Bank of China (PBOC) cut its benchmark rate for loans of five years or more to 4.45% from 4.6%, the biggest single reduction since the rate entered the bank's policy armory in 2019. It had made a 0.1 percentage-point cut in early 2020. The cut was unexpected, given that the central bank had left unchanged another key policy rate, charged on loans from a medium-term lending facility that funnels cash to commercial banks. The PBOC said it would also keep the benchmark rate for one-year loans unchanged at 3.7%. Wall Street Journal reported that economists said the cut to the five-year rate appeared aimed squarely at the housing market, which has been in the doldrums for months as home sales slumped and developers buckled under heavy debts. The rate is used to price most mortgages, and the cut follows a decision by the central bank to lower the floor for rates on home loans to first-time buyers. With easing policies targeted to help demand and stimulate the sector, we believe Yanlord would be able to benefit from this as its portfolio of quality assets are well positioned to capture the upside when the market recovers.

(IV) Threats

As Yanlord operates in the development sector, its business operations could be affected by the Covid-19 outbreak. On 29 March 2022, Business Times (BT) reported that after the spike in Covid-19 cases in Shanghai, Shanghai's local government announced a lockdown on its city to conduct mass testing and to contain the spread of the virus. Offices and construction sites are required to be closed during the lockdown, and the Yanlord's general management teams and sales teams must work from home. In addition, China accounts for a major supplier of construction materials including steel, copper, cabinetry, etc. The inability to obtain these materials could significantly delay or stop a project. Obtaining them from other countries may force Yanlord to incur higher costs, which could be higher than the costs agreed as per contract bids. Hence, if China were to announce another lockdown measure, it could affect Yanlord's ongoing developments & operations in multiple Chinese cities and negatively impact its profitability.

The strong competition from more established property developer like Country Garden, Vanke and China Resources Land could also impact Yanlord's revenue and earnings. In addition, Business Times (BT) reported that Chinese regulators' assurances of help in delivering property projects on time failed to convince some homebuyers threatening to stop mortgage payments. Hence, with the recent mortgage boycott in China, home buyers or investors may turn to state owned property developers instead of private developers like Yanlord.

INVESTMENT RECOMMENDATION

Based on the reported NAV per share of S\$3.69 as at 31 December 2021, Yanlord is currently trading at a P/B of 0.28x, representing a discount of approximately 72% to NAV. While we note that the other comparable real estate companies may also be trading at a discount to NAV, our peer comparison results suggest that Yanlord is trading at a steeper discount. Yanlord's current P/B of 0.28x is lower compared to the peer average P/B of 0.52x. Adopting a relative valuation approach, we estimate a target price of S\$1.919 if Yanlord were to trade at the peer average P/B of 0.52x.

At the same time, based on Yanlord's earnings per share of 28.56 cents as at 31 December 2021, it currently has a P/E multiple of 3.64x. Our peer comparison analysis results show that Yanlord's P/E of 3.64x is lower than the peer average P/E of 5.62x. Adopting a relative valuation approach, we estimate a target price of S\$1.605 if Yanlord were to trade at the peer average P/E of 5.62x.

However, our peer comparison analysis results also show that Yanlord's dividend yield of 6.54% is relatively less attractive than the peer average dividend yield of 9.12%. Adopting a relative valuation approach, we estimate a target price of S\$0.746.

Taken together, by calculating the average of our estimated target price based on the P/B, P/E and dividend yield peer comparison analysis, we derived a target price of S\$1.423 = $[(S\$1.919 + S\$1.605 + S\$0.746) / 3]$.

In addition, while we note that there is no indication of a privatisation of Yanlord, our base scenario estimates a privatisation offer of S\$1.454 per share, representing a price premium of 39.8%.

In terms of financials, we note that Yanlord has maintained a healthy set of financial results over the years and has managed to provide stable returns to its shareholders. Considering a potential recovery in the property market and the easing of benchmark loan rates, we are expecting a stable financial performance for Yanlord for FY2022 and FY2023. This could provide some upside potential for Yanlord.

Considering the above, we believe a buy recommendation is warranted on Yanlord. Our target price of S\$1.423 would represent a 36.83% upside from the current price of S\$1.040. However, there are still risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

In this section, we highlight below risk factors that may limit the potential upside to Yanlord's target price.

(I) China's Covid-19 Lockdown Measures and Risk of Weak China Economic Recovery

China's Covid-19 cases are rising at the fastest pace since late May, unnerving citizens and companies wary of a repeat of Shanghai's two-month lockdown, which snarled global supply chains and sank hopes that the country would reach Beijing's economic-growth targets. WSJ reported that more than 2,300 locally transmitted cases have been reported nationwide in the first week of July, with infections again on the rise in the commercial and manufacturing powerhouse of Shanghai, albeit from a low base. The central province of Anhui, a producer of steel, autos and computers, is the worst-affected. Cases have also surged in neighbouring Jiangsu and Shandong provinces. If the Covid-19 situation continues to deteriorate, China may reinstate lockdown and other anti-Covid restrictions measures, which could negatively impact the progression of Yanlord's development properties and weigh on buyers' sentiments.

Reuter recently reported that China's economic growth likely slowed sharply in the second quarter as COVID-19 lockdowns hit factories and consumer spending, a Reuters poll showed, suggesting policymakers may have to do more to spur a faster recovery. Gross domestic product (GDP) likely grew 1.0% in the April-June quarter from a year earlier, according to the median forecast polled by Reuters. The expected growth would be the weakest since a steep 6.9% slump in the first quarter of 2020, when an outbreak of COVID-19 in the central city of Wuhan, first detected in late 2019, turned into a full blown epidemic. Furthermore as noted on page 16, China also announced a GDP growth target of "around 5.5%" for 2022. As it stands, the virus are constantly mutating and new variants of the virus are expected to occur as seen in the recent spike in COVID-19 cases as mentioned above. With this in mind, there is a possibility that China will reinstate their border control measures, hindering economy recover. This could have a negative impact on the Yanlord's financial performance going forward.

(II) Currency Risk

We note that Yanlord enters into transactions in various foreign currencies, including the United States dollar (USD), Hong Kong dollar (HKD) Singapore dollar (SGD) and RMB and therefore is exposed to foreign exchange risk.

Exhibit 77 on the next page, details the sensitivity to a 3% increase in the exchange rate of the functional currency of each entity of Yanlord against the relevant foreign currencies. 3% is the sensitivity rate used by key management personnel in assessing foreign currency risk.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 3% change in foreign currency rates. The sensitivity analysis includes external loans, cash and cash equivalents, as well as intercompany loans within Yanlord where they gave rise to an impact on Yanlord's profit or loss and/or equity. A positive number below indicates an increase in profit before income tax and other equity when the functional currency of each group entity strengthens by 3% against the relevant foreign currencies.

For a 3% weakening of the functional currency of each group entity against the relevant foreign currencies, there would be an equal and opposite impact on the profit before income tax and other equity.

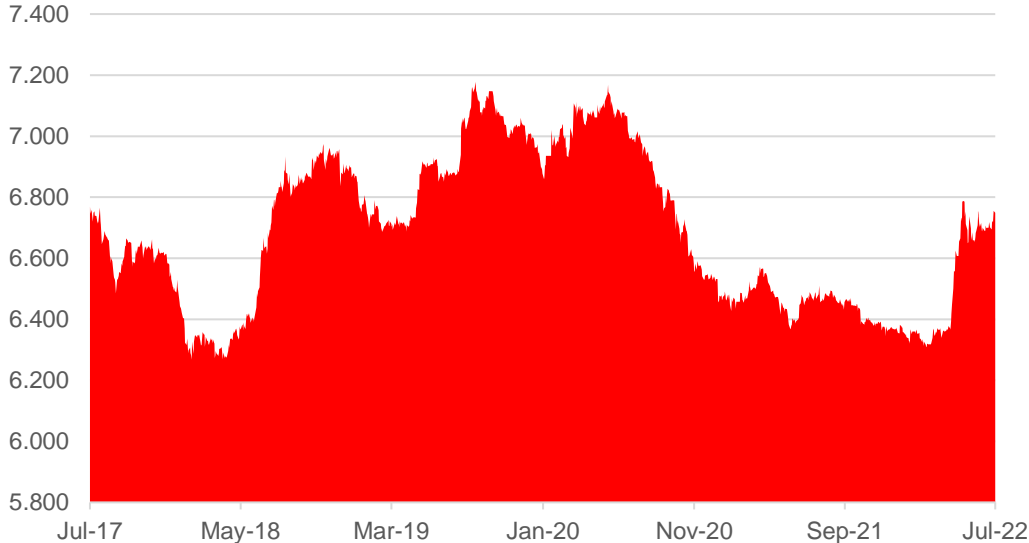
Exhibit 77: Sensitivity Analysis on Yanlord's Profit Before Income Tax and Other Equity

	US dollar impact		HK dollar impact		SG dollar impact		RMB impact	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP								
(Decrease) Increase in profit before income tax	(2,394)	7,399	(11,110)	3,848	(131)	(153)	(14)	(856)
Decrease in other equity	-	-	-	-	(339,247)	(335,060)	(53,743)	(63,536)

Source: Yanlord

In addition, as noted on page 31, Yanlord has three senior notes denominated in USD worth US\$1,250 million. We also note that in the recent months, the USD has strengthened against the RMB as shown in **Exhibit 78**. Given the hawkish Fed in the US, there is a possibility that USD could continue to strengthen against the RMB.

Exhibit 78: USD/RMB Exchange Rates Over the Years



Source: Yahoo Finance

We did an analysis to determine the impact of the appreciation and depreciation of USD against RMB. The annual interest payment for the three senior note is US\$76.5 million as shown in **Exhibit 79** on the next page.

Exhibit 79: Annual Interest Payment of Yanlord's Senior Notes

Senior notes	Amount (US\$' million)	Coupon rate	Annual interest payment (US\$' million)
Senior Note 2023	350	6.750%	23.625
Senior Note 2024	400	6.800%	27.2
Senior Note 2026	500	5.125%	25.625
Total	1,250	-	76.45

Source: Yanlord, FPA Financial

We note that as at 22 July 2022, USDRMB is currently at 6.7662 and a +/- 10% in the USDRMB exchange rate would result in a +/- RMB51.7 million in Yanlord's earnings as shown in **Exhibit 80**.

Exhibit 80: Analysis of USDRMB Exchange Rate on Yanlord's Earnings

Scenario	USDRMB	Annual interest payment (US\$' million)	Annual interest payment (RMB' million)	Impact to earnings (RMB' millions)
-10%	6.08958	76.45	465.55	51.73
-5.00%	6.42789	76.45	491.41	25.86
Current rate	6.76620	76.45	517.28	-
5%	7.10451	76.45	543.14	-25.86
10%	7.44282	76.45	569.00	-51.73

Source: Yanlord, FPA Financial

(III) China's Mortgage Boycott

Global investors and home buyers in China are losing confidence in the country's property market, which has entered a new stage of turmoil after a year-long slide in sales, stalled projects and mounting real-estate developer defaults. A movement among frustrated homeowners who have threatened to stop paying their mortgages on unfinished homes quickly gathered steam on Chinese social media. People all over the country declared that they would do the same if developers don't fulfil promises to deliver apartments that were earlier presold. The boycott has spread to more than 300 property projects in China. They included projects by dozens of developers, including companies such as China Evergrande Group and Kaisa Group Holdings Ltd. While there are current no reports that Yanlord's properties are in the list, the negative sentiment in China's property sector could weigh on Yanlord's share price.

CORPORATE GOVERNANCE

(I) Remuneration

The remuneration packages are offered based on established remuneration policies or framework that reviewed by the remuneration committee (RC) and subsequent approved by the Board on an annual basis. The remuneration packages of executive directors and key management personnel comprise fixed and variable components, of which three key components are salaries, annual performance incentives and other benefits including benefits in kind. Taking into consideration relevant budget in line with Yanlord's business plans, an appropriate proportion of executive directors' and key management personnel's remuneration is structured to link rewards to corporate and individual performance, which is aligned with the interest of Shareholders and promotes long term success of Yanlord.

Executive Directors (including Chairman and CEO)

The Chairman and CEO is entitled to a basic salary at a fixed sum, an annual discretionary bonus and benefits in kind. The basic salary may be adjusted as the RC may, subject to the regulations of the Company's Constitution, determine from time to time in its absolute discretion, provided that any increase in basic salary shall not exceed 15% per annum of the amount of salary paid during the immediate preceding 12-month period, while an annual discretionary bonus will be determined by the RC which shall not exceed 5% of the audited consolidated or combined net profits of the Company (after taxation, minority interests, and extraordinary and exceptional items) in respect of the financial year concerned. Notably, to align with Shareholders' interests, a significant portion of the remuneration of the Chairman and CEO is tied to the profit attributable to owners of the Company as disclosed in the audited financial statements of the Company for each financial year.

The remaining executive directors receive basic salary and annual performance incentives (and benefits in kind, if relevant) in accordance with their respective employment contract with the Company, in their capacity as a director and/or an executive of the Company. Save as above, the executive directors do not receive any other fees from the Company for their appointments. The Group's performance in terms of financial results is one of the key criteria in assessing the achievements of executive directors and determining the variable components of their remuneration.

Given the above information, in FY2020, the aggregate remuneration paid or payable to the executive directors namely, Zhong Sheng Jian, Zhong Siliang, Zhong Ming and Chan Yiu Ling who stepped down from the Board as an executive director on June 29, 2020, was S\$9,407,077. Meanwhile, in FY2021, the aggregate remuneration paid or payable to the executive directors namely, Zhong Sheng Jian, Zhong Siliang, Zhong Ming and Zhong Iek Ka is S\$10,708,522.33.

The breakdown of the Directors' remuneration paid to each Director for FY2020 and FY2021 is shown in **Exhibit 81** and **Exhibit 82** on the next page.

Exhibit 81: Disclosure of Remuneration of Directors (FY2020)

Remuneration Band	Salary ¹	Annual Performance Incentives	Directors' Fees	Other Benefits including Benefits in Kind	Total
\$58,000,000 to \$58,249,999					
Zhong Sheng Jian (Chairman and CEO)	3.35%	96.47%	0.11% ²	0.07%	100%
\$5500,000 to \$5749,999					
Zhong Siliang	82%	18%	—	—	100%
Zhong Ming	82%	18%	—	—	100%
Below \$5250,000					
Ronald Seah Lim Siang	—	—	100%	—	100%
Ng Shin Ein	—	—	100%	—	100%
Hee Theng Fong	—	—	100%	—	100%
Hong Pian Tee	—	—	100%	—	100%
Teo Ser Luck ³	—	—	100%	—	100%
Chan Yiu Ling ⁴	79%	21%	—	—	100%

Notes:

¹ Includes annual wage supplement and employer's contributions to the Singapore Central Provident Fund, Hong Kong Mandatory Provident Fund Schemes and/or the PRC's Central Pension Schemes, where applicable.

² Paid by United Engineers Limited ("UEL") pursuant to its directors' remuneration framework before its delisting in February 2020, following the completion of compulsory acquisition by the Group.

³ Teo Ser Luck was appointed as an independent non-executive director, a member of the AC, a member of the NC and a member of the RC on February 26, 2020.

⁴ Chan Yiu Ling stepped down from the Board as an executive director at the conclusion of the AGM held on June 29, 2020.

⁵ Zhong Iek Ka was appointed as an executive director on June 29, 2020, and no remuneration has been paid to him in the financial year under review.

Source: Yanlord

Exhibit 82: Disclosure of Remuneration of Directors (FY2021)

Remuneration Band	Salary ¹	Annual Performance Incentives	Other Benefits including Benefits in Kind	Total
\$58,500,000 to \$58,749,999				
Zhong Sheng Jian (Chairman and CEO)	3.14%	96.78%	0.08%	100%
\$51,000,000 to \$51,249,999				
Zhong Ming	57%	43%	—	100%
\$5500,000 to \$5749,999				
Zhong Siliang	77%	23%	—	100%
\$5250,000 to \$5499,999				
Zhong Iek Ka	44%	23%	33%	100%

Note:

¹ Includes annual wage supplement and employer's contributions to the Singapore Central Provident Fund and/or the PRC's Central Pension Schemes, where applicable.

Independent Non-Executive Directors	Directors' Fees (\$)
Hee Theng Fong	100,000
Hong Pian Tee	100,000
Teo Ser Luck	100,000
Chua Talk Him ¹	67,671
Tan Chin Siong ¹	67,671
Seah Lim Siang ¹	32,603
Ng Shin Ein ¹	32,603
Total	500,548

Note:

¹ The directors' fees of Chua Talk Him, Tan Chin Siong, Seah Lim Siang and Ng Shin Ein were calculated in proportion to their service period rendered for FY 2021.

Source: Yanlord

Key Management Personnel

In respect of the remuneration of key management personnel, they are remunerated with a basic salary (and benefits in kind, if relevant) commensurate with their respective roles, responsibilities and other circumstances, where to the possible extent, relevant market remuneration benchmarks are being taken into consideration to ensure that the remuneration package is broadly comparable to the others in the market. Key management personnel are also being rewarded with performance incentives in line with the performance of the business unit(s) they are responsible for as well as profits generated from the project(s) managed by them, whilst taking into account Yanlord's annual performance. In addition, the balanced score card assessing performance of key management personnel based on a few key indicators, including budget achievement rate, project quality, management and marketing cost efficiency, customer satisfaction and labour productivity, is also being used in determining the incentives to be rewarded to the key management personnel. The extent to which the performance conditions have been met was taken into account in determining the actual quantum of variable component of remuneration.

Given the above information, in FY2020, the aggregate remuneration paid or payable to the above top five key management personnel (who are not directors or the CEO) was S\$2,885,996. Meanwhile, in FY2021, the aggregate remuneration paid or payable to the top five key management personnel (who are not directors or the Chairman and CEO) is approximately S\$3,538,541.

The breakdown of remuneration of the top five key management personnel for FY2020 and FY2021 is shown in **Exhibit 83** and **Exhibit 84**.

Exhibit 83: Disclosure Of Top Five Key Management Personnel (FY2020)

Remuneration Band	Salary ¹	Annual Performance Incentives	Other Fees	Other Benefits including Benefits in Kind	Total
S\$750,000 to S\$999,999					
Tan Chee Keong, Roy	59%	37%	—	4%	100%
S\$500,000 to S\$749,999					
Zhang Hao Ning	84%	16%	—	—	100%
Zhou Yiqun	80%	20%	—	—	100%
Gao Yongjun	78%	22%	—	—	100%
Wang Hongwei	83%	17%	—	—	100%

Note:

¹ Includes annual wage supplement and employer's contributions to the Singapore Central Provident Fund and/or the PRC's Central Pension Schemes, where applicable.

Source: Yanlord

Exhibit 84: Disclosure Of Top Five Key Management Personnel (FY2021)

Remuneration Band	Salary ¹	Annual Performance Incentives	Other Fees	Other Benefits including Benefits in Kind	Total
S\$750,000 to S\$999,999					
Tan Chee Keong, Roy	59%	37%	—	4%	100%
Gao Yongjun	60%	40%	—	—	100%
S\$500,000 to S\$749,999					
Zhang Hao Ning	71%	29%	—	—	100%
Lu Ruifeng	76%	24%	—	—	100%
Xie Xueming	77%	23%	—	—	100%

Note:

¹ Includes annual wage supplement and employer's contributions to the Singapore Central Provident Fund and/or the PRC's Central Pension Schemes, where applicable.

Source: Yanlord

SUSTAINABILITY INFORMATION

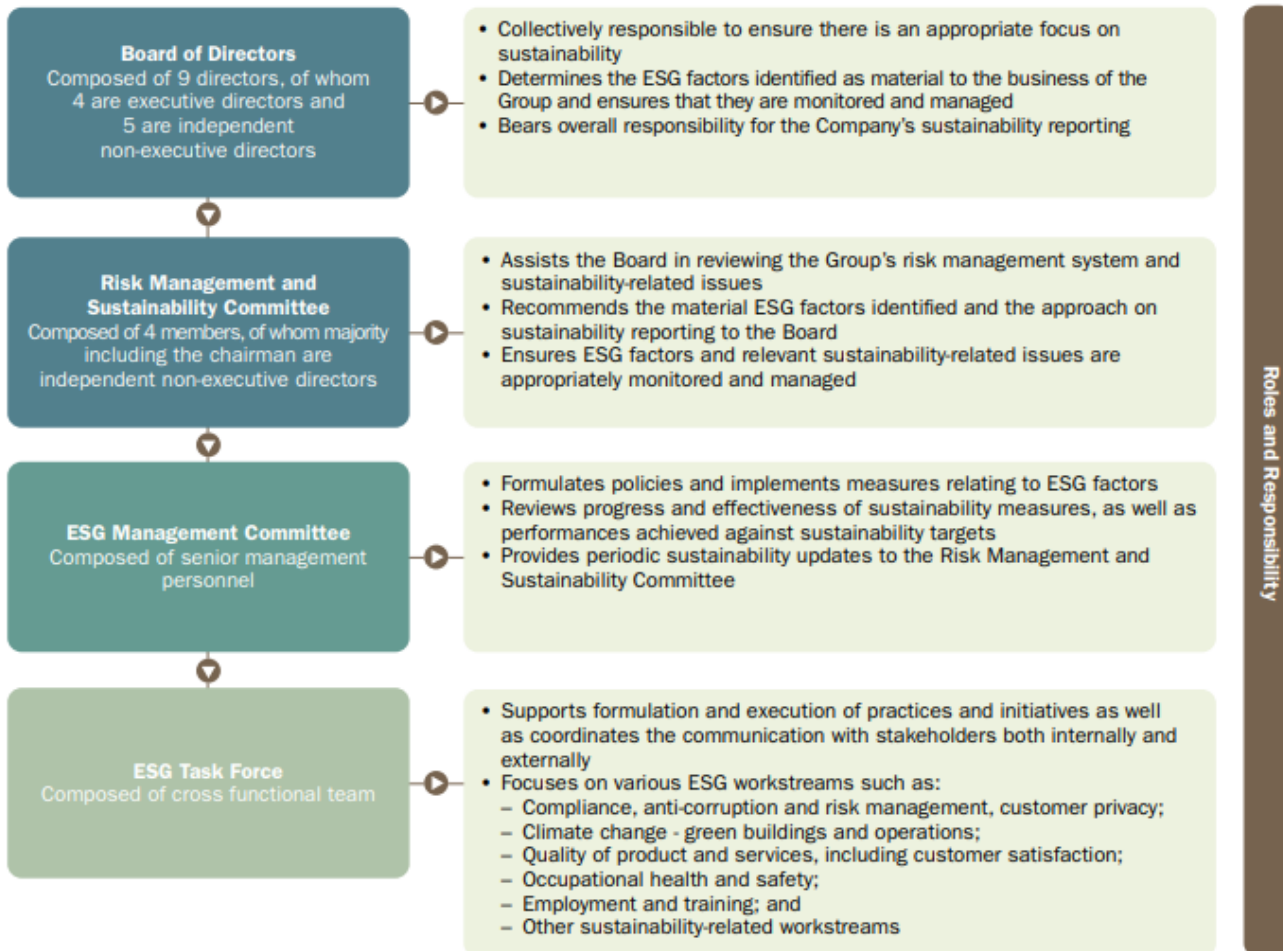
Sustainability Governance

The four-tier sustainability governance structure of Yanlord begins at the top with the Board of Directors of the Company (Board), which is ultimately responsible for Yanlord’s sustainability reporting. The Board maintains oversight of the business affairs and strategic directions of Yanlord, which includes determining the material ESG topics pertinent to Yanlord’s business, on an annual basis.

The Board is supported by the Risk Management and Sustainability Committee which ensures there is an appropriate focus on sustainability by management. The Risk Management and Sustainability Committee oversees the ESG Management Committee which comprises members of senior management personnel who formulate and supervise the policies and initiatives relating to Yanlord’s material ESG topics. Through the support of the ESG Task Force, the respective sustainability practices are shared across the respective departments and communicated to stakeholders. Progress updates on the Sustainability Report are presented to the Risk Management and Sustainability Committee and the Board for their consideration and approval.

The details of Yanlord’s sustainability governance structure is shown in **Exhibit 85**.

Exhibit 85: Yanlord’s Sustainability Governance Structure








Source: Yanlord

Stakeholder Engagement




The success of Yanlord hinges on the healthy and long-standing relationships it fosters with its stakeholders. Through active and regular engagements, Yanlord gains a better understanding of their interests, needs and concerns, which will then guide the company in taking appropriate follow-up actions in response. **Exhibit 86** and **Exhibit 87** on the next page details key interests of stakeholder groups and response as well as the types of engagement methods of the Group.

Exhibit 86: Yanlord's Stakeholder Engagement

Key Stakeholder Groups	Key Concerns/ Interests Raised by Stakeholder Groups	Yanlord's Response	Modes of Engagement	Frequency of Engagement
 <p>INVESTORS</p>	<ul style="list-style-type: none"> Yanlord's growth strategy and market outlook Business operations and performance Impact of COVID-19 and Yanlord's response to mitigate 	<ul style="list-style-type: none"> Maximise shareholder returns, maintain good corporate governance for sustainable business success Transparent and timely communication of both financial and non-financial information 	<ul style="list-style-type: none"> Annual General Meeting (conducted virtually in 2021), Annual Report, Circular to Shareholders and Sustainability Report Financial results announcements and briefings Analyst and investor meetings (conducted virtually in 2021) Announcements, media releases, monthly key operating figures' updates through Singapore Exchange's website, Company's website and/or via email alerts Investor Newsletters Presentations 	<ul style="list-style-type: none"> Annually Half-yearly Ongoing Ongoing Quarterly As appropriate
 <p>BUSINESS PARTNERS</p>	<ul style="list-style-type: none"> Longstanding and healthy business relationships which are impactful and beneficial in relation to the economic and ESG aspects 	<ul style="list-style-type: none"> Transparent and timely communication with business partners Align expectations between both parties through regular engagement 	<ul style="list-style-type: none"> Dialogue sessions, town halls, and forums (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021) Announcements, media releases, monthly key operating figures' updates through Singapore Exchange's website, Company's website and/or via email alerts Presentations 	<ul style="list-style-type: none"> Ongoing Ongoing As appropriate
 <p>SUPPLIERS</p>	<ul style="list-style-type: none"> Cooperative and long-lasting business relationships Adherence to regulations and environmental, health and safety ("EHS") standards 	<ul style="list-style-type: none"> Align expectations between both parties through regular reviews Ensure regular risk assessments relating to EHS is conducted 	<ul style="list-style-type: none"> EHS assessment Seminars and peer sharing (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021) Vendor evaluation 	<ul style="list-style-type: none"> Annually Quarterly Ongoing
 <p>MEDIA</p>	<ul style="list-style-type: none"> Business operations and performance Sustainability initiatives of Yanlord 	<ul style="list-style-type: none"> Transparent and timely communication of both financial and non-financial information 	<ul style="list-style-type: none"> Annual Report, Circular to Shareholders and Sustainability Report Project launch functions (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021) Announcements and media releases through Singapore Exchange's website, Company's website and/or via email alerts Physical interviews with Chairman and CEO and senior management executives resumed, with some interviews conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021 	<ul style="list-style-type: none"> Annually As appropriate As appropriate As appropriate
 <p>REGULATORS</p>	<ul style="list-style-type: none"> Corporate governance Compliance with laws and regulations 	<ul style="list-style-type: none"> Ensure regulatory compliance Closely monitoring new (including changes of) policies or measures introduced by relevant government departments to keep abreast with new rules and regulations developments 	<ul style="list-style-type: none"> Industry update meetings, policy awareness briefings, news releases by government authorities and participation in workshops/seminars on topics relating to the new (including changes of) policies or measures 	<ul style="list-style-type: none"> Ongoing

Source: Yanlord

Exhibit 87: Yanlord's Stakeholder Engagement (Cont'd)

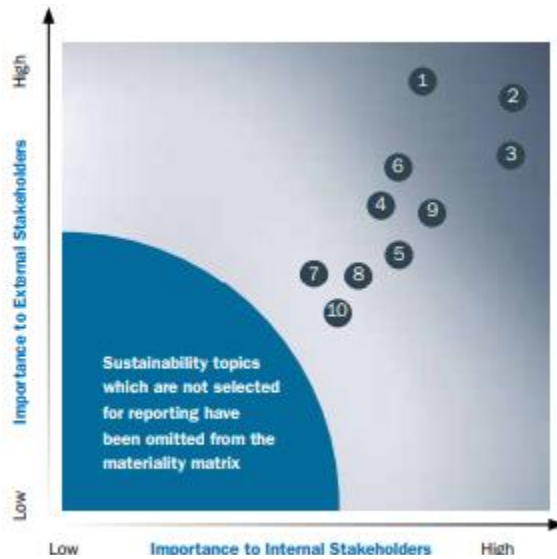
Key Stakeholder Groups	Key Concerns/ Interests Raised by Stakeholder Groups	Yanlord's Response	Modes of Engagement	Frequency of Engagement
 <p>EMPLOYEES</p>	<ul style="list-style-type: none"> - Conducive, safe and healthy work environment - Comparable and fair remuneration package, including compensation and benefits - Training and development opportunities - Talent retention and career advancement - Employee wellness 	<ul style="list-style-type: none"> - Provide performance appraisal system to review development of employees - Identify potential staff for career advancement opportunities - Provide work and non-work related workshops and learning opportunities to improve both technical skill sets and employee well-being 	Employee performance review	Annually
			Dialogue sessions, town hall meetings, and forums (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021)	Ongoing
			News bulletin and announcements via Company intranet	Ongoing
			Employee assistance programme (counselling service)	Ongoing
			Employee grievance handling channel	Ongoing
			Employee volunteering platform	Ongoing
			Training and development programmes	Ongoing
 <p>CUSTOMERS (residents, tenants, guests and visitors)</p>	<ul style="list-style-type: none"> - Customer satisfaction - Quality of Yanlord's services and products - Impact of COVID-19 and Yanlord's response to mitigate 	<ul style="list-style-type: none"> - Maintain highest standards in products and services delivered - Increase value added to customers - Timely response and prompt follow-up actions taken to address customers' feedback - Closely monitor on quality of products and services through frequent reviews and inspections and conduct enhancement programme or where applicable, regular maintenance and repair works 	Customer satisfaction surveys	Annually
			Tenant satisfaction surveys	Annually
			Tenant engagement/networking events (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021)	Quarterly
			Integrated customer and call centre	Ongoing
			Show suites feedback	Ongoing
			Campaigns and programmes (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021)	Ongoing
			Welcome parties (physical meetings resumed, with some events conducted virtually where the need arose due to small-scale COVID-19 outbreaks in certain regions in 2021)	As appropriate
Healthy Workplace Ecosystem	Ongoing			
 <p>LOCAL COMMUNITIES</p>	<ul style="list-style-type: none"> - Yanlord's support towards the local community, especially during COVID-19 - Safe and healthy spaces - Responsible use of resources 	<ul style="list-style-type: none"> - Operate and grow the business in a socially responsible manner through efficient use and allocation of resources - Support initiatives that focus on corporate giving through implementing Corporate Social Responsibility (CSR) practices - Universal design for homes and offices 	Collaborations with charities and NGOs partners for community development	Ongoing
			Monetary and in-kind donations	Ongoing

Source: Yanlord

Materiality Assessment

Yanlord takes into consideration its stakeholders' key concerns and strives to deliver value through its business operations. A materiality reassessment was conducted in FY 2020 in light of the changing business environment as well as the impacts brought about by the COVID-19 pandemic. Yanlord reviews its material topics on an annual basis to ensure their continued relevance to its business. Following FY2021's review, there were no changes to the top 10 material ESG topics identified in FY2020. The materiality assessment matrix of Yanlord are shown in **Exhibit 88**.

Exhibit 88: Yanlord's Materiality Matrix



S/N	ESG Category	Material Topics	GRI Topic-specific Standards	Boundary of Impact
1	Governance	Anti-corruption and Business Ethics	GRI 205	Within and Outside Yanlord
2	Governance	Compliance with Laws and Regulations	GRI 307 GRI 419	Within Yanlord
3	Social	Quality of Products and Services	GRI 416 GRI 102	Within and Outside Yanlord
4	Social	Customer Privacy	GRI 418	Within and Outside Yanlord
5	Social	Employment and Training	GRI 401 GRI 404 GRI 405	Within Yanlord
6	Social	Occupational Health and Safety	GRI 403	Within and Outside Yanlord
7	Environment	Climate Change	GRI 201 GRI 302 GRI 305	Within and Outside Yanlord
8	Environment	Green Buildings	GRI G4 – CRE 8 GRI 303 GRI 306	Within and Outside Yanlord
9	Economic	Economic Performance	GRI 201	Within and Outside Yanlord
10	Social	Local Community and Social Investment	GRI 413	Outside Yanlord

Source: Yanlord

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