



仁恒
YANLORD

YANLORD LAND GROUP LIMITED
(Incorporated with limited liability in the Republic of Singapore)
(Registration Number: 200601911K)

RESPONSE TO SGX-ST'S QUERIES ON 3 MARCH 2020

Yanlord Land Group Limited (the "Company" and together with its subsidiaries, the "Group") wishes to provide further information in relation to the Company's unaudited full year financial statements and dividend announcement for the financial year ended 31 December 2019 ("FY 2019") in response to queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 3 March 2020.

SGX-ST's queries

1. We refer to the Company's Full Yearly Results announced on 26 February 2020. With reference to the Company's consolidated statements of profit or loss for the year ended 31 December 2019:
 - a. Increase in "Other operating income and other gains" of 166% from RMB714,587k to RMB1,898,477k – The amount for the year ended 31 December 2019 is material and has increased significantly from the previous year. Please provide a breakdown of material items including the comparative figure. For each material item, please explain the nature and elaborate on the factors that resulted in the significant increase.
 - b. Increase in "Fair value gain on investment properties" of 379% from RMB391,372k to RMB1,876,482k – The amount for the year ended 31 December 2019 is material and has increased significantly from the previous year. Please provide a breakdown of the fair value gains by investment properties. For material items, please elaborate on the factors that resulted in the significant increase in fair values.
 - c. Increase in "Share of profit (loss) of associates" from RMB(12,689)k to RMB73,716 and "Share of profit (loss) of joint ventures" from RMB74,123k to RMB269,473k – There has been a significant increase from the previous year. Please provide a breakdown by entities for those that contributed significantly to the increase noted and explain the factors that resulted in the increase.
2. With reference to the breakdown of material items charged / (credited) to profit before income tax, please provide more details of the put liability that resulted in the "Fair value gain from put liability to acquire non-controlling interests" of RMB167,963k for the year ended 31 December 2019 and elaborate how it gave rise to the gain noted.

The Company's response

1. a. Please refer to breakdown of material items under "Other operating income and other gains" as appended below:

		FY 2019	FY 2018	Variance
		RMB'000	RMB'000	+ / (-)
				RMB'000
Gain on bargain purchase	(i)	1,518,641	-	1,518,641
Loss on remeasurement of retained interests in associates and joint venture	(ii)	(564,459)	-	(564,459)
Interest income	(iii)	718,990	551,080	167,910
Fair value gain from put liability to acquire non-controlling interests	(iv)	167,963	13,411	154,552
Net foreign exchange gain		-	102,119	(102,119)
Others		57,342	47,977	9,365
		<u>1,898,477</u>	<u>714,587</u>	1,183,890

- (i) Gain on bargain purchase of approximately RMB1.519 billion in FY 2019 was arising from the acquisition of additional 51% interest in Yanlord Investment (Singapore) Pte. Ltd. ("YIS") (formerly known as Yanlord Perennial Investment (Singapore) Pte. Ltd.), which resulted in 100% of YIS owned by the Group as of 24 October 2019, and acquisition of additional interest in United Engineers Limited ("UEL"), which resulted in 51.5% of UEL and 65.6% of WBL Corporation Limited ("WBL") owned by the Group as of 15 November 2019 (collectively, "Acquisitions"), pursuant to the mandatory offers made by YIS for all the issued and paid-up ordinary stock units and preference shares in the capital of UEL in accordance with the Singapore Code on Take-overs and Mergers ("Mandatory Offers"). Relevant announcement on the Mandatory Offers was announced by DBS Bank Limited, for and on behalf of YIS, on 25 October 2019. The net fair value of identifiable assets acquired and liabilities assumed exceeded the aggregate of the fair value of consideration transferred, the non-controlling interests and the fair value of any previously held equity interests at the dates of Acquisitions, hence resulting in gain on bargain purchase.
- (ii) Loss on remeasurement of retained interests in associates and joint venture of approximately RMB564 million in FY 2019 represents the difference between the acquisition-date fair value of the Group's retained interests and the carrying amounts in UEL, WBL and YIS, being associates and joint venture of the Group accordingly, arising from the Acquisitions. Under SFRS(I) 3 *Business Combinations*, the retained interests were treated as if they were disposed of and reacquired at fair value on the dates of Acquisitions, i.e. 24 October 2019 and 15 November 2019. Any gain or loss arising from the remeasurement are charged to profit or loss.
- (iii) Interest income increased by approximately RMB168 million to approximately RMB719 million in FY 2019 from approximately RMB551 million in financial year ended 31 December 2018 ("FY 2018") was primarily attributable to the increase in interest income from loans to associates and non-controlling shareholders of subsidiaries.
- (iv) Please refer to the response to question 2 as set out below.

1. b. Please refer to breakdown of the “Fair value gains on investment properties” as appended below:

	FY 2019	FY 2018	Variance
	RMB'000	RMB'000	+ / (-)
			RMB'000
Nanjing Eco Hi-tech Island - Land Parcel			
G73 – Commercial complex	790,001	-	790,001
Smriti Curtilage in Suzhou – Retail	235,011	(20,162)	255,173
Yanlord Riverside Plaza in Tianjin – Commercial complex	107,600	(114,600)	222,200
Yanlord Marina Centre in Zhuhai – Commercial complex	515,440	389,923	125,517
Yanlord Landmark in Chengdu	113,000	145,867	(32,867)
Yanlord International Apartments in Nanjing – Serviced apartments and carparks	70,600	35,000	35,600
Others	44,830	(44,656)	89,486
	<u>1,876,482</u>	<u>391,372</u>	1,485,110

Fair value gain on investment properties increased by 379.5% to approximately RMB1.876 billion in FY 2019 from approximately RMB391 million in FY 2018 was mainly attributable to new investment properties transferred from properties under development for sale and completed properties for sale comprising, commercial complex of Nanjing Eco Hi-tech Island - Land Parcel G73 (南京生态科技岛 - G73 地块) and retail shops and carpark lots of Yanlord Marina Centre - Section A and Section B (仁恒滨海中心 - A 标段及 B 标段) in Zhuhai in FY 2019, while there was no new investment property in FY 2018. Furthermore, the increase in fair value in FY 2019 was partly contributed by appreciation on the existing investment properties under development namely, Smriti Curtilage (耦前别墅) in Suzhou, as the development is progressing toward completion. On the other hand, increase in fair value on the commercial complex of Yanlord Riverside Plaza in Tianjin reported in FY 2019 was mainly due to the reform works started in 2019, while the decrease in fair value in FY 2018 was mainly due to the termination of tenancy agreement by a major tenant.

1. c. Please refer to breakdown of “Share of profit (loss) of associates” by entities as appended below:

	FY 2019	FY 2018	Variance
	RMB'000	RMB'000	+ / (-)
			RMB'000
Nanjing Shanjieyi Property Development Co., Ltd.	112,686	(7,018)	119,704
Others	(38,970)	(5,671)	(33,299)
	<u>73,716</u>	<u>(12,689)</u>	86,405

Share of profit (loss) of associates increased from a loss of approximately RMB13 million in FY 2018 to a profit of approximately RMB74 million in FY 2019 was mainly due to share of profit of Nanjing Shanjieyi Property Development Co., Ltd. which delivered a new project namely, Yanlord Taoyuan Gardens (桃园世纪华庭) in FY 2019.

Please refer to breakdown of “Share of profit (loss) of joint ventures” by entities as appended below:

	FY 2019	FY 2018	Variance
	RMB'000	RMB'000	+ / (-)
			RMB'000
Tianjin Lianjin Property Development Co., Ltd.	283,280	(4,528)	287,808
Singapore Intelligent Eco Island Development Pte. Ltd.	80,953	14,991	65,962
YIS	118,468	123,428	(4,960)
Yanlord Ho Bee Investments Pte. Ltd.	(34,294)	8,163	(42,457)
Universal Estate Pte. Ltd.	(47,425)	30	(47,455)
Others	(131,509)	(67,961)	(63,548)
	<u>269,473</u>	<u>74,123</u>	195,350

Share of profit of joint ventures increased from approximately RMB74 million in FY 2018 to approximately RMB269 million in FY 2019 was mainly due to share of profit of Tianjin Lianjin Property Development Co., Ltd. which delivered a new project namely, Tianjin Hong Qiao Land (Phase 1) (红咸雅苑一期).

- The fair value of put liability to acquire non-controlling interests (presented under current liabilities in the statements of financial position) decreased from approximately RMB1.321 billion as at 31 December 2018 to approximately RMB1.153 billion as at 31 December 2019, thus a fair value gain from put liability to acquire non-controlling interests amounting to approximately RMB168 million was recognised in profit or loss in FY 2019. The change in the fair value of put liability was mainly due to the decrease in estimated profit from relevant project in Suzhou because of lower average selling price per square metre was realised and expected to be realised from future sales and lesser interest income recognised and expected to be recognised over the remaining life of the project.

Yanlord Land Group Limited
 Zhong Sheng Jian
 Chairman and Chief Executive Officer

4 March 2020