



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

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDER AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Yanlord Land Group Limited (the “**Company**” or “**Yanlord**” and together with its subsidiaries, the “**Group**”) refers to the Company’s Annual General Meeting to be held by electronic means on 29 April 2021 (“**2021 AGM**”) and the following:

- (a) Notice of 2021 AGM dated 25 March 2021 setting out, *inter alia*, the prescribed alternative arrangements for the conduct of 2021 AGM; in particular, the invitation for Shareholders to submit questions related to the resolutions proposed to be passed at the 2021 AGM in advance to the Company; and
- (b) the Annual Report of the Company for the financial year ended 31 December 2020 (“**FY2020**”) (“**2020 Annual Report**”).

The Company has received questions from a Shareholder and the Securities Investors Association (Singapore) (“**SIAS**”) ahead of the 2021 AGM and is pleased to set out its response to all questions raised by the Shareholder and SIAS in this announcement. To clarify, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised. The full text of SIAS’s commentaries can be downloaded from SIAS’s website at <https://sias.org.sg/>.

Questions from the Shareholder:

No.	Question	Response
1	What is the rationale of increasing payout to directors given the decrease of profit after tax by 30%?	<p>In line with provisions 2.2 and 2.3 of the Code of Corporate Governance 2018 (“2018 Code”), an additional Independent Non-Executive Director (“INED”) was appointed to the board of directors of the Company (“Board”) during FY2020. With the appointment, the Board comprises nine members, of whom five are independent non-executive and four are non-independent executive. Accordingly, the Company is in compliance with the 2018 Code with (i) majority of the Board comprising INEDs where the Chairman of the Board is not independent and (ii) non-executive directors make up a majority of the Board.</p> <p>Similar to the financial year ended 31 December 2019 (“FY2019”), each of the INEDs is proposed to be paid an annual director’s fee of S\$100,000.00 for his/her full term of service rendered for FY2020. Given that the total numbers of INEDs have been increased from four to five in FY2020, the total fees proposed for payment to the INEDs for FY2020 have correspondingly been increased from S\$400,000.00 (payment for FY2019) to S\$484,699.45 whereby, if approved by Shareholders at the 2021 AGM, each of the INEDs will be paid a fee of S\$100,000.00 save for the above-mentioned newly appointed INED who will be paid a fee of S\$84,699.45 in proportion to his period of service in FY2020. There is no increase in director’s fee to individual INED. Shareholders may refer to pages 201 and 202 of the 2020 Annual Report, for further information on the proposed directors’ fees to INEDs.</p>

2	<p>What are the top three priorities for the Company given the pandemic is still not over?</p>	<p>Given that the pandemic is still not over, to better mitigate potential volatilities and challenges, the Group will continue to maintain its healthy cash position and adopt prudent investment approach. The Group's current top three priorities are i) landbank replenishment; ii) construction management; and iii) financial management.</p> <p>The Group continues to steadily replenish its landbank through various channels, and by doing so, the Group is able to select the most cost-efficient way to secure high-quality land parcels fit to its development needs.</p> <p>The Group has been refining its design and construction management systems to effectively manage the construction costs and accelerate the development pace, which in turn to shorten the development cycle and bring forward the pre-sales schedule of the projects and eventually expedite the pre-sales proceeds collection, whilst ensuring the quality of the product.</p> <p>The Group has been adopting prudent financial management strategy to ensure its gearing maintains at a healthy level, in order to support its sustainable growth and development.</p> <p>The Group together with its joint ventures and associates recorded property contracted pre-sales of RMB78.4 billion for FY2020, an increase of 40.8% compared to FY2019, on a total gross floor area ("GFA") of 2.3 million square metres ("sqm") with high sell through rate and high pre-sales proceeds collection ratio.</p>
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Questions from SIAS:

No.	Question	Response
<i>Question 1</i>		
i	<p>How much of a factor is land cost in determining the average selling price achieved by the Group?</p>	<p>Given that the People's Republic of China ("PRC") has a vast territory and huge property market, the land costs and housing prices in different regions of the PRC are varied. The Group will assess the prospects of different regions of the PRC and the budgeted returns of various projects before making any investment decision. The Group's investment teams have extensive experience in project evaluation and are good at sourcing quality property portfolio fit to the Group's development needs. With strong development capabilities, dedicated team of management personnel and excellent reputation, subject to property price cap policy imposed by the local authorities and composition of properties delivered, the Group has been able to achieve good average selling price and is confident that it can achieve outstanding performance in the market.</p> <p>The movement in land costs and selling prices is also subject to the demand and supply in the market. The average land cost of the Group together with its joint ventures and associates as of 31 December 2020 was approximately RMB13,400 per sqm and the average selling price of property contracted pre-sales of the Group together with its joint ventures and associates for FY2020 was approximately RMB36,600 per sqm. The ratio of land cost to selling price varies depending on the composition and mix of properties being pre-sold and recognised during the financial year under review.</p>

ii	<p>What is the impact of the “three red lines” on the industry and on Yanlord?</p> <p>Is the Group able to leverage its strong financial position in the current situation, in a time when other Chinese developers may be affected by the new rules?</p>	<p>The “three red lines” guidance on the industry will likely have more impact on highly leveraged property developers in the PRC and they may be required to deleverage and slow down their expansion.</p> <p>As the Group has been adopting prudent financial management strategy, these requirements have no material impact on the Group. Based on the “three red lines” guidance, the Group’s debt to cash; net debt to equity; and debt to assets ratios as at 31 December 2020 were all rated as “Green”, denotes healthy level.</p> <p>Operating under a business environment with imposing of this new guidance, the Group will strive to leverage on its healthy financial position to steadily grow its business. The Group will also continue to maintain its gearing at a healthy level to support its sustainable growth and development.</p>
iii	<p>Can management elaborate further on its landbank replenishment strategy?</p>	<p>The Group focuses on cities and regions with high-growth potential in the PRC and has long established presence in the Yangtze River Delta, the Greater Bay Area as well as Chengdu, Tianjin and various other cities, in the PRC, where there are strong industrial base and positive economic outlook that attract talents to sustain the market growth. While management of the Group believes that this is the way for growth, such strategy also facilitates the deployment of management resources.</p> <p>In FY2020, the Group continued to steadily replenish its landbank through various channels. The Group together with its joint ventures and associates actively deployed capital to secure a number of high-quality land plots, adding a total GFA of approximately 2.32 million sqm to its landbank in FY2020. This comprises a total GFA of approximately 1.65 million sqm, or approximately 70%, acquired via public land auctions, collaborations and acquisitions in Shanghai, Nanjing, Suzhou, Taicang, Yancheng, Jinan, Haikou and Wuhan, and approximately 0.67 million sqm, or approximately 30%, acquired through two urban renewal projects in Zhuhai and Zhongshan, the PRC. The total investments in FY2020 amounted to approximately RMB25.900 billion, of which, approximately RMB11.000 billion was attributable to the Group.</p> <p>In general, the Group looks at the market demand, the overall sales performance and land sales schedule of different regions of the PRC to determine and plan its landbank replenishment strategy, which includes acquisitions through public land auctions, collaboration programmes and participation in urban renewal projects.</p> <p>Going forward, the Group will continue to penetrate its investments into the Yangtze River Delta, and to increase its investment in the Greater Bay Area and the Bohai Rim urban agglomeration in a balanced manner. The Group will also consider other selected high-growth cities in Hainan, Central China and Western China, to create a focused and balanced strategic investment in the PRC.</p>
iv	<p>Has the pandemic affected the Group’s targeted pace of its landbank replenishment?</p>	<p>As the COVID-19 pandemic condition in the PRC was under control and with the resumption of economy since second quarter of 2020, there was no major impact to the Group’s targeted pace of its landbank replenishment.</p>

v	<p>Are urban renewal projects assessed on factors other than price? Is the Group able to leverage its track record to secure urban renewal projects not purely on a price basis?</p>	<p>The procedures of obtaining, relocating and redevelopment of urban renewal projects are relatively complicated. However, the sites of urban renewal projects are usually located at prime areas of the cities that best fit for the Group to build quality and premium developments.</p> <p>The Group has gained extensive experience with its past participation in a number of urban renewal projects in Shenzhen, Shanghai and other cities of the PRC. Leveraging on these past experiences, the Group managed to make accurate assessment of and good investment in urban renewal projects and was able to work with local authorities to overcome complicated issues during the process.</p> <p>Property quality and property management are the other factors to secure the urban renewal projects, as the local government and the existing residents prefer well-reputed developers to execute the redevelopment work. Building on its established track record including delivery of reputable (and award-winning) high-quality developments and well-recognised property management services, the Group is confident that its current business model with strong development capabilities as well as prudent investment approach preserves the value of its existing property developments and enhances its reputation as a responsible property developer, which enable it to be the preferred and selected partner and developer for both urban renewal projects and other development projects.</p>
<p><i>Question 2</i></p>		
i	<p>Has the integration of United Engineers Limited (“UEL”) been completed?</p>	<p>Yes, the integration of UEL to the Group has been completed.</p>
ii	<p>Have the acquired assets and businesses performed up to management’s expectations?</p>	<p>Yes, the performance of the acquired assets and businesses have basically met the management’s expectations.</p>
iii	<p>With more than 1.5 years of ownership, has management gained new insights into the business, especially the hospitality segment?</p>	<p>In the hospitality segment, hotel branding under the UEL group and the hotel branding of the Group in the PRC complement each other.</p> <p>While the Group has developed a number of commercial integrated developments with serviced apartments and hotels located in Nanjing, Chengdu, Zhuhai and Sanya, in the PRC, where a close working relationship has been well maintained with hotels and services apartment professional services providers to better manage its hospitality properties, the brand and management teams of hospitality in Singapore under UEL group are in complement with the Group’s long-term development and investment strategies for hospitality properties in the PRC.</p> <p>The Group is developing and integrating the hospitality management system and brand of UEL group into it in the PRC.</p>
iv	<p>How is the Group managing the non-property business acquired, namely the technology, engineering and manufacturing segments?</p>	<p>The technology, engineering and manufacturing businesses remained stable and the existing local professional management teams are retained for on-going operations and management of those businesses in accordance with the standard operating procedures and management.</p>

v	What is the Group's long-term capital allocation strategy for the investment property segment?	<p>With the completion of the acquisition of UEL, the asset value of the investment properties and hotels accounted for 22.1% of the Group's total asset as at 31 December 2020.</p> <p>The property development segment will remain as the core business of the Group, with commercial and integrated investment property development remains one of the important business segments of the Group. The Group plans to prudently pursue for growing its recurring rental income and achieve synergy among commercial and residential developments without compromising the Group's liquidity.</p>
Question 3		
i	Can the Nominating Committee ("NC") help Shareholders understand if the Non-Executive Directors (collectively as a group) have the appropriate balance and mix of skills, knowledge, experience, especially in property development and investment in China, to engage in effective and constructive debate with the Executive Directors?	<p>To avoid undue influence of management over the Board and ensure that appropriate checks and balances are in place, INEDs make up a majority of the Board. They constructively challenge and comment on proposals on strategies; and review the performance of management in meeting goals and monitor the reporting of performance.</p> <p>The Board comprises INEDs with diversity of skillset and experiences in various fields of expertise that provides core competencies such as finance and accounting, technology, legal, business and management, investment banking, risk management and marketing have brought well-balanced resources and skills that support the duty of the Board for corporate performance monitoring and provided strategic and effective oversight of the business of the Group.</p> <p>The INEDs with different business background and industry knowledge including property development and investment in the PRC and/or overseas have provided a broad range of insights, perspectives and views to drive better decision-makings in supporting the attainment of the Group's strategic objectives and sustainable development.</p>
ii	Can the NC elaborate further on the "reliable sources" it has used to search for directors in the past 2 – 3 years?	The reliable sources include recommendations by reputable institutions and associations, among others.
iii	Has the NC considered how it could further improve its search and nomination process to better support its board diversity policy?	<p>The NC will monitor the implementation of the Board Diversity Policy and report to the Board annually on the Board's composition in terms of diversity and progress made in achieving the objectives set for promoting diversity as described in the Board Diversity Policy, as appropriate. With the yearly review and if required, the NC would consider the best approach in its search and nomination process for suitable candidates, to achieve the objectives of board diversity. The final selection will be made based on merit against the objective criteria set and after giving due regard to the overall balance and effectiveness of the Board.</p> <p>The NC will also review the Board Diversity Policy, as and when circumstances require, to ensure the effectiveness and practicality of the Board Diversity Policy.</p>

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

27 April 2021