MOODY'S
INVESTORS SERVICE

CREDIT OPINION
10 May 2016

Update

Rate this Research

RATINGS

Yanlord Land Group Limited

Domicile	Singapore
Long Term Rating	Ba3
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Dylan Yeo 852-3758-1384
Analyst
dylan.yeo@moodys.com

Cindy Yang 86-10-6319-6570
Analyst
liu.yang@moodys.com

Victor Wong 852-3758-1569
Associate Analyst
victor.wong@moodys.com

Simon CK Wong 852-3758-1329
Associate Managing Director
simon.wong@moodys.com

Gary Lau 852-3758-1377
MD-Corporate Finance
gary.lau@moodys.com

Yanlord Land Group Limited

Strengthened Credit Profile Increases Rating Headroom

Summary Rating Rationale

Yanlord's Ba3 corporate family rating reflects its good brand name and high-quality properties, providing it with strong pricing power and supporting its healthy gross margin. In addition, its adjusted sales execution strategy caters to a broad spectrum of market demand, supporting robust contracted sales growth. The company's improved credit metrics in 2015 were well-positioned relative to other Ba3-rated peers.

The rating also considers Yanlord's good ability to access the debt and capital markets, and its history of raising equity to fund its development projects. At the same time, the rating is constrained by its geographical concentration and the small size of its land bank.

Credit Strengths

» Good brand name and quality products support healthy gross margins

» Credit metrics are well-positioned relative to similarly rated peers

» Good access to debt and capital markets and history of raising new equity

Credit Challenges

» Small and slightly concentrated land bank, although of high quality

» Exposed to regulatory tightening targeted at cities with robust sales growth

Rating Outlook

The stable outlook on Yanlord's ratings reflects our expectation that the company will continue to achieve its contracted sales target, exhibit prudent financial management and maintain adequate liquidity levels.

Factors that Could Lead to an Upgrade

Upward rating pressure could emerge if the company: (1) successfully executes its growth plans while maintaining strong balance sheet liquidity; and (2) achieves an EBIT coverage of interest in excess of 4.0x-4.5x on a sustained basis.

Factors that Could Lead to a Downgrade

The ratings could be downgraded if Yanlord: (1) fails to execute its sales plan such that its liquidity profile weakens, as reflected in cash/short term debt coverage falling below 1.5x; or (2) engages in other material land acquisitions that strain its liquidity position; and/or (3) exhibits weakening credit metrics, in particular, if its EBIT coverage of interest falls below 2.5x-3.0x over a sustained period.

Key Indicators

Exhibit 1
Key Indicators of Yanlord

	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
Revenue (USD Billion)	$2.5	$1.9	$1.8	$1.6	$1.4
Cost Structure (Pre-Impairment Gross Margin)	28%	30%	36%	37%	34%
EBIT Coverage of Interest	3.8x	2.8x	3.6x	3.5x	3.0x
Revenue to Debt	85%	58%	64%	71%	53%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Detailed Rating Considerations

GOOD BRAND NAME AND QUALITY PRODUCTS SUPPORT HEALTHY GROSS MARGINS

Yanlord has developed a good brand name through its long operating track record, which together with its focus on high-quality properties, support its healthy gross margins.

While it started its operations in Shanghai, it has since expanded its business to other first and second tier cities and their surrounding regions, including Nanjing, Suzhou, Nantong, Tianjin, Zhuhai, Shenzhen, Sanya and Chengdu. Its management has established strict land acquisition criteria, ensuring good marketability for its end-products.

Yanlord focuses on developing high-quality properties at premium prices, a strategy that supports its premium branding, and which in turn leads to stronger pricing power. Specifically, it develops large-scale properties in prime areas with high economic growth and good transportation networks.

Its products generally achieve higher second-hand prices than those from other developers, making them suitable as investment properties.

It is one of only a few Chinese developers that deliver fully fitted residential properties. Such projects require renovation expertise; skills which Yanlord possesses.

Because of its quality control, the company's properties typically take longer and are more expensive to construct than those of its peers who target the mass-market. Nevertheless, given the longer period required for completion, Yanlord can gradually increase prices in the later phases of the development process.

In recent years, the company has also tapped on demand in the mass market segment, after experiencing slow sales in 2011, by developing small- and medium-sized properties that offer better sales volumes. The change in business strategy improved the company's sales execution in 2015.

Yanlord achieved contracted sales of RMB28.9 billion in 2015, significantly higher than the contracted sales of RMB12.7 billion that it registered in 2014 and in excess of its original target of RMB18 billion for 2015.

We expect Yanlord's contracted sales will remain robust in 2016 (Exhibit 2), because the company mainly operates in higher tier cities with healthy underlying economic strength and strong urbanization trends, such as Shanghai, Shenzhen, Nanjing, Tianjin and Suzhou. In addition, the company is well positioned to appeal to increasingly affluent home upgraders because of its strong brand name and quality products. Its robust contracted sales in 2015 and 2016 should in turn support robust revenue growth in 2016.

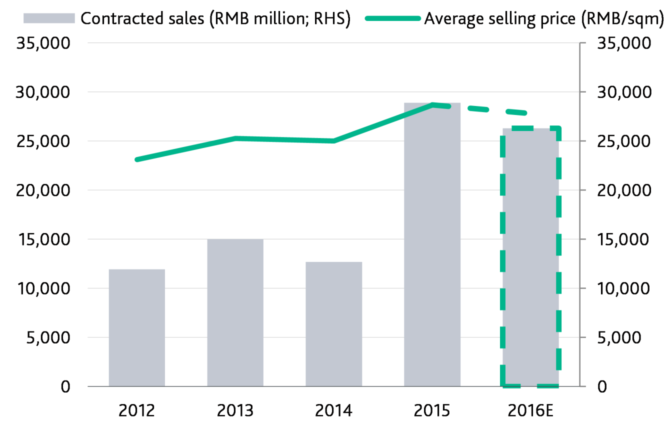
This view is also supported by the company's estimated sellable resources in 2016 of about RMB48 billion and its RMB5.6 billion contracted sales in the first two months of the year. The company's full-year contracted sales target is about RMB27 billion in 2016.

Yanlord has remained a healthy gross margin relative to its similarly rated peers, underpinned by its high average selling prices and low land costs, despite falling to 27.5% in 2015 from 29.6% in 2014 due to changes in the product mix of its delivered properties.

We expect margin pressure to be manageable over the next 12-24 months (Exhibit 3), given that (1) the company relies on sales in high tier cities; (2) demonstrates strong pricing power, supported by its strong brand name and quality products; and (3) exhibits a strong liquidity position and thus is not under pressure to destock. This expectation is also evidenced by the fact that the company's RMB22 billion in unrecognized revenue at end-2015 was registered at a broadly similar gross margin level to 2015.

Exhibit 2

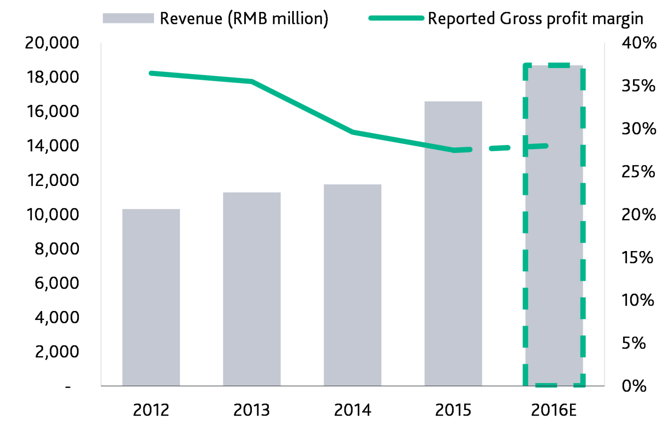
Robust sales growth in 2015; sales to stay high in 2016



Source: Company's information and Moody's forecast

Exhibit 3

Healthy gross margin in 2015 and 2016



Source: Company's information and Moody's forecast

CREDIT METRICS ARE WELL-POSITIONED RELATIVE TO SIMILARLY RATED PEERS

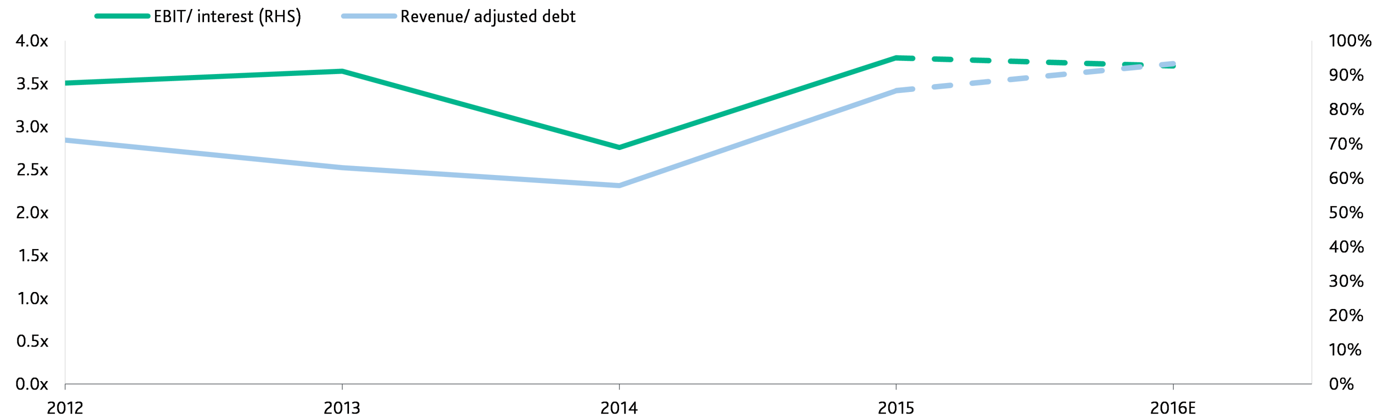
We expect Yanlord's financial metrics to improve further in 2016 (Exhibit 4), backed by stable revenue growth, lower onshore borrowing costs and limited debt growth given its cautious approach towards land purchases. Its projected EBIT/interest of 3.6x-3.8x and revenue/debt of 90%-95% support its Ba3 rating and compare favorably with those of its similarly rated industry peers.

Yanlord's credit metrics improved in 2015 because of its strong sales execution, prudent spending on land and a decline in adjusted debt backed by prudent debt management. For instance, EBIT/interest increased to 3.8x in 2015 from 2.8x in 2014 and revenue/debt strengthened to 85.5% from 57.8%.

Total reported debt fell to RMB18.3 billion at end-2015 from RMB19.8 billion at end-2014 because of lower land acquisitions and improved cash collections during the period.

Exhibit 4

Yanlord's credit metrics will continue to improve in 2016



Source: Moody's Financial Metrics™ and Moody's forecast

GOOD ACCESS TO DEBT AND CAPITAL MARKETS AND HISTORY OF RAISING NEW EQUITY

Yanlord exhibits good access to the local onshore and offshore capital markets to support its construction requirements, land acquisitions, and debt refinancing.

The company has demonstrated its access to the onshore banks, as well as to the offshore banks and debt capital markets.

For example, it issued $300 million of senior unsecured bonds in 2010, $400 million in 2011, RMB2 billion in May 2013, and SGD400 million in April 2014.

After a prepayment of $400 million in the second quarter of 2011, it signed $150 million in revolving credit facilities with offshore banks.

Yanlord also raised $385 million and $170 million in syndicated loans in June 2014 and May 2015, respectively.

The company has shown flexibility in raising funds through equity offerings. It raised equity of around $380 million (SGD537 million) in 2007 and 2009 to provide funding for its operations during a volatile time in the property market. This development was particularly important, as its deluxe properties show higher volatility to demand and prices.

SMALL AND SLIGHTLY CONCENTRATED LAND BANK, ALTHOUGH OF HIGH QUALITY

Yanlord's land bank of 4.1 million square meters in GFA at end-December 2015 (Exhibit 5) is small when compared with its Ba-rated peers. In addition, it faces an increasing need to replenish its land bank due to the step-up in sales volume since 2015, coupled with its recent low levels of acquisitions.

Its land bank is slightly concentrated across nine cities, six of which -- namely Shanghai, Nanjing, Zhuhai, Shenzhen, Tianjin and Chengdu -- each accounted for more than 10% of the company's total land bank in terms of GFA (Exhibit 6).

The slight concentration seen in each of these cities is a result of Yanlord's strategy of acquiring sizable land parcels and developing large, multiple-phased projects in prime locations.

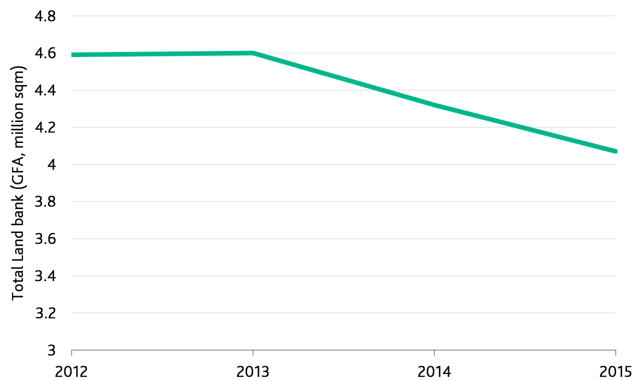
On the other hand, its land bank is of high quality, with a large portion located in the centers of first- and second-tier cities. Yanlord increased its proportion of land bank in higher tier cities in the first three months of 2016, acquiring two land parcels in Tianjin for RMB1.97 billion and a 75% equity stake in a Shenzhen project for RMB1.585 billion.

The company's strategy of focusing on well-located land banks indicate that its business model requires higher cash needs for land replenishment, as evident from its land acquisitions in Shanghai in late 2011.

Nevertheless, we expect it to remain financially prudent and adopt a cautious approach towards its land purchases.

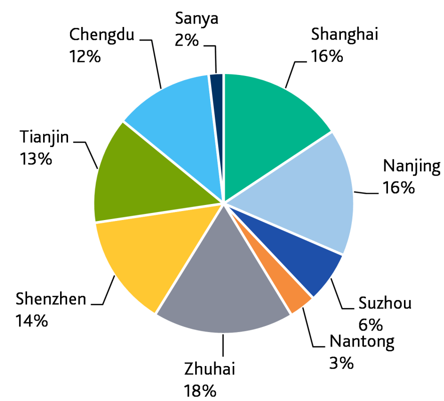
Yanlord also selectively participates in early stages of land development to acquire quality land at reasonable prices. For example, since 2009, it has been involved in the primary land development of the Sino-Singapore Nanjing Eco Hi-tech Island project; a partnership with the Singapore and Nanjing governments. The project has been profitable since 2013.

Exhibit 5
Small and declining land bank



Source: Company's annual reports

Exhibit 6
Land bank as of end-2015 has slight geographic concentration



Source: Company's 2015 annual report

EXPOSURE TO REGULATORY TIGHTENING TARGETED AT CITIES WITH ROBUST SALES GROWTH

Because Yanlord's projects are concentrated in higher tier cities that have seen robust sales growth over the past 6-9 months, its sales in the next 12-24 months will be exposed to existing and potential regulatory tightening targeted at controlling excessive price growth in these cities.

Nevertheless, we believe its strong brand name, quality products and good sales execution will mitigate any potential slowdown in sales resulting from regulatory tightening. Furthermore, its sound financial profile and liquidity position will provide some buffer against slower-than-expected operational cash flows.

These measures are part of China's broader policy to create a better-balanced recovery for the nation's property market across higher and lower tier cities.

In March 2016, Shanghai and Shenzhen announced new measures on residential properties in an attempt to curb the surge in prices evident over the past 6-9 months.

Key measures in both cities include raising the down-payment requirement for second-home mortgages, increasing land supply for residential housing, and clamp-downs on improper financing arrangements for down-payments.

The increase in the proportion of upfront cash down-payment required for second-home buyers will also delay their plans to upgrade – or move -- into more expensive residences.

Other cities experiencing high price growth – including Suzhou and Nanjing – have also announced measures to cool their property markets.

Yanlord has a material exposure to these four cities with tightening measures, with 52% of its land bank located in these cities as of end-2015, together contributing for 72.5% of its 2015 sales value.

Liquidity Analysis

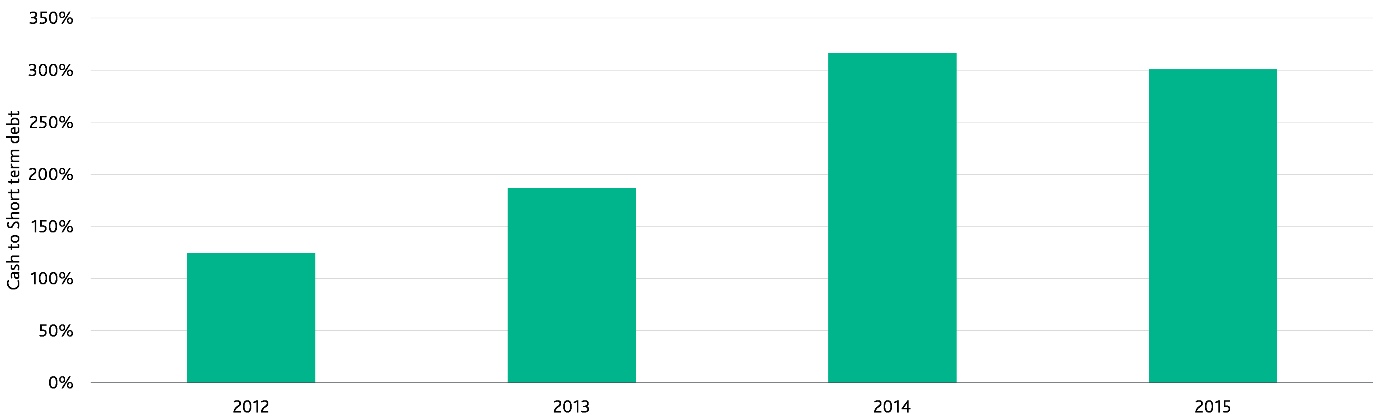
Yanlord's cash balance increased by 167% to RMB17.6 billion at end-2015 and can cover its cash needs over the next 12 months, including its RMB5.8 billion of debt maturities, which includes the RMB1.9 billion outstanding senior notes coming due in May 2016, and committed land payments.

The company's cash to short-term debt of 301% at end-December 2015 (Exhibit 7) compares favorably with Ba3-rated peers.

The strong cash position provides Yanlord with the flexibility to pay down its bond maturity in May 2016 and call its USD bond due in 2018 to manage its foreign currency exposure.

Exhibit 7

Yanlord's cash-to-short-term-debt ratio remained robust at end-2015



Source: Company's annual reports

Profile

Yanlord Land Group Limited is a major property developer in China. It operates in the major Chinese cities of Shanghai, Nanjing, Suzhou, Nantong, Shenzhen, Tianjin, Zhuhai, Chengdu, and Sanya.

The company was established in 1993 and listed on the Singapore Stock Exchange in 2006.

Its land bank, totaling 4.1 million square meters at end-December 2015, is spread across five geographic regions in China, namely the Yangtze River Delta, Pearl River Delta, Bohai Rim, Western China and Hainan region.

Rating Methodology and Scorecard Factors

When mapped to the Homebuilding and Property Development methodology, Yanlord's grid outcome is Ba2 and one notch higher than its actual rating based on its 2015 financials.

Exhibit 8

Rating Factors

Homebuilding And Property Development Industry Grid [1][2]	Current 12/31/2015	
Factor 1 : Scale (15%)	Measure	Score
a) Revenue (USD Billion)	$2.5	Ba
Factor 2 : Business Profile (25%)		
a) Business Profile	Ba	Ba
Factor 3 : Profitability and Efficiency (10%)		
a) Cost Structure (Pre-Impairment Gross Margin)	28%	Ba
Factor 4 : Leverage and Coverage (30%)		
a) EBIT Coverage of Interest	3.8x	Ba
b) Revenue to Debt	85%	Ba
Factor 5 : Financial Policy (20%)		
a) Financial Policy	Ba	Ba
Rating:		
a) Indicated Rating from Grid		Ba2
b) Actual Rating Assigned		Ba3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Ratings

Exhibit 9

Category	Moody's Rating
YANLORD LAND GROUP LIMITED	
Outlook	Stable
Corporate Family Rating -Dom Curr	Ba3
Senior Unsecured -Dom Curr	Ba3
YANLORD LAND (HK) CO., LIMITED	
Outlook	Stable
Bkd Senior Unsecured	Ba3

Source: Moody's Investors Service

REPORT NUMBER 1026523

Contacts

Dylan Yeo *Analyst* dylan.yeo@moodys.com	852-3758-1384	Victor Wong *Associate Analyst* victor.wong@moodys.com	852-3758-1569

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE