F•P•A FINANCIAL
Investment Perspectives
18 April 2023

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

18 April 2023
RECOMMENDATION: BUY

Current price: S$0.890
Target price: S$1.236
Issued units: 1,948.74 million (31 Dec 22)
Market capitalisation: S$1,734.38 million

52-week range: S$0.830 - S$1.240

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 2022 (FY2022), Yanlord recorded a 17.6% yoy decrease in revenue to RMB28.712 billion from RMB34.833 billion over the same period a year ago. This decrease is mainly due to the decrease in gross floor area (GFA) delivered to customers. In line with the decrease in GFA delivered, cost of sales also decreased by 19.1% to RMB20.960 billion in FY2022 from RMB25.901 billion in FY2021. Accordingly, Yanlord recorded a 13.2% yoy decrease in gross profit of RMB7.752 billion in FY2022 compared to RMB8.932 billion the same period a year ago. During this period, Yanlord reported profit attributable to owners of the company of RMB1.533 billion, representing a 42.3% yoy decrease from FY2021. This translates to an earnings per share of RMB79.34 cents. Meanwhile, no dividend has been declared or recommended for FY2022. This is to augment Yanlord's financial flexibility and enable it to better mitigate any uncertainty posed by the economic environment.

RECOMMENDATION

Based on Yanlord's reported NAV per share of S$3.50 and trailing 12 months earnings per share of 15.35 cents as at 31 December 2022, the share is currently trading at a P/B of 0.25x and P/E of 5.80x. 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 0.40x and peer average P/E of 6.98x. Adopting a relative valuation approach, we estimate a target price of S$1.400 and S$1.071 if Yanlord were to trade at its peer average P/B and P/E multiples respectively. Taken together, we estimate a target price of S$1.236, which is the average of our estimated target price based on the P/B and P/E peer comparison analysis. This target price represents a 38.88% upside from the current share price of S$0.890. We believe this upside could be justified by its stable contracted pre-sales performance and its efforts to replenish its landbank via land acquisitions for the long-term development of Yanlord's products and brand influence in the market. Further, in an event of a privatisation, we estimate a privatisation offer of S$1.223 per share, representing a price premium of 37.4%. Given the above, we will maintain our buy recommendation 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 (SGD)	P/B (x)
2021 actual	34,833.1	2,656.0	26.61	3.34	6.80	7.6%	3.43	0.26
2022 actual	28,712.3	1,532.6	15.35	5.80	-	-	3.50	0.25
2023 forecast	32,228.2	2,028.0	20.14	4.42	4.86	5.5%	-	-
2024 forecast	32,174.3	2,029.7	20.16	4.42	4.86	5.5%	-	-

The equivalent in SGD is calculated at theaverage exchange rate of S$1:RMB5.16726
Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S$0.890
(1) Profit attributable to owners of the Company
Source: Yanlord, FPA Financial

Contributor: Tan Jiong Wen
(+65 6323 1788)

CONTENTS

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 decrease of RMB6.121 billion to RMB27.712 in FY2022 from RMB34.833 in FY2021 due to the decrease in gross floor area (GFA) delivered to customers and partly offset by the increase in average selling price (ASP) per square metre (sqm) achieved in current periods compared to corresponding periods in FY2021. Revenue in FY2022 was mainly generated from Riverbay Century Gardens in Nanjing, The Corals in Hangzhou and Yanlord Four Seasons New Gardens in Shenzhen, represented 22.1%, 18.3% and 16.6% of the Yanlord's gross revenue from sales of properties in FY2022, respectively. Other contributors to Yanlord'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 decrease in GFA delivered, cost of sales, which mainly included land, construction and capitalised borrowing costs, decreased by RMB2.577 billion to RMB20.960 billion in FY2022 from RMB25.901 billion in FY2021.

Yanlord's gross profit decreased by 13.2% or RMB1.180 billion to RMB7.752 billion in FY2022 from RMB8.932 billion in FY2021. However, gross profit margin increased by 1.4 percentage points to 27.0% in FY2022 from 25.6% in FY2021, primarily due to the change in the composition of product-mix delivered in the current reporting periods.

Other operating income and other gains mainly included interest income, gain on remeasurement of retained interests in joint ventures, net gain on disposal of property, plant and equipment, and deposits forfeited. Other operating income and other gains increased by 62.6% to RMB1.139 billion in FY2022 from RMB701 million in FY2021. The increase in other operating income and other gains in current reporting periods was primarily due to the gain on disposal, gain on repurchase of senior notes, increase in interest income from associates and gain on remeasurement of retained interests in joint ventures and partly offset by the absence of gain on disposal of subsidiaries.

Selling expenses decreased by RMB32 million to RMB590 million in FY2022 compared to the corresponding periods in FY2021. Administrative expenses increased by 34.4% or RMB539 million to RMB2.107 billion in FY 2022 from RMB1.569 billion in FY2021. The administrative expenses were higher as a result of an increase in allowance for doubtful debts and bad debts written-off for amount due from a joint venture and loss on withdrawal of Shenzhen Longgang District Bantian Redevelopment Project, partly offset by decrease in staff costs and legal and professional fees. The net foreign exchange loss arose mainly due to conversion of different monetary currencies in ordinary course of business.

Other operating expenses decreased by RMB12 million to RMB27 million in FY2022 from RMB39 million in FY2021. Finance cost, net of capitalised interest, increased by 9.8% or RMB101 million to RMB1.132 billion in FY2022 from RMB1.031 billion in FY2021. The increase in finance cost was mainly due to increases in interest expenses incurred on Yanlord's completed properties for sale and investment properties.

Share of loss of associates of RMB103 million in FY2022 compared to share of profit of RMB37 million in FY2021. Share of loss of associates in the current reporting periods was mainly due to share of loss of Yilu Gardens in Tianjin. Share of profit of joint ventures decreased by RMB526 million to RMB687 million in FY2022 from RMB1.213 billion in FY2021. Share of profit of joint ventures in current reporting periods was mainly contributed by share of profit of Cloud Serenity Gardens in Nanjing, Jingan Century & Shanghai Curtilage in Shanghai, Hangzhou Bay (Phase 1) in Hangzhou and The Mansion In Park (Phase 1) in Tianjin, partly offset by the share of loss of Yanlord Reverie Park in Shenzhen.

As a result, Yanlord's profit before income tax decreased by RMB2.308 billion to RMB5.449 billion in FY2022 from RMB7.757 billion in FY2021. For the period, income tax expense decreased by RMB1.140 billion to RMB2.579 billion in FY2022 from RMB3.719 billion in FY2021, in tandem with the decrease in gross profit and profit before income tax. After adjusting for income tax expense, total profit for the year amounted to RMB2.870 billion versus RMB4.037 billion the same period a year ago. In the current period, Yanlord's profit attributable to owners of the Company was RMB1.533 billion compared to RMB2.656 billion recorded last year. Accordingly, Yanlord reported an earnings per share of RMB79.34 cents in FY2022.

Yanlord's FY2022 and FY2021 financial results are summarised in **Exhibit 1**.

Exhibit 1: Yanlord's FY2022 and FY2021 Financial Results

RMB'000	FY2022	FY2021	y-o-y change
Revenue	28,712,264	34,833,134	-17.6%
Cost of sales	(20,960,455)	(25,901,002)	-19.1%
Gross profit	**7,751,809**	**8,932,132**	**-13.2%**
Gross profit margin	*27.0%*	*25.6%*	*NM*
Other operating income and other gains	1,139,493	700,859	62.6%
Fair value gain on investment properties	(170,996)	133,405	NM
Selling expenses	(589,627)	(621,200)	-5.1%
Administrative expense	(2,107,492)	(1,568,582)	34.4%
Other operating expense	(26,766)	(39,192)	-31.7%
Finance cost	(1,132,170)	(1,031,130)	9.8%
Share of profit/ (loss) of associates	(102,791)	37,303	NM
Share of profit of joint ventures	687,127	1,213,233	-43.4%
Profit before income tax	**5,448,587**	**7,756,828**	**-29.8%**
Income tax	(2,579,081)	(3,719,414)	-30.7%
Profit for the year	**2,869,506**	**4,037,414**	**-28.9%**
Profit attributable to:			
Owners of the company	1,532,562	2,656,030	-42.3%
Non-controlling interest	1,336,944	1,381,384	-3.2%
Earnings per share (RMB cents)	**79.34**	**137.51**	**-42.3%**

Source: Yanlord

Dividend

No dividend has been declared or recommended for the financial year under review. Uncertainty continued to exist in the PRC real estate sector arising from continued volatilities in the global economy and austerity measures promulgated by the PRC central government. While the Group has cash and cash equivalents of RMB20.696 billion as at December 31, 2022, in line with Yanlord's prudent financial policies, the Board decided to retain the earnings of FY2022 to cope with future business development and operations needs and is not proposing to declare a dividend for FY2022. This will serve to further augment Yanlord's financial flexibility and enable it to better mitigate any uncertainty posed by the economic environment.

(II) Capital Management

Yanlord reported total asset of RMB189.066 billion as at 31 December 2022 compared to RMB154.448 billion as at 31 December 2021. The increase in total assets was mainly attributable to the increase in properties under development for sale. At the same time, total liabilities increased to RMB143.715 billion as at 31 December 2022 from RMB110.593 billion as at 31 December 2021 mainly due to the increase in contract liabilities.

Consequently, Yanlord recorded total equity/ net assets of RMB45.351 billion as at 31 December 2022 compared to RMB43.856 billion as at 31 December 2021. Excluding non-controlling interest, net asset attributable to owners of the company amounted to RMB34.968 billion as at 31 December 2022. Accordingly, Yanlord's net asset value (NAV) per share stood at RMB18.10 based on 1.932 billion units in issued share capital.

A summary of Yanlord's balance sheet as at 31 December 2022 and 31 December 2021 is shown in **Exhibit 2**.

Exhibit 2: Summary of Yanlord's Balance Sheet as at 31 Dec 2022 and 31 Dec 2021

RMB'000	31-Dec-22	31-Dec-21
Total assets	189,065,840	154,448,436
Total liability	143,714,834	110,592,816
Total equity/ net assets	45,351,006	43,855,620
Net assets attributable to ordinary shareholders	34,967,844	34,275,680
Issued share capital (excluding treasury shares)	1,931,535,376	1,931,535,376
Net asset value per ordinary share (RMB)	18.10	17.75

Source: Yanlord

Borrowings and Debt Securities

We note that Yanlord's total debt increased to RMB45.413 billion as at 31 December 2021 from RMB43.041 billion as at 31 December 2021. Of Yanlord's total debt of RMB45.413 billion, RMB16.621 billion are current borrowings and RMB28.792 billion are non-current borrowings as shown in **Exhibit 3**.

Exhibit 3: Breakdown of Yanlord's Bank Borrowings and Debt Securities

RMB'000	31-Dec-22	31-Dec-21
Amount repayable within one year or less or on demand		
Secured	7,980,482	3,992,547
Unsecured	8,640,699	5,563,189
Total current borrowings	**16,621,181**	**9,555,736**
Amount repayable after one year		
Secured	15,787,902	16,859,384
Unsecured	13,004,344	16,626,021
Total non-current borrowings	**28,792,246**	**33,485,405**
Total debt	**45,413,427**	**43,041,141**

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 RMB34.549 billion and senior notes amounted to RMB8.365 billion.

As at December 31, 2022, 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 RMB2.500 billion (2021 : RMB366 million) which bear interests at 5.1% 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 4**.

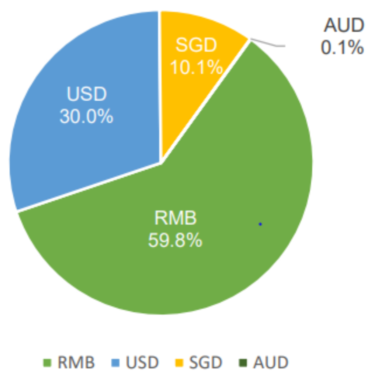
Exhibit 4: Yanlord's Debt Maturity Profile as at 31 December 2021

(RMB million)	1 Year	>1 to<2	>2 to <5	>5	As at 31 Dec 2022
Bank and other loans					**Total**
RMB	8,615	5,653	4,344	6,024	**24,636**
USD	1,117	4,139	-	-	**5,256**
SGD	2,068	2,566	-	-	**4,634**
AUD	23	-	-	-	**23**
Sub-total	**11,823**	**12,358**	**4,344**	**6,024**	**34,549**
Senior notes					
2023 USD350[1]	2,299	-	-	-	**2,299**
2024 USD400[2]	-	2,610	-	-	**2,610**
2026 USD500	-	-	3,456	-	**3,456**
Sub-total	**2,299**	**2,610**	**3,456**	**-**	**8,365**
Amount due to NCI (Non controlling shareholders of subsidiaries)					
RMB	2,499	-		-	**2,499**
Sub-total	**2,499**	**-**		**-**	**2,499**
Grand-total	**16,621**	**14,968**	**7,800**	**6,024**	**45,413**

Source: Yanlord

In addition, we also note that Yanlord's total borrowing as at 31 December 2022 are exposed to RMB (59.8%), USD (30.0%), SGD (10.1%) and AUD (0.1%) as shown in **Exhibit 5**.

Exhibit 5: Yanlord's Currency Breakdown as at 31 December 2022



Source: Yanlord

With reference to **Exhibit 4** on the previous page, 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 6**.

Exhibit 6: Yanlord's Outstanding Senior Notes as at 31 December 2022

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

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 2022, Yanlord's borrowings were RMB45.413 billion and its cash & cash equivalents were RMB20.6962 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 increased by 5.5 percentage points to 54.5% as at 31 December 2022, compared to 49.0% as at 31 December 2021 as shown in **Exhibit 7**.

Exhibit 7: Yanlord's Net Debt to Equity Ratio as at 31 December 2022 and 31 December 2021

RMB'000	31-Dec-22	31-Dec-21
Total debt	45,413,427	43,041,141
Cash and cash equivalents	(20,696,044)	(21,551,718)
Net debt	**24,717,383**	**21,489,423**
Total equity	45,351,006	43,855,620
Net debt to equity ratio	**54.5%**	**49.0%**

Source: Yanlord

OPERATIONAL UPDATES

Since our initiation report on 22 July 2022, there has been a few developments announced by Yanlord. We will now provide an operational update on this development.

(I) Moody's Affirms Yanlord's Ba2/Ba3 Ratings; Changes Outlook To Negative

On 10 March 2023, Yanlord announced that Moody's Investors Service has revised its rating outlook to negative from stable. At the same time, Moody's has affirmed Yanlord's Ba2 corporate family rating (CFR) and the Ba3 backed senior unsecured rating on the bonds issued by Yanlord Land (HK) Co., Limited, a wholly owned subsidiary of Yanlord. The bonds are guaranteed by Yanlord.

Rationale

The weakening sales performance refects the company's moderate business scale and significant slowdown in land replenishment over the past 12-18 months. The sales decline will weaken the company's operating cash flow and credit metrics over the next 12-18 months.

Moody's projects Yanlord's credit metrics will weaken-- its debt/EBITDA will deteriorate to around 6.8x over the next 12-18 months, compared with 6.4x in 2022, and its EBIT/interest coverage will decline to around 2.6x over the same period from 2.8x in 2022. These forecasts, which are weak for the company's Ba2 corporate family rating (CFR), incorporate Moody's expectation that the company will face a decline in its profit margin to around 22% from 27% in 2022 during the same period.

However, Moody's expects Yanlord's liquidity to remain good, given that the company has maintained good access to both onshore and offshore financing. Its unrestricted cash holdings of RMB20.7 billion as of the end of 2022 and projected operating cash flow will be sufficient to cover its maturing debt over the next 12-18 months, although the expected use of internal resources to repay maturing debt will likely reduce its liquidity buffer over time.

In addition, Moody's expects Yanlord's rental income/interest coverage to improve slightly to around 45% over the next 12-18 months from 43% in 2022, supported by steady rental income growth in China and Singapore.

Yanlord's Ba2 CFR reflects the company's established brand name and high-quality products, which give it strong pricing power. In addition, its sales strategy caters to a broad spectrum of the market. The rating also considers Yanlord's good liquidity and solid recurring rental income from its investment properties (IP) in China and Singapore, which provide the company with stable cash flow that can partly mitigate the cash flow volatilities arising from its property development business.

On the other hand, the rating is constrained by Yanlord's volatile operating performance, geographic concentration and moderate debt leverage. The significant exposure to joint venture (JV) businesses also hinder the transparency of its credit metrics, although its reputable JV partners temper this risk. The company's Ba3 senior unsecured debt rating is one notch lower than the CFR due to structural subordination risk. This risk reflects the fact that the majority of claims are at the operating subsidiaries and have priority over Yanlord's senior unsecured claims in a bankruptcy scenario. In addition, the holding company lacks significant mitigating factors for structural subordination. As a result, the likely recovery rate for claims at the holding company will be lower.

(II) Standard & Poor's (S&P) Rating Affirmed On Yanlord Financial Discipline; Outlook Stable

On 27 March 2023, Yanlord announced that S&P believes that Yanlord will likely maintain financial discipline to control debt and preserve liquidity during the property market downturn, backed by a sufficient land bank in higher-tier cities. There are also adequate land reserves and unrecognized contracted presales could support the operating scale and financial performance of the China-based property developer over the next two years. S&P affirmed the 'BB-' long-term issuer credit rating on Yanlord. At the same time, it affirmed the 'B+' long-term issue rating on the senior unsecured notes that Yanlord guarantees. The stable rating outlook reflects S&P's views that Yanlord will effectively control its leverage and maintain adequate liquidity with disciplined land acquisitions and investments over the next 12-24 months.

Rationale

S&P affirmed the ratings because it expects Yanlord to maintain financial discipline to preserve liquidity and control debt. Yanlord's adjusted debt could decline by 7%-10% in 2023 and 5%-10% in 2024. This reflects controlled land acquisitions and some debt repayment with internal resources.

Yanlord has a land bank that can sustain development and property sales for about three years. As such, the company has no imminent need to replenish its land bank.

S&P expects controlled land investments in 2023, before Yanlord gradually resumes land acquisitions in 2024-2025. The company is not likely to increase land spending meaningfully until the property market sustainably recovers and private developers' access to capital markets improves.

Yanlord's attributable land investments plunged by 75% to Chinese renminbi (RMB) 1.94 billion in 2022, from RMB7.64 billion in 2021. The company was light on acquisitions to preserve liquidity. It opted to collaborate with other partners and acquire only minority interests in projects (1%-25.5%).

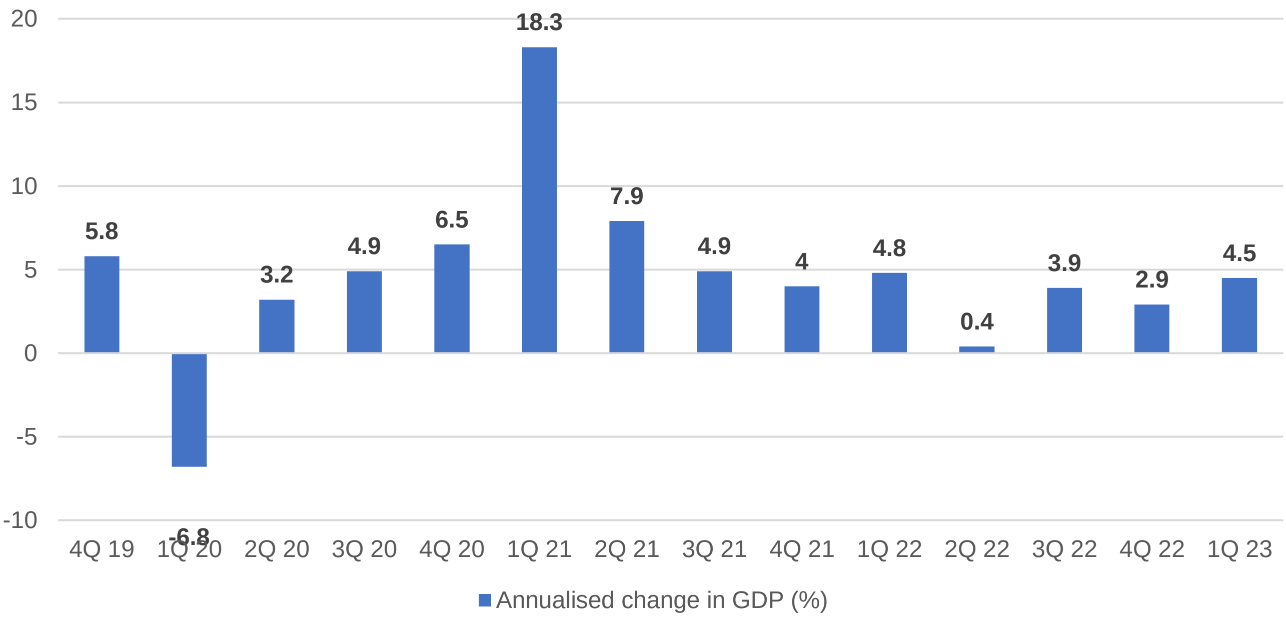
In addition, S&P believes that Yanlord's liquidity should be adequate in 2023, although the liquidity buffer could shrink. Yanlord will likely maintain adequate liquidity. This is despite a decline in the company's cash to short-term debt coverage ratio, due to a spike in short-term debt. Support will come from its intact banking relationships, cost-cutting, manageable counterparty risks for joint ventures (JVs), and limited refinancing risk.

INDUSTRY OUTLOOK

(I) China's Economy

China's economy grew at a faster than expected clip in the first quarter, official data showed, expanding 4.5% year-on-year, faster than the fourth-quarter's 2.9% pace as policymakers move to bolster growth following the end of strict Covid-19 curbs in December as shown in **Exhibit 8**. On a quarter-by-quarter basis, GDP grew 2.2% in January to-March, data released by the National Bureau of Statistics showed, compared with a revised 0.6%rise in the previous quarter. Recent data suggest the economy is rebounding after disruptions caused by the sudden lifting of COVID-19 curbs in December, led by consumption, services and infrastructure, but easing inflation and surging bank savings are raising questions over the strength of domestic demand.

Exhibit 8: Change in China quarterly GDP (%, y-o-y)



Source: Data compiled from NBS

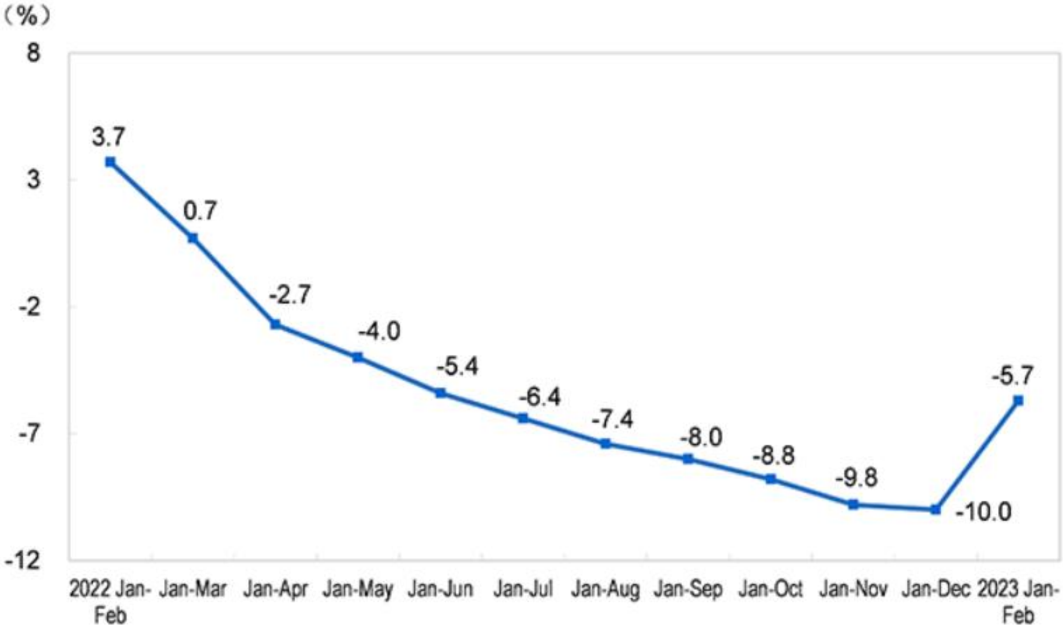
We note that, in its March National People's Congress (NPC) meeting, outgoing Premier Li Keqiang delivered the 2023 Government Work Report (GWR) on behalf of the State Council and announced a GDP growth target of "around 5 percent" for 2023. Earlier this year, a number of global institutions, including the International Monetary Fund (IMF), raised their 2023 growth forecast window for China to 4.8% to 5.6%, after China shifted away from its zero-COVID policy and sent strong signals that it will prioritize economic growth in 2023 once again. Considering China's strong economic recovery in the first two months (the official manufacturing PMI reached the highest level in nearly 11 years in February and the services PMI continued to rise as well), this modest GDP growth target suggests that China will put more emphasis on high-quality growth and sustainable development and strive for economic stability amid ongoing economic headwinds, rather than aiming for the breakneck growth seen in past years.

(II) China Property Sales

Investment in Real Estate Development

According to NBS, from January to February, the national real estate development investment was 1,366.9 billion yuan, a year-on-year decrease of 5.7% as shown in **Exhibit 9**; Among them, the residential investment was 1,027.3 billion yuan, down 4.6%

Exhibit 9: Growth Rate of Investment in Real Estate Development



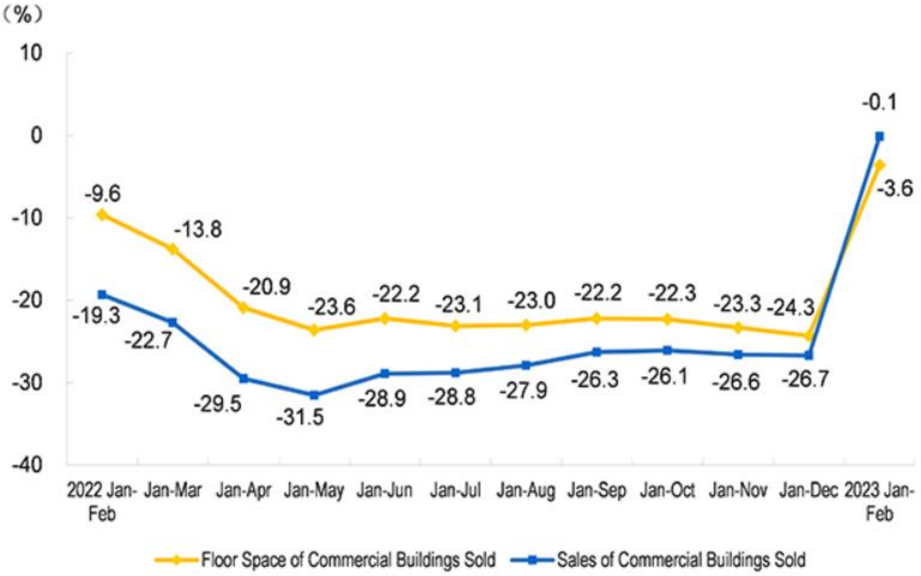
Source: NBS

From January to February, the housing construction area of real estate development enterprises was 7,502.4 million square meters, a yoy decrease of 4.4%. Among them, the residential construction area was 5,276.95 million square meters, down 4.7%. The newly started area of houses was 135.67 million square meters, down 9.4%. Among them, the newly started residential area was 98.91 million square meters, down 8.7%. The completed area of houses was 131.78 million square meters, up 8.0%. Among them, the completed residential area was 97.82 million square meters, up 9.7%.

Commercial and Residential Sales

From January to February, the sales area of commercial housing was 151.33 million square meters, a yoy decrease of 3.6%, of which the residential sales area decreased by 0.6%. The sales of commercial housing was 1,544.9 billion yuan, down 0.1%, of which residential sales increased by 3.5% as shown in **Exhibit 10** on the next page. At the end of February, the area of commercial housing for sale was 655.28 million square meters, a yoy increase of 14.9%. Among them, the residential area for sale increased by 15.5%.

Exhibit 10: Growth Rate of Floor Space and Sales of Commercial Building Sold

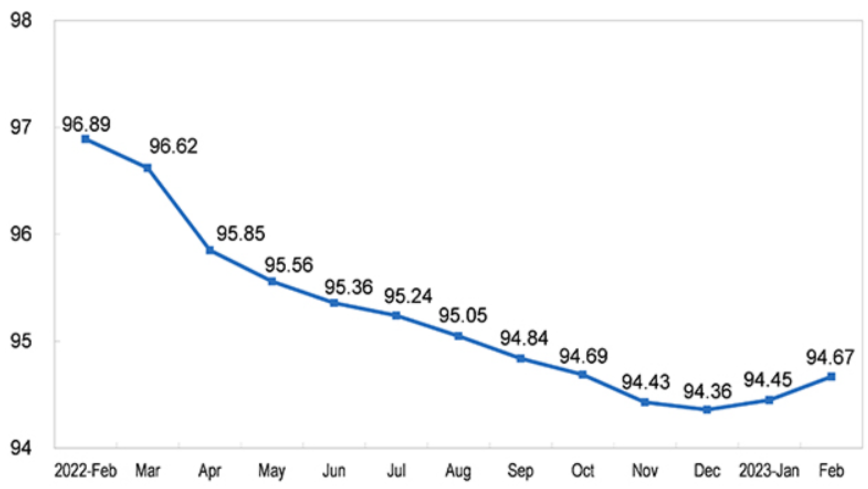


Source: NBS

National Real Estate Climate Index [1]

In February, the real estate development prosperity index was 94.67, a slight improvement from 94.45 as recorded in January as shown in **Exhibit 11**.

Exhibit 11: National Real Estate Climate Index



Source: NBS

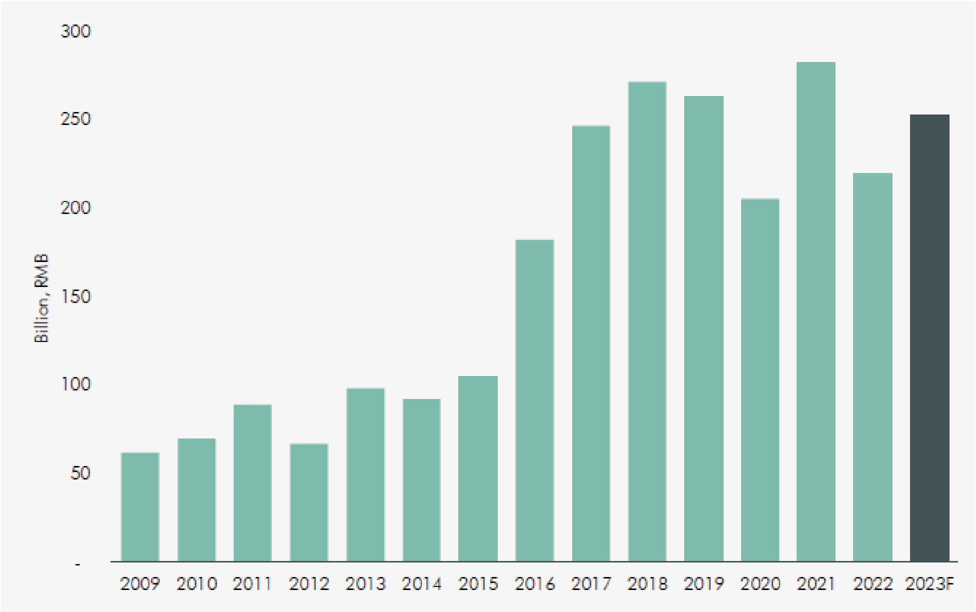
(1) The national real estate climate index follows the theory of economic cycle fluctuation, based on the business cycle theory and business cycle analysis, using time series, multivariate statistics, econometric analysis, taking real estate development and investment as the benchmarks, selecting related 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 pandemic-related uncertainty, geopolitical tension, slower economic growth and weaker leasing fundamentals ensured China's total investment volume to drop by 22% yoy to RMB 220 billion in 2022. CBRE's 2023 China Investor Intensions Survey reflected the mood of caution, with the proportion of respondents saying they intend to "buy more" in 2023 falling to 34%, and 86% of the participants naming "fear of recession" as their top challenge. However, China's shift away from its Zero-Covid policy and the introduction of economic stimulus measures has since provided a substantial boost to investor sentiments.

In addition, low interest rates will provide sound foundation for a rebound in real estate investment in 2023. Over the course of 2022, the People's Bank of China (PBoC) lowered the five-year loan prime rate (LPR) three consecutive times by a total of 35 basis points to a record low of 4.3%. even considering recent policy changes, the likelihood of interest rate hikes in 2023 remains low, ensuring investors will continue to enjoy low financing costs.

Considering the above, CBRE expects real estate investment demand to exceed the expectations, pushing up annual transaction volume in 2023 by 15-20% yoy to RMB 250 billion as shown in **Exhibit 12**.

Exhibit 12: Domestic Real Estate Transaction Volume (2009-2023)



Source: CBRE

Shanghai

Savills noted that China's real estate industry remains an important pillar of the economy. The authorities stepped up support of the real estate sectors in the final months of 2022, extending some of the financial or monetary support that had been on offer earlier in the year to ensure project completions and handover to buyers, now also supporting financing channels to support leading quality developers broader financing needs whether that be through bank financing, bond issuance or equity sales. Housing purchase and loan restrictions were relaxed or lifted in many cities to enable or support home buyers and boost transaction volumes. Shanghai, with a relatively healthy volume of demand, has not had to make significant adjustments to support demand. Lower down payment requirements and mortgage rates as well as rationalised second-hand sales purchases procedures are also likely to boost liquidity in the market and boost confidence.

First-hand commodity residential supply increased 4Q2022 to 4.19 million sqm, up 37.1% yoy. The transaction volumes increased to 2.63 million sqm, up 5.6% yoy. The average transaction prices increased to RMB65,482 psm, up 15.8% yoy as shown in **Exhibit 13**. In terms out outlook, Savills noted that Authorities have stepped up their support for the ailing real estate market with improved access to bank credit, as well as bond and equity markets for quality developers. Further policy easing is expected both at the central and local levels in order to arrest any backsliding. While some of the supply-side constraints have been addressed, demand-side support policies will have to continue to be rolled out to bring buyers back to the market and drive sales volumes. Private developers have been running down pipelines and now that credit markets have eased for some developers, they may be more willing to bid on new land plots.

Exhibit 13: Shanghai Residential Market, 4Q2022

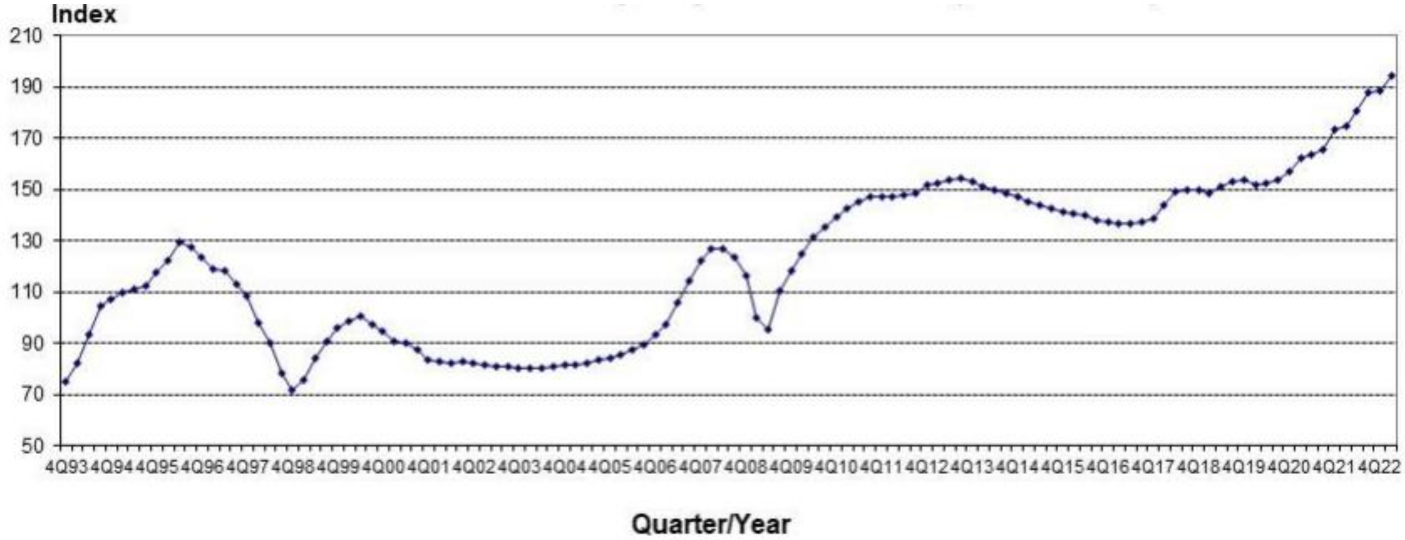
		Residential (Overall)
Supply	SQM	4,190,289
	YOY (%)	37.10%
Transactions	SQM	2,632,851
	YOY (%)	5.60%
Average Price	SQM	65,482
	YOY (%)	15.80%

Source: Savills

(III) Singapore Private Residential Market

According to flash estimate data from URA, the private residential property index increased by 6.0 points from 188.6 points in 4th Quarter 2022 to 194.6 points in 1st Quarter 2023. This represents an increase of 3.2%, compared to the 0.4% increase in the previous quarter as shown in **Exhibit 14**.

Exhibit 14: Property Price Index of Private Residential Properties (flash estimate)



Source: URA

Prices of landed properties increased by 5.7% qoq in 1st Quarter 2023, compared with the 0.6% qoq increase in the previous quarter. Prices of non-landed properties increased by 2.5% qoq in 1st Quarter 2023, compared with the 0.3% qoq increase in the previous quarter.

Prices of non-landed properties in Core Central Region (CCR) increased by 1.0% qoq in 1st Quarter 2023, compared with the 0.7% qoq increase in the previous quarter. Prices of non-landed properties in Rest of Central Region (RCR) increased by 4.0%, qoq in 1st Quarter 2023 compared with the 3.1% qoq increase in the previous quarter. Prices of non-landed properties in Outside Central Region (OCR) increased by 1.9% qoq in 1st Quarter 2023, compared with the 2.6% qoq decrease in the previous quarter, as shown in **Exhibit 15**.

Exhibit 15: Breakdown of URA Property Price Index for 4Q22 and 1Q23

	Price Index		% Change over Previous Quarter	
	4Q22	1Q23	4Q22	1Q23
Residential (1Q09 = 100)	188.6	194.6	0.4	3.2
Landed Property	216.0	228.3	0.6	5.7
Non-Landed Property	182.1	186.7	0.3	2.5
CCR[1]	145.4	146.9	0.7	1.0
RCR[2]	204.9	213.1	3.1	4.0
OCR[3]	218.2	222.3	-2.6	1.9

(1) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa

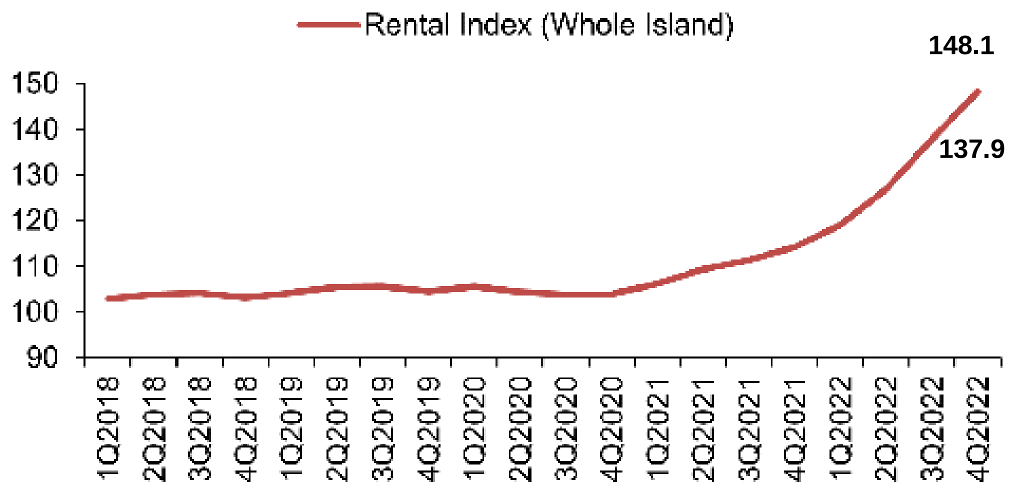
(2) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR

(3) Outside Central Region (OCR)

Source: Compiled data from URA

Based on URA's data, rentals of private residential properties increased by 7.4% qoq in 4th Quarter 2022, compared with the 8.6% qoq increase in the previous quarter as reflected by an increase in the Rental Index to 148.1 from 137.9, as shown in **Exhibit 16**. For the whole of 2022, rentals of private residential properties increased by 29.7% compared with the 9.9% increase in 2021.

Exhibit 16: Rental Index Of Private Residential Properties



Source: Compiled data from URA

Rentals of landed properties increased by 6.3% qoq in 4th Quarter 2022, compared with the 10.9% qoq increase in the previous quarter. Rentals of non-landed properties increased by 7.5% qoq, compared with the 8.3% qoq increase in the previous quarter. For the whole of 2022, rentals of landed properties increased by 28.1% while rentals of non-landed properties increased by 29.8%.

Rentals of non-landed properties in CCR increased by 7.3% qoq in 4th Quarter 2022, compared with the 7.0% qoq increase in the previous quarter. Rentals in RCR increased by 7.3% qoq, compared with the 9.6% qoq increase in the previous quarter. Rentals in OCR increased by 8.2% qoq, compared with the 8.8% qoq increase in the previous quarter as shown in **Exhibit 17**. For the whole of 2022, rentals of non-landed properties in CCR, RCR and OCR increased by 28.2%, 30.3% and 31.8% respectively.

Exhibit 17: Breakdown of URA Property Rental Index for 3Q22 and 4Q22

	Rental Index		% Change over Previous Quarter	
	3Q22	4Q22	3Q22	4Q22
Residential (1Q09 = 100)	137.9	148.1	8.6	7.4
Landed Property	121.1	128.7	10.9	6.3
Non-Landed Property	139.5	150.0	8.3	7.5
CCR[1]	133.4	143.1	7.0	7.3
RCR[2]	145.4	156.0	9.6	7.3
OCR[3]	144.3	156.1	8.8	8.2

(1) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa

(2) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR

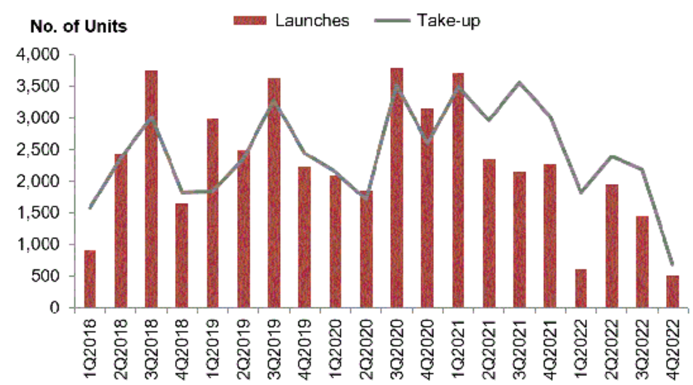
(3) Outside Central Region (OCR)

Source: Compiled data from URA

URA also noted that developers launched 504 uncompleted private residential units (excluding ECs) for sale in 4th Quarter 2022, compared with the 1,455 units in the previous quarter. For the whole of 2022, developers launched 4,528 uncompleted private residential properties for sale, compared with the 10,496 units in the previous year.

Developers sold 690 private residential units (excluding ECs) in 4th Quarter 2022, compared with the 2,187 units sold in the previous quarter. For the whole of 2022, developers sold 7,099 private residential units, compared with the 13,027 units in the previous year. The summary of the launches and take-up on residential property is shown in **Exhibit 18**.

Exhibit 18: Number Of Private Housing Units Launched And Sold By Developers (excluding ECs)



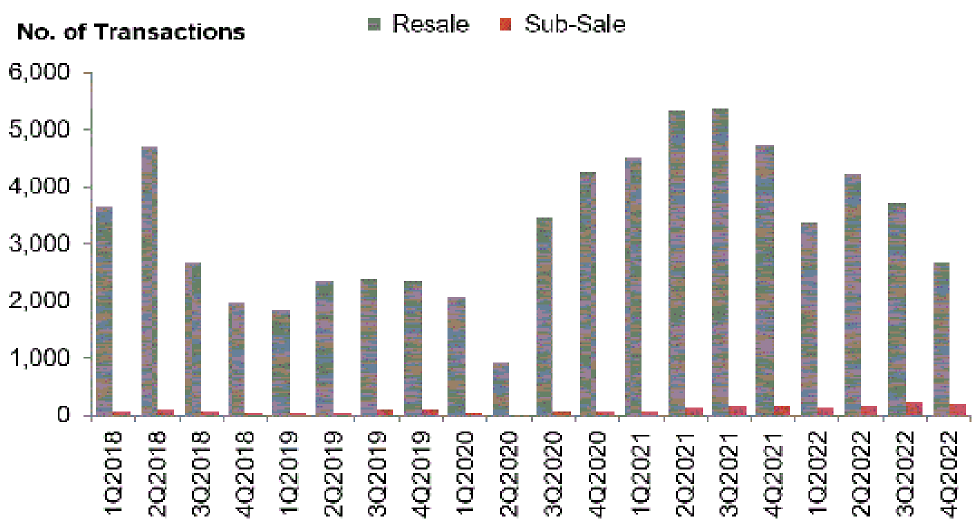
Source: URA

Developers launched 1,257 EC units for sale in 4th Quarter 2022 and sold 1,127 EC units in the quarter. For the whole of 2022, developers launched 1,873 EC units for sale and sold 1,479 EC units, compared with the 1,609 units launched and 2,119 units sold in 2021.

URA noted that there were 2,694 resale transactions in 4th Quarter 2022, compared with the 3,719 units transacted in the previous quarter. Resale transactions accounted for 75.1% of all sale transactions in 4th Quarter 2022, compared with 60.5% in the previous quarter. For the whole of 2022, there were 14,026 resale transactions, compared with the 19,962 resale transactions in 2021.

There were 204 sub-sale transactions in 4th Quarter 2022, compared with the 242 units transacted in the previous quarter. Sub-sales accounted for 5.7% of all sale transactions in 4th Quarter 2022, compared with 3.9% in the previous quarter. For the whole of 2022, there were 765 sub-sale transactions, compared with the 568 sub-sale transactions in 2021. the summary of the resale and sub-sales is shown in **Exhibit 19**.

Exhibit 19: Number Of Resale And Sub-sale Transactions For Private Residential Units (excluding ECs)

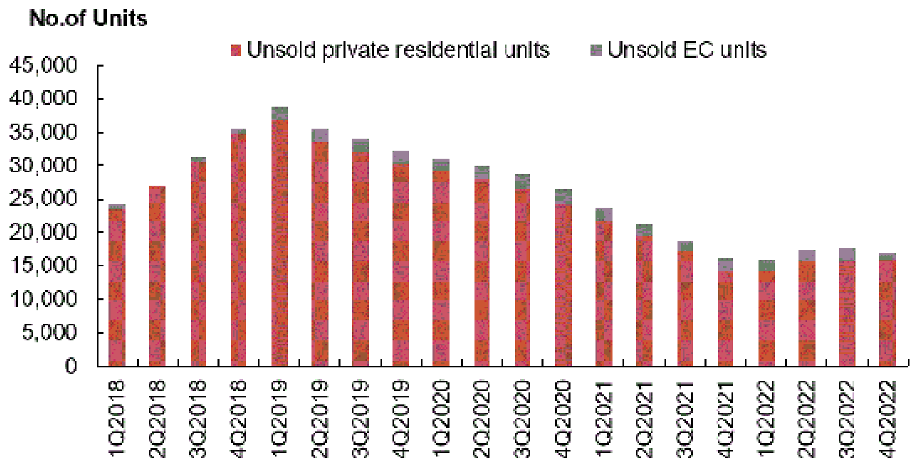


Source: URA

As at the end of 4th Quarter 2022, there was a total supply of 46,041 uncompleted private residential units (excluding ECs) in the pipeline with planning approvals, compared with the 49,384 units in the previous quarter. Of this number, 16,024 units remained unsold as at the end of 4th Quarter 2022, compared with the 15,677 units in the previous quarter.

After adding the supply of 5,706 EC units in the pipeline, there were 51,747 units in the pipeline with planning approvals. Of the EC units in the pipeline, 937 units remained unsold. In total, 16,961 units with planning approvals (including ECs) remained unsold, compared to 17,737 units in the previous quarter and 16,139 units a year ago as shown in **Exhibit 20** on the next page.

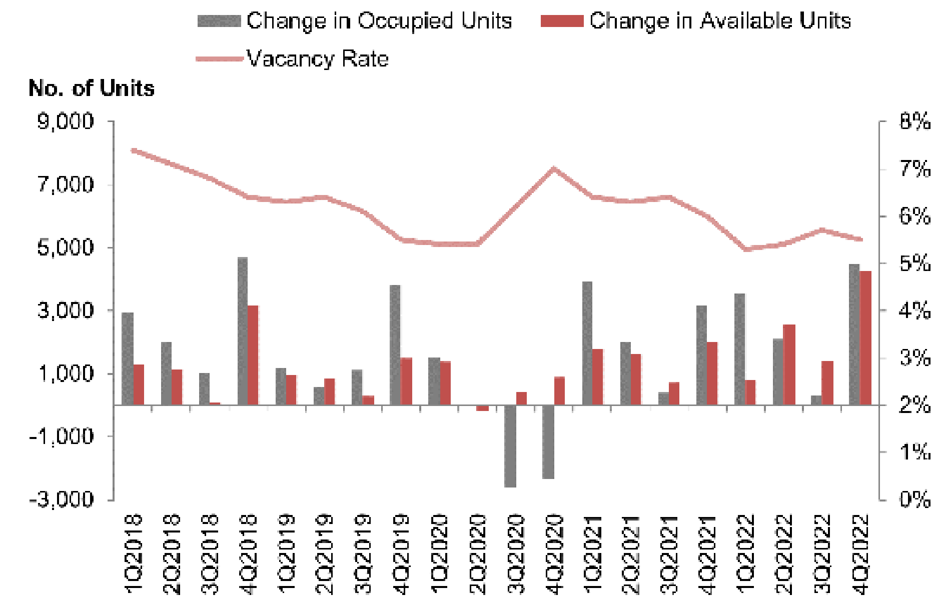
Exhibit 20: Total Number Of Unsold Private Residential Units In The Pipeline



Source: URA

The stock of completed private residential units (excluding ECs) increased by 4,245 units in 4th Quarter 2022, compared with the increase of 1,424 units in the previous quarter. The stock of occupied private residential units (excluding ECs) increased by 4,496 units in 4th Quarter 2022, compared with the increase of 291 units in the previous quarter. As a result, the vacancy rate of completed private residential units (excluding ECs) decreased to 5.5% as at the end of 4th Quarter 2022, from 5.7% in the previous quarter as shown in **Exhibit 21**.

Exhibit 21: Stock And Vacancy Of Private Residential Units (excluding ECs)



Source: URA

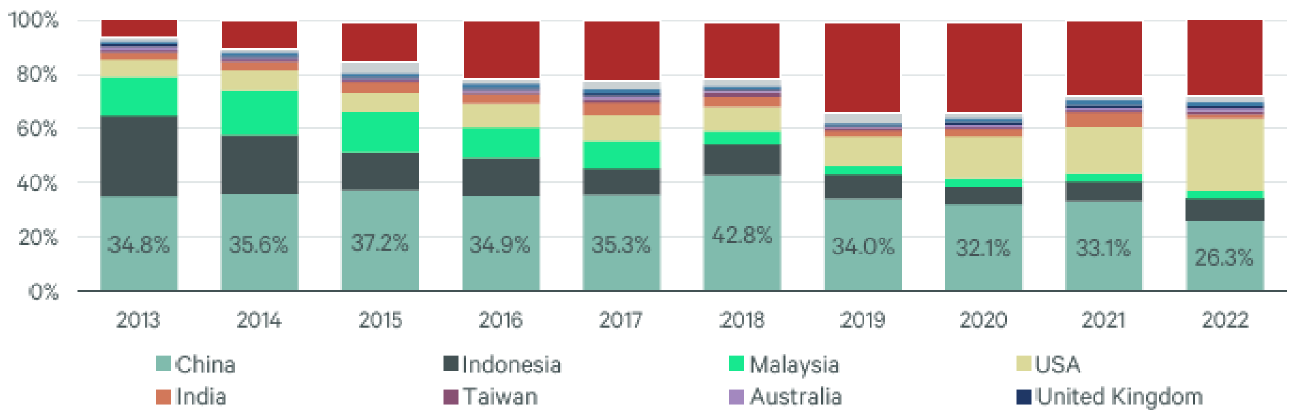
(a) Healthy Launch Pipeline to Support Sales

CBRE noted that new home sales in 2022 hit a 14-year low amid repeated rounds of cooling measures, a softening economic backdrop and sharp mortgage rate hikes. As noted on page 7, 7,099 new private homes changed hands in 2022, even lower than the 7,316 units in 2014, following 2013's cooling measures. Take-up was also held back by limited supply from new launches as developers stood on the sideline after December 2021's and September 2022's cooling measures, coupled with the souring global macroeconomic backdrop. CBRE believes that the take-up is likely to pick up significantly in 2023 as deadline for Additional Buyer's Stamp Duty (ABSD) remission draws nearer for numerous projections. An estimated 10,000 – 12,000 units could potentially be launched in 2023, with the bulk of supply in the RCR and OCR from Government Land Sales (GLS) and collective sale sites acquired in 2021 and 2022.

(b) Returning of Chinese Buyers

CBRE highlighted that foreign buying dwindled in 2022 despite the full reopening of Singapore's borders. This was largely attributed to less participation from Chinese buyers due to strict travel restrictions and lockdowns. Since 2013, Chinese investors have been the top foreign homebuyers in Singapore by nationality, typically accounting for about 32%-37% of foreigner private home sales as shown in **Exhibit 22.**

Exhibit 22: Percentage of Foreigner Sales By Nationality (2013-2022)



Source: CBRE

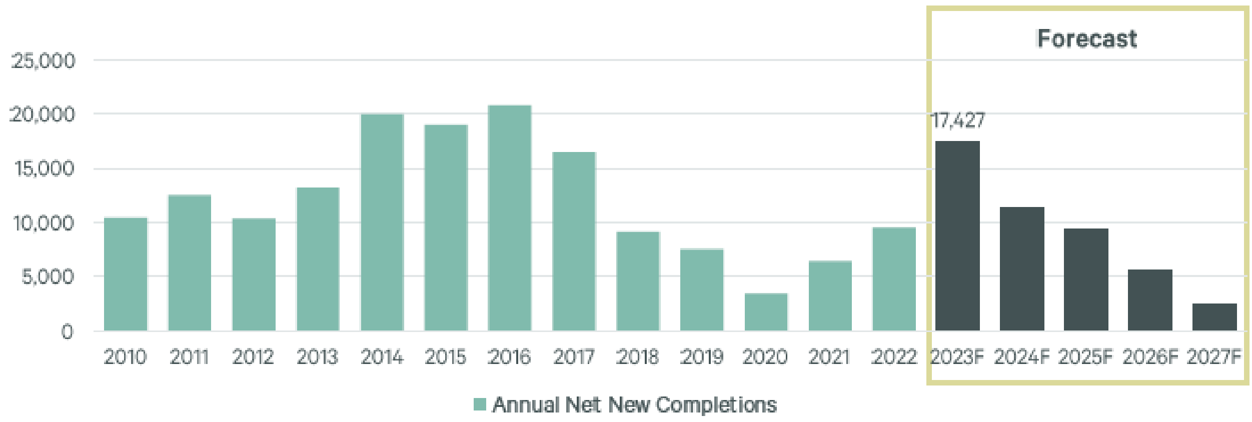
CBRE noted that the percentage of foreigner's sales declined significantly to 26.3% in 2022. Looking ahead, the earlier-than-expected reopening of China borders from 8 Jan 2023 is expected to bode well for foreigner sales. With increased activity and pent-up demand from mainlanders, CBRE believes the number of units sold to Chinese homebuyers in 2023 could normalize to 350 – 400 units, recovering from 2022's low level

(c) Outlook

Rental

CBRE noted that the rental market has been seeing a historic run-up, with the URA rental index of private residential properties posting a 29.7% yoy surge in 2022, as noted on page 6. The rapid rise in rents is being driven by a confluence of tight supply and robust demand. Singapore population grew by more than 180,000 in 2022, contributing to increased rental demand. Meanwhile, new supply from the clearing of construction backlog has yet to keep pace with the strong demand. Moving forward, the 17,427 private residential units projected to complete in 2023, as shown in **Exhibit 23**, would inject a significant amount of stock into the market and alleviate the tight supply situation. Correspondingly, rental growth momentum is expected to face resistance and moderate.

Exhibit 23: Historical and Future Private Home Completions (excl. Ecs) (CBRE)



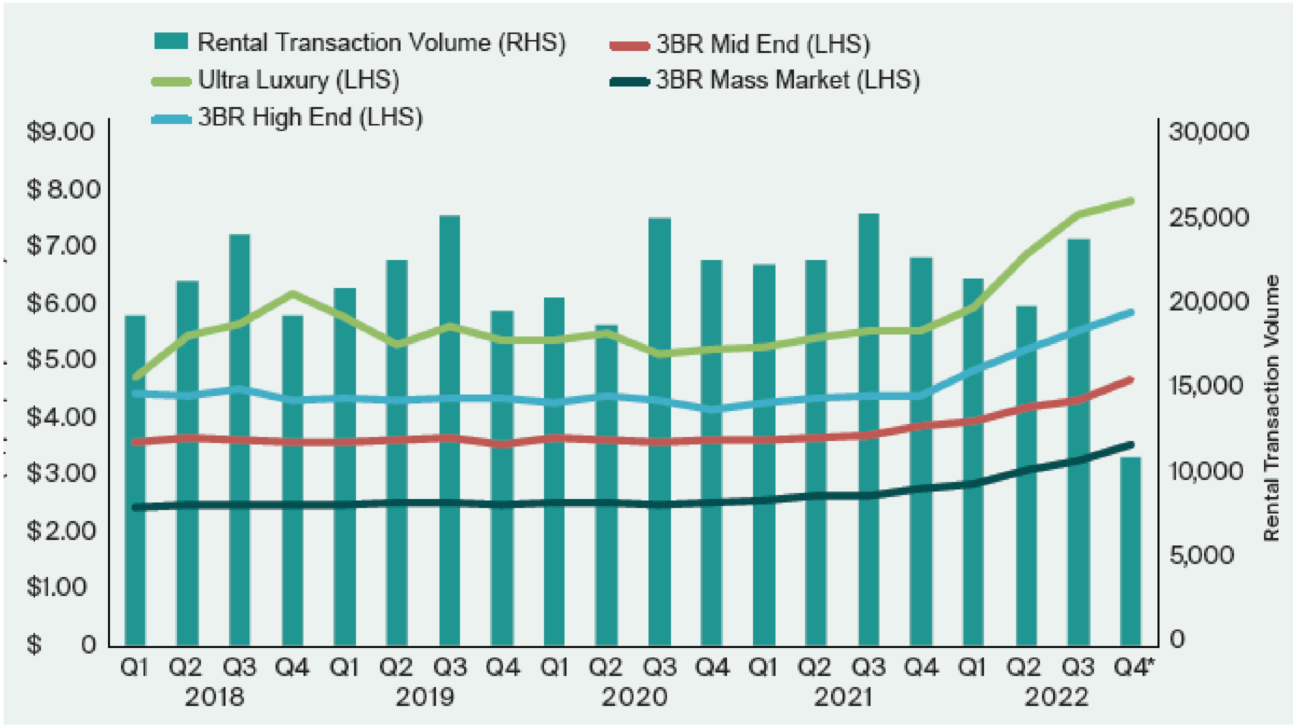
Source: CBRE

C&W noted that private residential rental market has been the star outperformer amongst all other property segments. The robust growth in rents was driven by limited supply, transient leasing demand due to construction delays of new homes in 2020 and 2021, and higher expat demand, which was accentuated by Singapore's increasing prominence as a regional business hub due to a swift economic reopening in 2022. Rent growth is expected to ease in 2023, as an influx of new supply enters the market. C&W believes private residential rents are expected to grow by up to 5% in 2023.

JLL noted that strong leasing demand amid limited stock available for lease drove rents up at a faster qoq pace for the fourth consecutive quarter. However, JLL believes that prime rents could grow at a slower pace in 2023 as a large influx of new supply is expected, coupled with a weaker economic performance, which could affect leasing demand and vacancy rates.

Knight Frank noted that island wide leasing contracts for non-landed private homes in 4Q2022 decreased significantly compared to 4Q2021 as shown in **Exhibit 24**. Despite the decrease in rental volume, demand pressures in the leasing market remained high as rents increased between 3% and 9% q-o-q across the different segments. With ongoing geopolitical tensions in various parts of Asia and the world, Singapore offered foreign professionals and executives a stable environment in which to live and work characterized by connectivity to quality schools, retail amenities and modern workplaces. In addition, locals waiting for their new homes to complete also added to the ongoing demand for rental accommodation.

Exhibit 24: Average Rents and Rental Transaction Volume of Non-Landed Private Residential Properties (excluding EC)

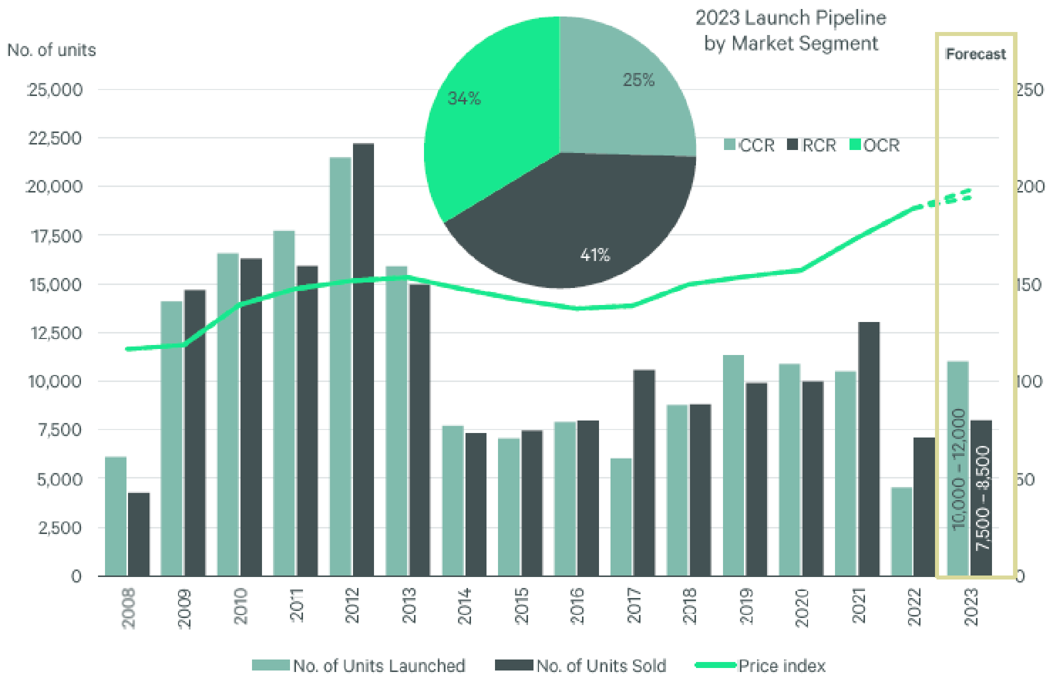


Source: Knight Frank

Price

In view of the healthy pipeline of launches which could provide homebuyers with more options, CBRE expects new home sales to improve to 7,500 – 8,500 units in 2023 as shown in **Exhibit 25**. Correspondingly, barring widespread retrenchments and a sustained recession, private home prices which rose 8.6% in 2022 are projected to moderate to 3- 5% in 2023 due mainly to a weaker economic outlook.

Exhibit 25: CBRE New Home Launch and Sales Volume Forecast



Source: CBRE

C&W noted that while underlying private residential demand remains strong, a confluence of headwinds has dampened demand. This includes rising financing costs, an uncertain economic outlook and another round of cooling measures in September 2022. However, this is balanced by a robust rental market, low levels of unsold inventory and rising property replacement costs. As such, private residential prices could still inch higher, by up to 3% in 2023. On the other hand, volumes are expected to fall as some buyers might hold their purchases given a combination of higher borrowing costs, weaker economic growth and an expected slowdown in resale HDB prices. As such, total private residential volumes in 2023 could moderate to below 20,000 units.

In addition, Knight Frank noted that even though some 17,000 plus new private homes are slated for completion in 2023, the leasing market is unlikely to cool off immediately in 2023 due to the persistent leasing demand in the private residential market. Private home downgrades affected by the latest cooling measures would also put pressure on the leasing market. The lack of saleable inventory continues to crimp transaction activity with homeowners hesitant to sell their homes without securing a new one to occupy, even though price premiums were offered. However, come 2023, some 34 new projects could possibly launch island-wide consisting of around 12,000 units that will bring some relief to the undersupplied situation and provide homebuyers with more product choices in a buffet spread of locations. However, the greater volume and variety of new private stock comes at a time of economic uncertainty, employee layoffs in the technology sector, continued rising interest rates as well as the increased cost of consumption. Therefore in 2023, demand might turn more conservative with 7,000 to 8,000 new sales and an estimated overall private residential transaction volume ranging between 21,000 to 25,000 units. In view of the above, private home prices are projected to grow by a more moderate 5% to 7% for the whole of 2023.

For 2023, Savills believes that if mortgage rates move towards 5% and buyers hold the expectation that they will remain sticky, both new and resale demand may be softer than this year. However, as the successful land bid prices in the 2022 land tenders did not moderate, and with inflation still at heady levels, the total cost of production for new launches should be higher than this year. Higher new sale prices would then lend support to resale prices. Savills is forecasting overall prices to rise 7% yoy in 2023. If interest rates begin to fall by mid-2023, this would boost buyer confidence and may see prices rise by up to 10%.

(d) Summary

Considering the above, we note that the rental market has been experiencing an unprecedented rise; in fact, the URA rental index for private residential properties showed a yoy increase of 29.7% in 2022. The rapid rise in rents was being driven by a combination of limited supply and increased demand from expat, which was accentuated by Singapore's growing importance as a regional business hub as a result of the economic recovery in 2022. Looking ahead, we note that real estate houses believe that rental growth may slow down in 2023 due to an anticipated large influx of new supply and a weaker economic performance, both of which may have an impact on leasing demand and vacancy rates.

In terms of private home prices, while underlying private residential demand remains strong, a confluence of headwinds has dampened demand. Additionally, there are rising financing costs, a cloudy economic future, and additional cooling measures beginning in September 2022. Volumes are also expected to decline as some buyers decide to hold off on making purchases due to a combination of higher borrowing costs, slower economic growth, and anticipated price declines for resale HDB units. Various real estate houses believe that demand might turn more conservative and private home prices are projected to grow by a more moderate 3% to 10% for the whole of 2023 as shown in **Exhibit 26**.

Exhibit 26: Summary Of Real Estate Houses' 2023 Residential Rental and Price Growth Forecast

	2023 Growth Forecast	
	Rental	Price
CBRE	Face resistance and moderate	3%-5%
C&W	5%	3%
Knight Frank	-	5%-7%
Savills	-	7%-10%

Source: Respectively real estate houses

RECENT SHARE PRICE DEVELOPMENT

Since our initiation report issued on 22 July 2022, when Yanlord's share price closed at S$1.040, we note that the share price has fallen. From then till present, the share price is down about 14.42% to the current price of S$0.890 as shown in **Exhibit 27**.

Exhibit 27: Yanlord's Share Price Performance

Source: Yahoo Finance, FPA Financial

Over the past one year, the share price traded between S$0.830 and S$1.240 The 52-week low of S$0.830 was reached on 26 October 2022 and the 52-week high of S$1.240 was reached on 5 May 2022.

On 11 August 2022, Yanlord announced its half year financial results for the six months ended 30 June 2022 (1H2022). Revenue fell by 14% yoy to 11.3 billion yuan, mainly due to a decrease in gross floor area (GFA) delivered to customers in the first half. Gross profit rose 14.6% to 4 billion yuan, despite a decline in revenue. Overall, Yanlord posted earnings of 1.4 billion yuan (S$279.6 million) for the first half ended June, up 67.2% from 823.4 million yuan in the year-ago period. Shares of Yanlord rose by 0.96% to S$1.050 following the announcement.

On 28 February 2023, Yanlord announced its full year financial results for the year ended 31 December 2022. Revenue and gross profit fell by 18% and 13% respectively. Overall, Yanlord's FY2022 earnings fell by 29% yoy to RMB2.870 billion yuan from RMB4.037 yuan in FY2021. Following the announcement of its results, Yanlord's share price fell by 5.50% to S$1.030.

As mentioned on page 9, on 10 March 2023, Moody's Investors Service lowered Yanlord's rating outlooks to "negative" from "stable" previously. The negative outlook reflects Moody's expectation that Yanlord's contracted sales will decline and its credit metrics will worsen over the next 12-18 months. Yanlord's share price closed at S$0.900 and fell by 3.74% compared to the day before the announcement.

As mentioned on page 10, on 27 March 2023, S&P affirmed Yanlord's BB rating owing to its financial discipline to preserve liquidity and control debt. S&P also issued a stable outlook for Yanlord. We note that Yanlord's share price rose by 3.47% to S$0.895 the next day.

Insider Trade

In terms of insider trades, we note that Mr. Hong Pian Tee, Yanlord's independent Non-Executive Director, purchased 100,000 ordinary shares of the company via market transaction for a total consideration of S$97,000. Following this trade, Mr Hong's interested in Yanlord increased from 0.044% to 0.049%.

POTENTIAL CATALYSTS

(I) Land Acquisition

In FY2022, Yanlord deployed a total investment of approximately RMB20.236 billion to acquire a total of 10 new projects mainly located in Nanjing, Suzhou as well as Jinan and Wuxi. The 10 new projects have a total GFA of approximately 1,571,000 sqm, the average land cost amounted to RMB12,881 per sqm and the attributable land cost to Yanlord amounted to RMB1.940 billion. Yanlord's land acquisition for FY2022 is shown in **Exhibit 28**

Exhibit 28: Yanlord's Land Acquisition for FY2022

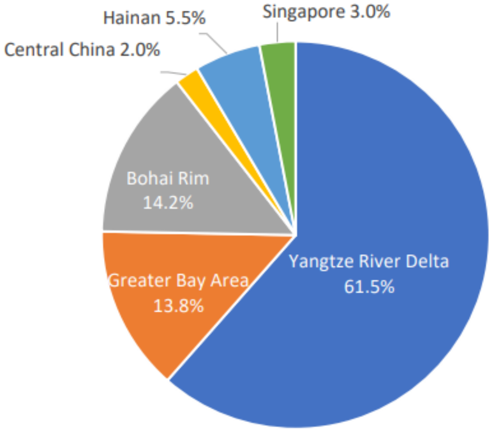
City	Project Name	GFA (sqm)	Attributable Interest As at 31 Dec 2022	Total Land Cost RMB billion	Land Acquisition Methods
Nanjing	Nanjing Jiangbei New District No.G03 Land Parcels 南京江北新区G03 号地块	89,000	10.0%	2.270	Collaboration and acquisition
Nanjing	Nanjing Jiangbei New District No.G10 Land 南京江北新区G10 号地块	72,000	5.0%	1.175	Collaboration and acquisition
Suzhou	Yanlord PRELAND (Phase 1 and 2) 仁恒·叙澜庭，一、二期	646,000	10.0%	4.354	Collaboration and acquisition
1H 2022		807,000		7.799	
Jinan	Riverside City 铁恒河滨园、铁恒河滨府	231,000	20.0%	1.278	Collaboration and acquisition
Nanjing	Nanjing Jiangning No.2022G93 Land Parcel 南京江宁2022G93 号地块	143,000	5.0%	2.665	Collaboration and acquisition
Nantong	Nantong Rugao No.R2022036 Land Parcel 南通如皋R2022036 号地块	79,000	5.0%	0.401	Collaboration and acquisition
Nantong	Nantong Zhongchuang No.CR22006 Land Parcel 南通中创CR22006 号地块	87,000	10.0%	1.318	Collaboration and acquisition
Suzhou	Suzhou No.2022-WG-27 Land Parcel 苏地2022-WG-27 号地块	52,000	1.0%	1.437	Collaboration and acquisition
Wuxi	THE ALTSTADT 耕渎锦绣院，一、二期	132,000	1.0%	2.845	Public land auction
Singapore	Lentor Central Residential Site, Singapore	40,000	25.5%	2.493	Public land auction
2H 2022		764,000		12.437	
Total		1,571,000		20.236	

Source: Yanlord

(II) Landbank

Yanlord maintained its prudent landbank replenishment strategy in FY 2022, with a strategic focus on replenishing its landbank in the major cities in Yangtze River Delta region during the market downturn through its "small equity investment and project management" model. As of December 31, 2022, the total GFA of the landbank of the Group together with its joint ventures and associates was approximately 9.46 million sqm. Looking forward, Yanlord will continue to increase its penetration into key first and second-tier cities, and to maintain its competitive advantage in the industry and market reputation with professional development capabilities and prudent investment management. Of the total GFA, approximately 61.5% is located in the Yangtze River Delta, 13.8% in the Greater Bay Area, 14.2% in Bohai Rim, 5.5% in Hainan, 3.0% in Singapore and 2.0% in Central China as shown in **Exhibit 29** on the next page.

Exhibit 29: Yanlord's Landbank Distribution as at 31 December 2022



Source: Yanlord

FINANCIAL PROJECTION

In this section, we will be providing our projections for Yanlord's revenue, earnings and distribution for FY2023 and FY2024

(I) Revenue Projection

China

As highlighted in the 'Industry Overview' section, we note that China's economy expanded by 4.5% in 1Q2023 and the Chinese government has a GDP growth target of 5.0% in 2023. In addition, China's property sales started to show signs of a recovery in the early 2023.

CBRE also noted that the low interest rates will provide sound foundation for a rebound in real estate investment in 2023 and expects the real estate investment volume to increase by 15%-20% yoy in 2023. Hence, for our revenue projection for FY2023, we would assume a 17.5% growth, which is the midway point of CBRE's increase in real estate volume =[(15%+20%) / 2] as noted on page 14.

Accordingly, the projected China revenue for FY2023 would be RMB36.885 billion as follows:

- Projected China revenue for FY2023 = RMB25.548 billion (FY2022 actual revenue) x 117.5% (projected growth rate) = RMB30.019 billion

Looking ahead in FY2024, we would expect a stronger revenue performance amid the end to China's Covid-Zero policy and the reopening of its borders. Moreover, having endured market volatility in the real estate sector over the past two years, key stakeholders are expected to mature and become more resilient, leading to a stable market environment that will benefit long-term players such as Yanlord. It is anticipated that qualified enterprises will gradually recover with the aid of stimulus policies, and that the real estate market will experience a rejuvenation. The end of the Covid-Zero policy would also 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 4.5% in 2024. This positive outlook would allow consumers to regain confidence in the economy and improve consumer sentiment, leading to 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 RMB31.370 billion, representing a 4.5% yoy growth compared to FY2024 as follows:

- Projected China revenue for FY2024 = RMB30.019 billion (FY2023 forecasted revenue) x 104.5% (projected growth rate) = RMB31.370 billion

Given the above, our projected revenue for China for FY2023 and FY2024 are summarized in **Exhibit 30**.

Exhibit 30: Projected China Revenue for FY2023 and FY2024

RMB'000	Actual	Forecast	
	FY2022	FY2023	FY2024
China	25,547,817	30,018,685	31,369,526

Source: Yanlord, FPA Financial

Singapore

We note that Yanlord's Singapore properties under development are Dairy Farm Residences, Leedon Green and Lentor Central Residential Site. However, as only Dairy Farm Residences is 100% owned by Yanlord, we will project the revenue to be recognised from this project. For Lentor Central Residential Site, as it was recently acquired, we believe the revenue would be recognized after FY2024. 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 31**. Given the above, with the average sales value of one unit, the estimated attributable total sales value of Dairy Farm Residences would be S$684.37 million = [460 units x S$1.5 million].

Exhibit 31: Average Sales Value of Diary Farm Residences

No.	Project name	Price ($)	Area (Sqft)	Unit Price ($psf)	Date of Sale
1	DAIRY FARM RESIDENCES	1,420,000	710	1,999	Jan-23
2	DAIRY FARM RESIDENCES	1,450,000	764	1,897	Jul-22
3	DAIRY FARM RESIDENCES	1,343,600	764	1,758	Jun-22
4	DAIRY FARM RESIDENCES	1,513,900	936	1,617	Jun-22
5	DAIRY FARM RESIDENCES	1,626,000	1,012	1,607	Jun-22
6	DAIRY FARM RESIDENCES	1,227,700	710	1,728	May-22
7	DAIRY FARM RESIDENCES	1,339,700	764	1,753	May-22
8	DAIRY FARM RESIDENCES	1,801,200	1,141	1,579	May-22
9	DAIRY FARM RESIDENCES	1,850,000	1,141	1,621	May-22
10	DAIRY FARM RESIDENCES	1,628,400	1,001	1,627	May-22
11	DAIRY FARM RESIDENCES	1,787,300	1,141	1,566	May-22
12	DAIRY FARM RESIDENCES	1,286,500	764	1,683	Apr-22
13	DAIRY FARM RESIDENCES	1,635,300	1,012	1,616	Apr-22
14	DAIRY FARM RESIDENCES	1,438,800	936	1,536	Apr-22
15	DAIRY FARM RESIDENCES	1,566,100	936	1,672	Apr-22
16	DAIRY FARM RESIDENCES	1,186,200	710	1,670	Apr-22
17	DAIRY FARM RESIDENCES	1,259,400	721	1,746	Mar-22
18	DAIRY FARM RESIDENCES	1,600,700	1,012	1,582	Mar-22
19	DAIRY FARM RESIDENCES	1,458,700	915	1,594	Mar-22
20	DAIRY FARM RESIDENCES	1,335,900	710	1,880	Mar-22
Average	**DAIRY FARM RESIDENCES**	**1,487,770**	**890**	**1,687**	**-**

Source: URA, FPA Financial

For Dairy Farm Residences, we note that the project was 91% completed and the expected completion date is June 2023. Considering the above, in our projections, 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 32**.

Exhibit 32: 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, with the expected completion date of Dairy Farm Residences to be by June 2023, we would assume that stages 1-7 would be completed by FY2022 and stages 8-9 to be completed by FY2023. Accordingly, the projected percentage completion to recognise for FY2022 and FY2023 would be 60% =[20% + 10% + 10% + 5% + 5% + 5% + 5% (stages 1 to 7)] and 100% (fully completed) respectively.

Given the above, the projected attributable revenue recognised of S$410.62 million up till 31 December 2022 was based on the 60% completion as at 31 December 2022 =[S$684.37 million (projected total sales value) x 60% (completion)]. The balance attributable revenue to be recognised would base on the expected completion of the project. As the expected completion of the project is by FY2023, we would assume the balance attributable revenue of S$273.75 million to be recognised in FY2023 as follows:

- Projected revenue to recognise in FY2023 =S$684.37 million (projected total sales value) – S$410.62 million (projected attributable revenue recognised up till 31 December 2022) = S$273.75 million

The summary of the total units, sales completion as at 31 December 2022, attributable total sales value, completion as at 31 December 2022, attributable revenue recognised up to 31 December 2022, balance attributable revenue to be recognised for FY2023 & FY2024 and the expected completion date for Dairy Farm Residences is shown in **Exhibit 33**.

Exhibit 33: Summary of Dairy Farm Residences as at 31 December 2022

Project name	Total units	Sales completion as at 31 December 2022		Attributable total sales value	% Completion as at 31 December 2022	Attributable revenue recognised up to 31 December 2022	Balance attributable revenue to be recognised for FY2023 and FY2024	Expected completion
Singapore	**Unit**	**Unit sold**	**% sold**	**S$ million**	**%**	**S$ million**	**S$ million**	**Period**
Dairy Farm Residences	460	460	100%	684.37	91%	410.62	273.75	Jun-23

Source: Yanlord, URA, FPA Financial

Accordingly, the projected Singapore revenue for FY2023 in RMB from Dairy Farm Residences would be as follows:

- Projected Singapore FY2023 revenue in RMB from Dairy Farm Residences = S$273.75 million (FY2023 projected) x 5.16726 (SGDRMB exchange rate) = RMB1.415 billion

In addition, we also note 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 Singapore properties that Yanlord owned. The properties had a GFA of 102,146 sqm and the Singapore's revenue contribution was RMB96.8 million. As at 31 December 2022, Yanlord's Singapore completed development properties has a GFA of 215,900 sqm.

Given that Covid-19 pandemic was severe during FY2020-FY2021 and started to slowly recover in FY2022, we would assume the rental growth from FY2019 to FY2022 remained flat. Considering the above, we would be adopting C&W's 5% increase in rentals for FY2023 as a proxy for FY2023 and FY2024. Accordingly, the projected revenue contribution from Yanlord Singapore completed development properties for FY2023 and FY2024 would amount to RMB214.9 million and RMB225.6 million respectively, as follows:

- Projected Singapore FY2023 revenue for completed development properties = RMB96.8 million (FY2019 actual) x (215,900 sqm / 102,146 sqm) (increased in GFA from FY2019 to FY2022) x 105% (projected growth rate) = RMB214.9 million

- Projected Singapore FY2024 revenue for completed development properties = RMB214.9 million (FY2023 projected) x 1.05% (projected growth rate) = RMB225.6 million

Accordingly, our projected revenue in RMB for Singapore for FY2023 and FY2024 are as follows and summarized in **Exhibit 34**.

- Projected Singapore FY2023 revenue for = RMB1.415 billion (projected revenue from Dairy Farm Residences) + RMB214.9 million (projected revenue from completed development properties) = RMB1.629 billion

- Projected Singapore FY2024 revenue = RMB225.6 million (projected revenue from completed development properties)

Exhibit 34: Projected Singapore Revenue for FY2023 and FY2024

RMB'000	Actual		Forecast	
	FY2021	FY2022	FY2023	FY2024
Singapore	1,623,654	2,642,651	1,629,431	225,640

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 FY2022 as shown in **Exhibit 35**.

Exhibit 35: Yanlord's Historical Total Revenue

RMB '000	FY2020		FY2021		FY2022	
	Revenue	Contribution (%)	Revenue	Contribution (%)	Revenue	Contribution (%)
China	22,815,215	95.4%	32,786,984	94.1%	25,547,817	89.0%
Singapore	703,993	2.9%	1,623,654	4.7%	2,642,651	9.2%
Others	398,867	1.7%	422,496	1.2%	521,796	1.8%
Total	**23,918,075**	**100.0%**	**34,833,134**	**100.0%**	**28,712,264**	**100.0%**

Source: Yanlord, FPA Financial

Given the above, we would assume the revenue contribution of 1.8% for "Others" for total revenue projections for FY2023 and FY2024. Accordingly, the projected "Others" revenue would amount to RMB580.1 million and RMB579.1 million for FY2022 and FY2023 respectively as follows:

- Projected revenue for "Others" for FY2023 = 1.8% (revenue contribution) x (RMB30,018.7 million (China's revenue) + RMB1,629.4 million (Singapore's revenue) / (93.1% (China's revenue contribution) + 5.1% (Singapore's revenue contribution)) = RMB580.1 million

- Projected revenue for "Others" for FY2024 = 1.8% (revenue contribution) x (RMB31,369.5 million (China's revenue) + RMB225.6 million (Singapore's revenue) / (97.5% (China's revenue contribution) + 0.7% (Singapore's revenue contribution)) = RMB579.1 million

Our projected total revenue for FY2023 and FY2024 are summarized in **Exhibit 36**.

Exhibit 36: Projected Total Revenue for FY2023 and FY2024

RMB '000	FY2021		FY2022		Forecast			
	Revenue	Contribution (%)	Revenue	Contribution (%)	FY2023	Contribution (%)	FY2024	Contribution (%)
China	32,786,984	94.1%	25,547,817	89.0%	30,018,685	93.1%	31,369,526	97.5%
Singapore	1,623,654	4.7%	2,642,651	9.2%	1,629,431	5.1%	225,640	0.7%
Others	422,496	1.2%	521,796	1.8%	580,108	1.8%	579,137	1.8%
Total	**34,833,134**	**100.0%**	**28,712,264**	**100.0%**	**32,228,224**	**100.0%**	**32,174,303**	**100.0%**

Source: Yanlord, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2023 and FY2024, 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 FY2020 to FY2022, Yanlord's gross profit margins varied between 36.4% to 25.6%. For FY2023 and FY2024, we would assume FY2022's gross margin of 27.0% as a proxy. Accordingly, the projected gross profit for FY2023 and FY2024 would be RMB8.701 billion and RMB8.686 billion respectively as shown **Exhibit 37**.

Exhibit 37: Projected Gross Profit for FY2023 and FY2024

RMB '000	Actual			Forecast	
	FY2020	FY2021	FY2022	FY2023	FY2024
Total revenue	23,918,075	34,833,134	28,712,264	32,228,224	32,174,303
Cost of sales	(15,210,025)	(25,901,002)	(20,960,455)	(23,527,167)	(23,487,804)
Gross profit	**8,708,050**	**8,932,132**	**7,751,809**	**8,701,057**	**8,686,499**
Gross profit margin	36.4%	25.6%	27.0%	27.0%	27.0%

Source: Yanlord, FPA Financial

Other Operating Income and Other Gains

We note that other operating income and other gains increased by 62.6% in FY2022 mainly due to the increase in the gain on disposal of RMB184.0 million, interest income of RMB151.3 million gain on remeasurement of retained interests in joint ventures of RMB127.8 million and gain on repurchase of senior notes of RMB77.9 million. For the projections of other operating income and other gains for FY2023 and FY2024, we would first project the interest income.

As at 31 December 2022, Yanlord's cash and cash equivalents amounted to RMB20.696 billion and interest income amounted to RMB436.3 million. Hence, the estimated effective full year interest income rate on its cash and cash equivalents would be approximately be 2.11%==[RMB436.3 million (FY 2022 interest income) / RMB20.693 billion (cash and cash equivalents)].

We also note that According to Monetary Authority of Singapore (MAS), the average Singapore's SGS 10-year bond yield for FY2022 was 2.73% while the average 10-year bond yield for the first 4 months of FY2023 was 3.01%. The average Singapore's SGS 10- year bond yield for the first 4 months of FY2023 increased by 0.28 percentage points (ppts) = [3.01% (FY2023) – 2.73% (FY2022)] versus the average yield for FY2022 as shown in **Exhibit 38** on the next page.

Exhibit 38: Singapore SGS 10-Year Bond Yield

FY2022	10-year bond yield (%)	FY2023	10-year bond yield (%)
Jan-22	1.77%	Jan-23	2.97%
Feb-22	1.90%	Feb-23	3.34%
Mar-22	2.34%	Mar-23	2.94%
Apr-22	2.35%	Apr-23 (1)	2.79%
May-22	2.71%		
Jun-22	2.98%		
Jul-22	2.66%		
Aug-22	2.98%		
Sep-22	3.48%		
Oct-22	3.43%		
Nov-22	3.07%		
Dec-22	3.09%		
Average	**2.73%**	**Average**	**3.01%**

(1) As at 10.04.23

Source: MAS, FPA Financial

Considering that the SGS 10 year bond yield increased by 0.28 ppts in the first 4 months of FY2023 from the FY2022 we would assume the increase in SGS 10 year bond yield as a proxy for the increase in effective interest income rate for FY2023 Accordingly, the effective interest income rate for FY2023 would be 2.39% =[2.11% (FY2022) + 0.28ppts]. For FY2024 we would assume the effective interest income rate to remain unchanged at 2.39%. Assuming that the cash and cash equivalents remain unchanged, the projected interest income for FY2023 and FY2024 would amount to RMB494.3 million as follows:

- Projected interest income for FY2023 = 2.39% (projected interest income rate for FY2023) x RMB20.693 billion (projected cash and cash equivalent for FY2023) = RMB494.3 million

- Projected interest income for FY2024 = 2.39% (projected interest income rate for FY2024) x RMB20.693 billion (projected cash and cash equivalent for FY2024) = RMB494.3 million

We would assume the rest of the items under other operating income and other gains to remain unchanged in FY2023 and FY2024 from FY2022. Accordingly, the projected other operating income and other gains for FY2023 and FY2024 amounted to RMB1,197.4 million as shown in **Exhibit 39**.

Exhibit 39: Projected Other Operating Income And Other Gains for FY2023 and FY2024

RMB'000	Actual		Forecast	
	FY2021	FY2022	FY2023	FY2024
Dividend income from financial assets at FVTOCI	12,877	10,526	10,526	10,526
Fair value gain on financial asset at FVTPL	153	86	86	86
Fair vale gain from put liability to acquire non-controlling interest	60,199	6,262	6,262	6,262
Interest income	284,965	436,310	494,259	494,259
Net gain on disposal of property, plant and equipment	3,700	187,683	187,683	187,683
Net gain on disposal of investment properties	362	-	-	-
Gain on disposal of right-of-use assets	-	5,235	5,235	5,235
Gain on remeasurement of retained interest in joint ventures	111,715	239,518	239,518	239,518
Gain on bargain purchase	-	4,403	4,403	4,403
Gain on change of control from subsidiaries to joint ventures	1,038	-	-	-
Gain on disposal of subsidiaries	71,576	-	-	-
Gain on repurchase of senior notes	-	77,913	77,913	77,913
Government subsidies	28,888	27,648	27,648	27,648
Others	125,386	143,909	143,909	143,909
Total	**700,859**	**1,139,493**	**1,197,442**	**1,197,442**

Source: Yanlord, FPA Financial

Fair Value Gain on Investment Properties

As shown in **Exhibit 1**, the decrease in fair value gain on investment properties in FY2022 was mainly due to lower fair value on its investment properties. For FY2023 and FY2024, we would assume net change in fair value of investment properties to be zero.

Expenses

There are three types of expenses for Yanlord: Selling expense, Administrative expense and Other operating expense. Over the period from FY2020 to FY2021, the percentage of revenue for selling expense was between 2.6% to 1.8% with a 3-year average of 2.2%. =[(2.6% (FY2020) + 1.8% (FY2021) + 2.1% (FY2022)) / 3].

The percentage of revenue for administrative expense between FY2020 and FY2021 was between 4.5% and 7.3%. As noted on page 3, the significant increase in administrative expense for FY2022 ware due to the increase in allowance for doubtful debts and bad debts written-off for amount due from a joint venture and loss on withdrawal of Shenzhen Longgang District Bantian Redevelopment Project. Considering the above, we would exclude FY2022's percentage of revenue for administrative expense in our calculation. Hence, the 2 year average percentage of revenue for administrative expense would be 4.8% =[(5.2% (FY2020) + 4.5% (FY2021)) / 2].

Meanwhile, the percentage of revenue for other operating expenses remained at 0.1% between FY2020 and FY2022.

For our FY2023 and FY2024 projections, we would adopt the average percentage of revenue for each of the respective expense as a proxy. Accordingly, the projected selling expense, administrative expense and other operating expense is shown in **Exhibit 40**.

Exhibit 40: Projected Expenses for FY2023 and FY2024

RMB '000	Actual			Average	Forecast	
	FY2020	FY2021	FY2022		FY2023	FY2024
Total revenue	23,918,075	34,833,134	28,712,264	-	32,228,224	32,174,303
Selling expenses	**(630,259)**	**(621,200)**	**(589,627)**	-2.2%	**(695,271)**	**(694,108)**
as % of revenue	*-2.6%*	*-1.8%*	*-2.1%*		*-2.2%*	*-2.2%*
Administrative expenses	**(1,233,435)**	**(1,568,582)**	**(2,107,492)**	-4.8%	**(1,556,631)**	**(1,554,027)**
as % of revenue	*-5.2%*	*-4.5%*	*-7.3%*		*-4.8%*	*-4.8%*
Other operating expenses	**(17,981)**	**(39,192)**	**(26,766)**	-0.1%	**(30,178)**	**(30,127)**
as % of revenue	*-0.1%*	*-0.1%*	*-0.1%*		*-0.1%*	*-0.1%*

Source: Yanlord, FPA Financial

Finance Cost

As shown in **Exhibit 4**, Yanlord's borrowings are denominated in RMB, USD, SGD and AUD. Based on Yanlord's debt maturity profile, assuming Yanlord refinances the banks and others that mature in the respective financial years, the estimated debt for FY2023 and FY2024 would be RMB40,615 million and RMB38,005 million as shown in **Exhibit 41** on the next page.

Exhibit 41: Estimated debt for FY2023 and FY2024

RMB millions	Banks and other loans	Senior Notes
FY2023		
RMB	24,636	-
USD	5,256	6,066
SGD	4,634	-
AUD	23	-
Total	34,549	6,066
Total for FY2023		**40,615**
FY2024		
RMB	24,636	-
USD	5,256	3,456
SGD	4,634	-
AUD	23	-
Total	34,549	3,456
Total for FY2024		**38,005**

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 4 months of FY2023 as a proxy for interest rate for FY2023. However, as noted on page 7, Yanlord's USD senior notes have a coupon rate of between 5.125% and 6.800%. Considering the above, we believe that it would be appropriate to project Yanlord's interest rates by assigning a margin over the respective 10-year government bonds' yields. Hence, we would add a margin of 1.50 percentage points to each of the respective governments' 10-year bond yield. Accordingly, the projected interest rates for RMB, USD, SGD and AUD for FY2023 after adding the margin of 1.50ppts would be 4.41%, 5.08%, 4.51% and 4.98% respectively as shown in **Exhibit 42**.

We note that the average 10-year bond yield increased for RMB, USD, SGD and AUD by 0.12ppt, 0.58ppt, 0.28ppt and 0.24ppt respectively from FY2022 to FY2023. For FY2024, 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 RMB, USD, SGD and AUD for FY2024 would be 4.53%, 5.66%, 4.79% and 5.22% respectively as shown in **Exhibit 42**.

Exhibit 42: 10-Year Bond Yield

Currency	10-year bond yield (%)					
	FY2022	FY2023 (1)	FY2023 (after adding premium of 1.50%)	Yoy change (percentage points)	FY2024	Yoy change (percentage points)
RMB	2.80%	2.91%	4.41%	0.12%	4.53%	0.12%
USD	3.00%	3.58%	5.08%	0.58%	5.66%	0.58%
SGD	2.73%	3.01%	4.51%	0.28%	4.79%	0.28%
AUD	3.24%	3.48%	4.98%	0.24%	5.22%	0.24%

(1) Average of the first 4 months of FY2023 (as at 10 April 2023)

Source: MAS, WSJ, FPA Financial

(a) FY2023

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

- Interest expense on RMB loans and borrowings in FY2023 = RMB24,636 million (bank and other loans) x 4.41% (interest rate) = RMB1,087.0 million

- Interest expense on USD loans and borrowings in FY2023 = RMB5,256 million (bank and other loans) x 5.08% (interest rate) = RMB267.0 million

- Interest expense on SGD loans and borrowings in FY2023 = RMB4,634 million (bank and other loans) x 4.51% (interest rate) = RMB209.0 million

- Interest expense on AUD loans and borrowings in FY2023 = RMB23 million (bank and other loans) x 4.98% (interest rate) = RMB1.1 million

As the senior notes are denominated in USD, we would assume UOB's USDCNY 4Q2023 forecast of 6.80, as shown in **Exhibit 43**, as the exchange rate in our projections.

Exhibit 43: UOB'S USDRMB 12-month Forecast

UOB's FX forecast	2Q23	3Q23	4Q23	1Q24
USDRMB	6.95	6.85	6.80	6.70

Source: UOB

We note that for Senior Note 2023, it matures in April 2023, hence, we would only account for 4 months of interest expense. 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 6.80 (USDRMB exchange rate) x 6.750% (coupon rate) x 4/12 (4 months interest for senior note maturing in April 2023)= RMB53.6 million

- Interest expense on Senior Note 2024 (USD400) = USD400 million x 6.80 (USDRMB exchange rate) x 6.800% (coupon rate) = RMB185.0 million

- Interest expense on Senior Note 2026 (USD500) = USD500 million x 6.80 (USDRMB exchange rate) x 5.125% (coupon rate) = RMB174.3 million

The total interest expense on all three senior notes in FY2023 would amount to RMB412.8 million as follows:

- Total interest expense on senior notes for FY2023 = RMB53.6 million (interest expense for Senior note 2023) + RMB185.0 million ((interest expense for Senior note 2024) + RMB174.3 million (interest expense for Senior note 2026) = RMB412.8 million

The summary of the projected interest expense for FY2023 is shown in **Exhibit 44**.

Exhibit 44: Projected Interest Expense for FY2023

RMB million	Banks and other loans	Interest expense	Senior Notes	Interest expense	Total interest expense
FY2023					
RMB	24,636.0	1,087.0	-		1,087.0
USD	5,256.0	267.0	6,066.0	412.8	679.8
SGD	4,634.0	209.0	-		209.0
AUD	23.0	1.1	-		1.1
Total	**34,549.0**	**1,564.2**	**6,066.0**	**412.8**	**1,976.9**

Source: Yanlord, FPA Financial

(b) FY2024

Given the above breakdown of banks & other loans, senior notes and the interest rate projections, the projected interest expense for FY2024 would be as follows:

- Interest expense on RMB loans and borrowings in FY2024 = RMB24,636 million (bank and other loans) x 4.53% (interest rate) = RMB1,115.6 million

- Interest expense on USD loans and borrowings in FY2024 = RMB5,256 million (bank and other loans) x 5.66% (interest rate) = RMB297.7 million

- Interest expense on SGD loans and borrowings in FY2024 = RMB4,634 million (bank and other loans) x 4.79% (interest rate) = RMB222.0 million

- Interest expense on AUD loans and borrowings in FY2024 = RMB23 million (bank and other loans) x 5.22% (interest rate) = RMB1.2 million

With reference to **Exhibit 43**, UOB is expecting USDRMB to decrease from 6.80 in 4Q2023 to 6.70 in 1Q2024. Given the above, we would assume a USDRMB rate of 6.70 for FY2024.

We also note that for Senior Note 2024, it matures in February 2024, hence, we would only account for 2 months of interest expense. Accordingly, the interest expense on all two senior notes (after conversion to RMB) are as follows:

- Interest expense on Senior Note 2024 (USD400) = USD400 million x 6.70 (USDRMB exchange rate) x 6.800% (coupon rate) x 2/12 (2 months interest for senior note maturing in February 2024) = RMB30.4 million

- Interest expense on Senior Note 2026 (USD500) = USD500 million x 6.70 (USDRMB exchange rate) x 5.125% (coupon rate) = RMB171.7 million

The total interest expense on the two senior notes in FY2024 would amount to RMB202.1 million as follows:

- Total interest expense on senior notes for FY2024= RMB30.4 million ((interest expense for Senior note 2024) + RMB171.7 million (interest expense for Senior note 2026) = RMB202.1 million

The summary of the projected interest expense forFY2023 is shown in **Exhibit 45**.

Exhibit 45: Projected Interest Expense for FY2024

RMB million	Banks and other loans	Interest expense	Senior Notes	Interest expense	Total interest expense
FY2024					
RMB	24,636.0	1,115.6	-		1,115.6
USD	5,256.0	297.7	3,456	202.1	499.8
SGD	4,634.0	222.0	-		222.0
AUD	23.0	1.2	-		1.2
Total	**34,549.0**	**1,636.5**	**3,456.0**	**202.1**	**1,838.6**

Source: Yanlord, FPA Financial

The summary of the projected finance cost for FY2023 and FY2024 is shown in **Exhibit 46**.

Exhibit 46: Projected Finance Cost for FY2023 and FY2024

RMB'000	Actual	Forecast	
	FY2022	FY2023	FY2024
Finance cost	(1,132,170)	(1,976,945)	(1,838,566)

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 4-year average the share of profit of associate and joint ventures as a proxy for FY2023 and FY2024. The 4-year average the share of profit of associate and joint ventures amounted to a loss of RMB2.5 million and profit of RMB551.9 million as shown in **Exhibit 47**.

Exhibit 47: Yanlord's Historical Share of Profit/ (Loss) of Associates and Joint Ventures

RMB'000	Actual				
	FY2019	FY2020	FY2021	FY2022	Average
Share of profit/ (loss) of associates	73,716	(18,068)	37,303	(102,791)	(2,460)
Share of profit of joint ventures	269,473	37,609	1,213,233	687,127	551,861

Source: Yanlord, FPA Financial

In addition, 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$2.2 million as shown in **Exhibit 48** on the next page. With the average sales value of one unit, the estimated attributable total sales value of Dairy Farm Residences would be S$1,409.44 million = [638 units x S$2.2 million].

Exhibit 48: Average Sales Value of Leedon Green

No.	Project name	Price ($)	Area (Sqft)	Unit Price ($psf)	Date of Sale
1	LEEDON GREEN	2,162,000	700	3,090	Apr-23
2	LEEDON GREEN	1,838,000	786	2,339	Apr-23
3	LEEDON GREEN	2,105,000	710	2,963	Mar-23
4	LEEDON GREEN	5,188,000	1,496	3,467	Mar-23
5	LEEDON GREEN	2,419,000	818	2,957	Mar-23
6	LEEDON GREEN	4,498,000	1,356	3,316	Mar-23
7	LEEDON GREEN	1,628,000	538	3,025	Mar-23
8	LEEDON GREEN	1,419,000	474	2,996	Mar-23
9	LEEDON GREEN	2,099,000	710	2,955	Mar-23
10	LEEDON GREEN	1,419,000	474	2,996	Mar-23
11	LEEDON GREEN	1,982,000	710	2,790	Mar-23
12	LEEDON GREEN	2,419,000	818	2,957	Mar-23
13	LEEDON GREEN	1,972,000	700	2,819	Mar-23
14	LEEDON GREEN	1,628,000	538	3,025	Mar-23
15	LEEDON GREEN	2,103,000	710	2,960	Mar-23
16	LEEDON GREEN	1,982,000	710	2,790	Mar-23
17	LEEDON GREEN	2,088,000	775	2,694	Mar-23
18	LEEDON GREEN	1,628,000	538	3,025	Mar-23
19	LEEDON GREEN	2,050,000	807	2,539	Mar-23
20	LEEDON GREEN	1,556,000	538	2,891	Mar-23
Average	**LEEDON GREEN**	**2,209,150**	**745**	**2,930**	**-**

Source: URA, FPA Financial

For Leedon Green, we note that the project was 90% completed and the expected completion date is June 2023. Considering the above, in our projections, the projected revenue to recognize would be based on the completion of the project according to the Progressive Payment Schedule as shown in **Exhibit 32** on page 30.

Considering the payment progressive schedule, with the expected completion date of Leedon Green to be by June 2023, we would assume that stages 1-7 would be completed by FY2022 and stages 8-9 to be completed by FY2023. Accordingly, the projected percentage completion to recognise for FY2022 and FY2023 would be 60% =[20% + 10% + 10% + 5% + 5% + 5% + 5% (stages 1 to 7)] and 100% (fully completed). For FY2024, as the project is expected to be completed, the revenue to be recognised will be based on the number of units sold.

Given the above, the projected attributable revenue recognised of S$845.66 million up till 31 December 2022 was based on the 60% completion as at 31 December 2022 =[S$1,409.44 million (projected total sales value) x 60% (completion)]. The balance attributable revenue to be recognised would base on the expected completion of the project. As the expected completion of the project is by FY2023, the balance attributable revenue of S$563.78 million to be recognised in FY2023 and FY2024 depending on the sales would be as follows:

- Balance attributable revenue to be recognised for FY2023 and FY2024 = S$1,409.44 million (projected total sales value) – S$845.66 million (projected attributable revenue recognised up till 31 December 2022) = S$563.78 million

The summary of the total units, sales completion as at 31 December 2022, attributable total sales value, completion as at 31 December 2022, attributable revenue recognised up to 31 December 2022, balance attributable revenue to be recognised for FY2023 & FY2024 and the expected completion date for Leedon Green is shown in **Exhibit 49**.

Exhibit 49: Summary of Leedon Green as at 31 December 2022

Project name	Total units	Sales completion as at 31 December 2022		Attributable total sales value	% Completion as at 31 December 2022	Attributable revenue recognised up to 31 December 2022	Balance attributable revenue to be recognised for FY2023 and FY2024	Expected completion
Singapore	Unit	Unit sold	% sold	S$ million	%	S$ million	S$ million	Period
Leedon Green	638	502	79%	1,409.44	90%	845.66	563.78	Jun-23

Source: Yanlord, FPA Financial

Projected Sales for Leedon Green

According to URA data, a total of 502 units have been sold as at FY2022. Given the total 638 units, 136 units are outstanding =[638 (total units) – 502 (sold as at FY2022)]. With the strong demand for private residences, we believe the remaining 136 units would be fully sold by FY2024. Hence, we would assume 68 units, which is half of the remaining units = [136 remaining units / 2], to be sold in FY2023 and FY2024 as shown in **Exhibit 50**.

Exhibit 50: Projected Sales for Leedon Green for FY2023 and FY2024

Project name	Sales completion as at 31 December 2022		Projected units sold		Projected % of units sold	
Singapore	Unit	%	FY2023	FY2024	FY2023	FY2024
Leedon Green	502	79%	68	68	89%	100%

Source: Yanlord, FPA Financial

Considering the above, the projected revenue recognised for Leedon Green for FY2023 and FY2024 would be S$408.7 million and S$155.0 million respectively as follows:

- Projected revenue to recognise for Leedon Green for FY2023: = [89%-60% (projected % recognised as at 31 December 2022) x S$1,409.44 million (attributable total sales value)] = S$408.74 million

- Projected revenue to recognise for Leedon Green for FY2024: = [100%-89% (projected % recognised as at 31 December 2023) x S$1,409.44 million (attributable total sales value)] = S$155.04 million

The summary of the projected revenue to recognise for Leedon Green is shown in **Exhibit 51**.

Exhibit 51: Projected Revenue to Recognise for Leedon Green for FY2023 and FY2024

Project name	Attributable total sales value	% recognised as at 31 December 2022	Projected % completion to recognise		Projected revenue to recognise (S$ million)	
Singapore	S$ million	%	FY2023	FY2024	FY2023	FY2024
Leedon Green	1,409.44	60%	89%	100%	408.74	155.04

Source: Yanlord, FPA Financial

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

- Projected FY2023 revenue in RMB from Leedon Green = S$408.74 million (FY2023 projected) x 5.16726 (SGDRMB exchange rate) = RMB2.112 billion

- Projected FY2024 revenue in RMB from Leedon Green = S$155.04 million (FY2023 projected) x 4.8156 (SGDRMB exchange rate) = RMB0.801 billion

Given the projected revenue, we would have to determine to share of profits for the Leedon Green projection. Based on Yanlord's historical profit before income tax margin, the profit margin decreased from 22.3% in FY2021 to 19.0% in FY2022 as shown in **Exhibit 52**. For our projections, we would assume the Leedon Green project to have a profit margin of 19.0% as recorded in FY2022.

Exhibit 52; Yanlord's Historical Profit Before Income Tax Margin

RMB'000	FY2021	FY2022
Revenue	34,833,134	28,712,264
Profit before income tax	7,756,828	5,448,587
Profit before income tax margin	22.3%	19.0%

Source: Yanlord, FPA Financial

In addition, considering Yanlord's 50% interest in the project, Yanlord's share of profit from the Leedon Green for FY2023 and FY2024 would be RMB200.4 million and RMB76.0 million respectively as follow:

- Projected FY2023 profit from Leedon Green = RMB2.112 billion (FY2023 projected revenue) x 19.0% (profit before income tax margin) x 50% (interest attributable to Yanlord) = RMB200.4 million

- Projected FY2024 profit from Leedon Green = RMB0.801 billion (FY2024 projected revenue) x 19.0% (profit before income tax margin) x 50% (interest attributable to Yanlord) = RMB76.0 million

Accordingly, the share of profit of joint venture for FY2023 and FY2024 would be RMB752.3 million and RMB627.9 million respectively as follows:

- Projected FY2023 share of profit of joint ventures = RMB551.9 million (projected profit) + RMB200.4 million (profit from Leedon Green) = RMB681.7 million

- Projected FY2024 share of profit of joint ventures = RMB551.9 million (projected profit) + RMB76.0 million (profit from Leedon Green) = RMB627.9 million

The summary of the projected share of profit of associates and joint venture is shown in **Exhibit 53**.

Exhibit 53: Projected Share Of Profit Of Associates And Joint Venture for FY2023 and FY2024

RMB'000	Actual					Forecast	
	FY2019	FY2020	FY2021	FY2022	Average	FY2023	FY2024
Share of profit/ (loss) of associates	73,716	(18,068)	37,303	(102,791)	(2,460)	(2,460)	(2,460)
Share of profit of joint ventures	269,473	37,609	1,213,233	687,127	551,861	752,257	627,873

Source: Yanlord, FPA Financial

Profit Before Income Tax

Given the above projections, we estimate a profit before tax of RMB6,389.3 million in FY2023 and RMB6,392.5 million in FY2024 as shown in **Exhibit 54**.

Exhibit 54: Projected Profit Before Income Tax for FY2023 and FY2024

RMB'000	Actual	Forecast	
	FY2022	FY2023	FY2024
Revenue	28,712,264	32,228,224	32,174,303
Cost of sales	(20,960,455)	(23,527,167)	(23,487,804)
Gross profit	**7,751,809**	**8,701,057**	**8,686,499**
Other operating income and other gains	1,139,493	1,197,442	1,197,442
Fair value gain on investment properties	(170,996)	-	-
Selling expenses	(589,627)	(695,271)	(694,108)
Administrative expense	(2,107,492)	(1,556,631)	(1,554,027)
Other operating expense	(26,766)	(30,178)	(30,127)
Finance cost	(1,132,170)	(1,976,945)	(1,838,566)
Share of profit/ (loss) of associates	(102,791)	(2,460)	(2,460)
Share of profit of joint ventures	687,127	752,257	627,873
Profit before income tax	**5,448,587**	**6,389,271**	**6,392,527**

Source: Yanlord, FPA Financial

Income Tax

We note that Yanlord's effective tax rate for FY2021 and FY2022 was 48% and 47% 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 from FY2022 for FY2023 and FY2024 at 47%. Accordingly, the income tax expense in FY2023 and FY2024 would amount to RMB3,024.4 million and RMB3,025.9 million respectively as shown in **Exhibit 55**.

Exhibit 55: Projected Income Tax for FY2023 and FY2024

RMB'000	Actual		Forecast	
	FY2021	FY2022	FY2023	FY2024
Profit before income tax	7,756,828	5,448,587	6,389,271	6,392,527
Income tax	(3,719,414)	(2,579,081)	(3,024,352)	(3,025,894)
Effective tax rate	48%	47%	47%	47%

Source: Yanlord, FPA Financial

Profit For The Year

Adjusted for tax expense, total projected profit for FY2023 and FY2024 would be RMB3,364.9 million and RMB3,366.6 million respectively as follows:

- Projected profit for FY2023 =[RMB6,389.3 million (FY2023 profit before income tax) – RMB3,024.4 million (FY2023 income tax)] =RMB3,364.9 million

- Projected profit for FY2024 =[RMB6,392.5 million (FY2024 profit before income tax) – RMB3,025.9 million (FY2024 income tax)] =RMB3,366.6 million

We note that profit attributable to non-controlling interest (NCI) for FY2022 was RMB1,336.9 million. We would assume for NCI to remain unchanged at RMB1,336.9 million in FY2023 and FY2024. Accordingly, profit attributable to owners of the company would amount to RMB2,028.0 million and RMB2,029.7 million for FY2023 and FY2024 respectively, as shown in **Exhibit 56**.

Exhibit 56: Projected Profit for The Year for FY2023 and FY2024

RMB'000	Actual	Forecast	
	FY2022	FY2023	FY2024
Revenue	28,712,264	32,228,224	32,174,303
Cost of sales	(20,960,455)	(23,527,167)	(23,487,804)
Gross profit	**7,751,809**	**8,701,057**	**8,686,499**
Other operating income and other gains	1,139,493	1,197,442	1,197,442
Fair value gain on investment properties	(170,996)	-	-
Selling expenses	(589,627)	(695,271)	(694,108)
Administrative expense	(2,107,492)	(1,556,631)	(1,554,027)
Other operating expense	(26,766)	(30,178)	(30,127)
Finance cost	(1,132,170)	(1,976,945)	(1,838,566)
Share of profit/ (loss) of associates	(102,791)	(2,460)	(2,460)
Share of profit of joint ventures	687,127	752,257	627,873
Profit before income tax	**5,448,587**	**6,389,271**	**6,392,527**
Income tax	(2,579,081)	(3,024,352)	(3,025,894)
Profit for the year	**2,869,506**	**3,364,918**	**3,366,633**
Profit attributable to:			
Owners of the company	1,532,562	2,027,974	2,029,689
Non-controlling interest	1,336,944	1,336,944	1,336,944

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 a number of ordinary shares issued of 1,948,736,476 shares as at 31 December 2022, we projected an earnings per share of RMB104.07 cents and RMB104.15 cents for FY2023 and FY2024 respectively as shown in **Exhibit 57**.

Exhibit 57: Projected Earnings Per Share for FY2023 and FY2024

RMB'000	Actual	Forecast	
	FY2022	FY2023	FY2024
Profit attributable to owners of the company	1,532,562	2,027,974	2,029,689
Weighted average number of ordinary shares outstanding	1,931,535,376	1,948,736,476	1,948,736,476
Earnings per share (RMB cents)	**79.34**	**104.07**	**104.15**

Source: Yanlord, FPA Financial

(III) Dividends Projection

As noted on page 4, Yanlord decided to retain its FY2022's earnings and is not proposing to declare dividend. However, we note that from FY2018 and FY2021, Yanlord has maintained its dividend distribution at 6.8 Singapore cents, representing a payout ratio of between 18.2% and 24.1%. For FY2023 and FY2024, as we are projecting an increase in earnings, we believe that it would be likely for Yanlord to resume its dividend distribution. Adopting FY2021's dividend payout raio of 24.1%, as the dividend payout ratio for FY2023 and FY2024, we project a dividend per share of 4.9 cents for both FY2023 and FY2024 as shown in **Exhibit 58**.

Exhibit 58: Projected Dividend for FY2023 and FY2024

RMB'000	Actual (1)					Forecast (2)	
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Dividends per share (SGD)	6.8	6.8	6.8	6.8	-	4.9	4.9
Dividends per share (RMB)	33.33	34.31	34.21	33.16	-	25.10	23.38
Earnings per share (RMB)	183.51	173.46	134.19	137.51	79.34	104.07	104.15
Dividend payout ratio	18.2%	19.8%	25.5%	24.1%	-	24.1%	24.1%

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

(2) Based on SGDCNY exchange rate of 5.16726

Source: Yanlord, Oanda, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison Analysis

We performed an updated peer comparison analysis to account for the changes in the financial position of Yanlord and its selected peer companies. The results of our updated peer comparison analysis are summarized in **Exhibit 59**.

Exhibit 59: Peer Comparison

Company	Stock listing	Stock code	Price as at 18 Apr 2023	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	0.890	1,734.38	15.35	5.80	-	-	3.50	0.25
Peer companies:										
Ho Bee Land Limited (3)	SGX	H13	2.230	1,480.76	24.98	8.93	8.00	3.59	5.90	0.38
GuocoLand Limited (3)	SGX	F17	1.640	1,940.73	32.91	4.98	6.00	3.66	3.78	0.43
Longfor Group Holdings Ltd (4)	HKSE	0960	24.200	153,469.25	408.40	5.93	123.00	5.08	36.77	0.66
Hopson Development Holdings Limited (4)	HKSE	0754	7.270	20,887.70	523.86	1.39	-	NA	49.14	0.15
Henderson Land Development Company Limited (4)	HKSE	0012	27.250	131,927.80	199.00	13.69	180.00	6.61	71.29	0.38
Peer average	-	-	-	-	-	**6.98**	-	**4.73**	-	**0.40**

The equivalent in SGD is calculated at theaverage exchange rate of S$1:RMB5.16726

Figures have been rounded

(1) Trailing 12-month data

(2) NAV as at 31 Dec 22

(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 59**, we note that Yanlord is currently trading at a P/B multiple of 0.25x, which is lower than the peer average P/B of 0.40x, which may suggest that it is undervalued at the current share price of S$0.890. Adopting a relative valuation approach, we estimate a target price of S$1.400 if Yanlord were to trade at the peer average P/B multiple of 0.40x as follows:

- Estimated target price = [peer average P/B] x [Yanlord's NAV per share] = 0.40 x S$3.50 = S$1.400

The estimated target price of S$1.400 would imply a upside potential of 57.30% from the current price of S$0.890.

(b) P/E Multiple

Based on the results in **Exhibit 59** on the previous page, we note that Yanlord is currently trading at a P/E multiple of 5.80x, which is lower than the peer average P/E of 6.98x, which may suggest that it is undervalued at the current share price of S$0.890. Adopting a relative valuation approach, we estimate a target price of S$1.071 as follows:

- Estimated target price = [peer average P/E] x [Yanlord's EPS] = 6.98 x S$0.1535 = S$1.071

The estimated target price of S$1.071 would imply a upside potential of 20.34% from the current price of S$0.890.

(c) Estimated target price

Considering the above, Yanlord is currently undervalued compared to its peers in terms of P/B and P/E. Adopting a relative valuation approach, we estimate a target price of S$1.400 and S$1.071 based on the peer average P/B and P/E comparison analysis respectively. By taking the average of our estimated target price, we derived a target price of S$1.236 as follows:

- Estimated target price = [(Estimated target price from P/B analysis + Estimated target price from P/E analysis) / 2] = (S$1.400 + S$1.071) / 2) = S$1.236

The estimated target price of S$1.236 would imply an upside potential of 38.88% from the current price of S$0.890.

(II) Potential Yanlord Privatisation

We note that 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 73,171,500 units and deemed interest of 1,308,072,000 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$0.890 as at 18 April 2023, which represents a 75% discount to NAV per share of S$3.50 as at 31 December 2022. Given the increasing trend of privatisation offers for SGX-listed companies within the past year and that Yanlord is trading at more than 70% 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. After reviewing 23 privatisation offers, we shortlisted 9 privatisation offers which we deemed to be similar to Yanlord. The average price premium of the 9 privatisation offers was 37.4% as shown in **Exhibit 60**.

Exhibit 60: 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%
Hwa Hong Corporation Limited	Sanjuro United Pte. Ltd.	SGD	17-May-22	0.290	0.400	37.9%
GYP Properties Limited	Rumah & Co. Pte. Ltd.	SGD	8-Jul-22	0.149	0.200	34.2%
Boustead Projects	Boutstead Singapore	SGD	6-Feb-23	0.840	0.900	7.1%
Average						**37.4%**

(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 mentioned earlier, Mr Zhong holds approximately 71.55% of the issued ordinary shares of Yanlord, which means that it would need to acquire the remaining 28.45% to privatise the company. This equates to S$493.43 million in market capitalisation at the current price of S$0.890 = [28.45% x current market capitalisation of S$1,734.38 million].

While we are not aware of any proposed privatisation plan, in the event that a privatisation was to happen, we projected 3 scenarios for the estimated acquisition cost with a price premium of 8.3%, 37.4% and 57.3% for scenario 1, 2 and 3 respectively. Scenario 1 represents the 12th percentile, scenario 2 represents the average and scenario 3 represents the 78th percentile of the 9 privatization offers. The estimated acquisition cost for scenario 1, 2 and 3 would be S$534.5 million, S$678.0 million and S$776.3 million respectively as shown in **Exhibit 61**.

Our base scenario would be scenario 2. With a 37.4% average privatisation price premium, the estimated acquisition cost to privatise Yanlord would be approximately S$1.223 per share which would be equivalent to a total cost of S$678.0 million =[137.4% x 493.43 million] as shown in **Exhibit 61**.

Exhibit 61: 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	0.890	8.3%	0.964	534.5
2	0.890	37.4%	1.223	678.0
3	0.890	57.3%	1.400	776.3

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. Adopting a relative valuation approach, we estimate a target price of S$1.400 and S$1.071 based on its P/B and P/E analysis respectively.

Considering the above, by taking the average of our estimated target price of S$1.400 and S$1.071 based on the P/B and P/E analysis respectively, we derived an estimated target price of S$1.236 =[(S$1.400 + S$1.071)/ 2]. Accordingly, our estimated target price of S$1.236 implies a potential upside of 38.88% from the current price of S$0.890.

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 75% 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$1.223 per share based on the average price premium of 37.4% across the 9 privatisation offers for SGX-listed companies.

INVESTMENT RECOMMENDATION

Based on the reported NAV per share of S$3.50 as at 31 December 2022, Yanlord is currently trading at a P/B of 0.25x, representing a discount of approximately 75% 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 0.25x is lower compared to the peer average P/B of 0.40x. Adopting a relative valuation approach, we estimate a target price of S$1.400 if Yanlord were to trade at the peer average P/B of 0.40x.

At the same time, based on Yanlord’s earnings per share of 15.35 cents as at 31 December 2022, it currently has a P/E multiple of 5.80x. Our peer comparison analysis results show that Yanlord’s P/E of 5.80x is lower than the peer average P/E of 6.98x. Adopting a relative valuation approach, we estimate a target price of S$1.071 if Yanlord were to trade at the peer average P/E of 6.98x

Taken together, by calculating the average of our estimated target price based on the P/B and P/E peer comparison analysis, we derived a target price of S$1.236 = [(S$1.400 + S$1.071) / 2].

In addition, while we note that there is no indication of a privatisation of Yanlord, our base scenario estimates a privatisation offer of S$1.223 per share, representing a price premium of 37.4%.

Looking ahead, we believe Yanlord is well positioned to maintain its development scale and leverage on the capability of its experienced management team for the long-term development of Yanlord's products and brand influence in the market through its land acquisitions and the management of its landbank. The stable contracted pre-sales would also provide a certainty for investors towards Yanlord regarding its future revenue and profit.

The estimated target price of S$1.236 from our peer comparison analysis would imply an upside potential of 38.88% from the current price of S$0.890. Given the above, we will maintain our buy recommendation on Yanlord. However, there are still risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

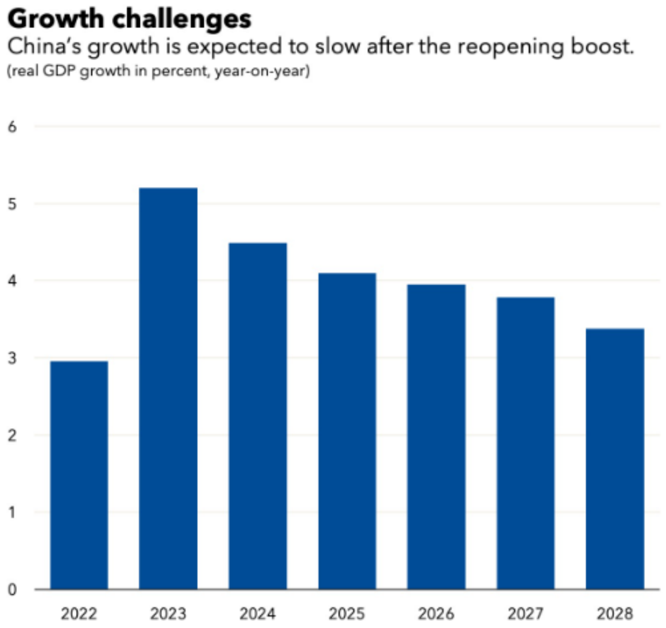
In this section, we highlight below risk factors that may limit the potential upside to Yanlord's target price.

(I) Risk of Weak China Economic Recovery

Following China's swift reopening following the COVID-19 pandemic, GDP growth is expected to rebound in 2023 as mobility and activity pick up after the lifting of pandemic restrictions, providing a boost to the global economy. Growth will be led by a recovery in demand, particularly for services. Investment is expected to remain robust, supported by slower but sustained growth in infrastructure and manufacturing investment, as well as the gradual stabilization of property investment.

However, IMF believes China still faces significant economic challenges. The contraction in real estate remains a major headwind, and there is still some uncertainty around the evolution of the virus. Longer-term, headwinds to growth include a shrinking population and slowing productivity growth. IMF believes the Chinese economy needs comprehensive macroeconomic policies and structural reforms to secure the recovery and promote balanced, green, and inclusive growth. With a shrinking labor force and diminishing returns to capital investment, growth in coming years will depend on boosting declining productivity growth. Without reforms, IMF currently estimate growth to fall below 4% over the next five years as shown in **Exhibit 62**.

Exhibit 62: IMF Growth Estimates For China (without reforms)



Source: IMF

Considering the above, if China were to experience a weak economic recovery after the reopening boost, it could weigh on buyers' sentiment and 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 (UUD), Hong Kong dollar (HKD) Singapore dollar (SGD) and RMB and therefore is exposed to foreign exchange risk.

Exhibit 63 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.

Exhibit 63: Sensitivity Analysis on Yanlord's Profit Before Income Tax and Other Equity

	US dollar impact		HK dollar impact		SG dollar impact		RMB impact	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP								
Decrease in profit before income tax	**(2,297)**	(2,394)	**(12,118)**	(11,110)	**(152)**	(131)	**(10,660)**	(14)
Decrease in other equity	**-**	-	**-**	-	**(382,779)**	(339,247)	**(23,939)**	(53,743)

Source: Yanlord

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.

DISCLOSURES/DISCLAIMERS

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of FPA Financial Corporation Pte Ltd (“FPA”). This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as FPA may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject FPA and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report (“Information”) has been obtained or derived from sources believed by FPA to be reliable. However, FPA makes no representation as to the accuracy or completeness of such sources or the Information and FPA accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. FPA and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of FPA and its connected persons are subject to change without notice. FPA reserves the right to act upon or use the Information at any time, including before its publication herein.