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CREDIT OPINION
26 August 2016

Update

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RATINGS

Yanlord Land Group Limited

Domicile	Singapore
Long Term Rating	Ba3 , Possible Upgrade
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Rating(s) Under Review

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.

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Yanlord Land Group Limited

Update following review for upgrade

Summary Rating Rationale

On 18 August 2016, we put Yanlord Land Group Limited's corporate family rating on review for upgrade. The review was prompted by the significant improvement in the company's financial position, its strong liquidity profile and robust pre-sales.

The 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 sales and its current operating scale. We believe that over the next 12-18 months, the company's robust credit metrics will be stronger than that for its 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 geographic concentration, the small size of its land bank and the potential impact of tightening measures in key operating cities.

Credit Strengths

» Good brand name and quality products support healthy gross margins

» Stronger credit metrics when compared to Ba3-rated peers

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

Credit Challenges

» Slightly concentrated, but high quality land bank

» Exposed to regulatory tightening targeted at cities with strong fundamental demand

Rating Outlook

The review for upgrade is prompted by Yanlord's stronger operating performance and credit profile when compared to the parameters for its Ba3 corporate family and senior unsecured ratings.

We will review: (1) Yanlord's business and land acquisition strategies; (2) its contingent plans to lower the negative impact from potential regulatory measures that are driven by rising property prices; and (3) its financial policies.

Key Indicators

Exhibit 1
Key Indicators of Yanlord

	6/30/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Revenue (USD Billion)	$3.6	$2.6	$1.9	$1.8	$1.6
Cost Structure (Pre-Impairment Gross Margin)	24.0%	27.6%	29.7%	35.6%	36.6%
EBIT Coverage of Interest	4.3x	3.8x	2.8x	3.6x	3.5x
Revenue to Debt	114%	85%	58%	63%	71%

[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, Tianjin, Shenzhen, Zhuhai, Chengdu, Nantong, Tangshan and Sanya. 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 leads in turn 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 its development process.

In recent years, the company has also tapped on demand in the mass market segment, after experiencing slow sales in 2010 and 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.

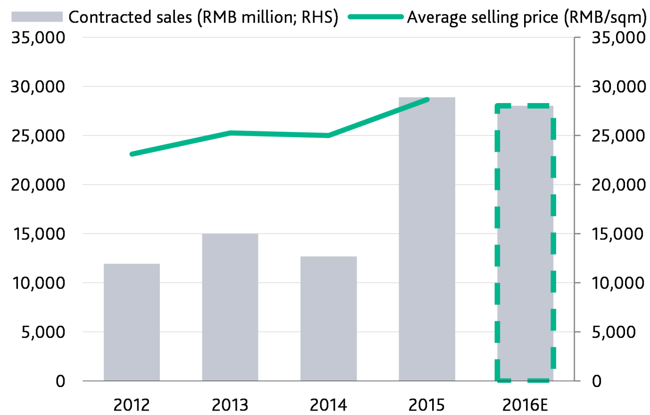
Yanlord achieved contracted sales of RMB28.9 billion in 2015, significantly higher than the contracted sales of RMB12.7 billion that it registered in 2014 and in excess of its original target of RMB18 billion for 2015. In the first six months of 2016, the company recorded sales of RMB17 billion, representing a year-over-year increase of 55%.

We expect Yanlord's contracted sales to register RMB28-RMB30 billion in 2016-2017 (Exhibit 2), based on the healthy underlying economic strength of and strong fundamental demand in higher-tier cities in which the company mainly operates, 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 and 2017.

Yanlord has achieved healthy gross margins relative to its similarly rated peers, underpinned by its high average selling prices and low land costs, despite its margin temporarily falling to 22.6% in 1H 2016 from 27.5% in 2015, due to the delivery of projects sold during the slow market in 2014.

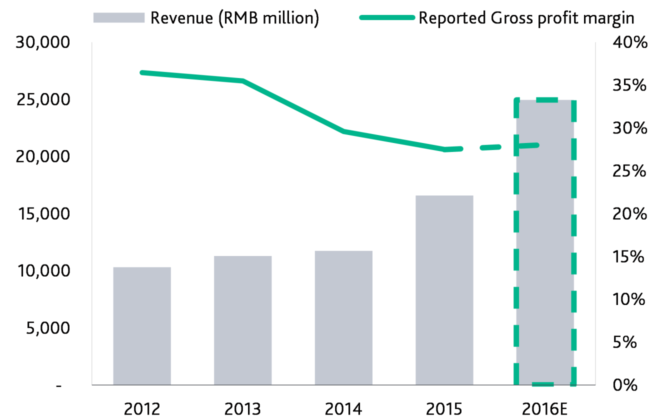
We expect margin pressure to be manageable over the next 12-18 months (Exhibit 3), given that the company: (1) mainly relies on sales in high-tier cities, which exhibited moderate to strong price growth in the past 12-18 months; (2) demonstrates strong pricing power, supported by its strong brand name and quality products; and (3) exhibits a strong liquidity position, and is therefore not under pressure to destock. Overall, we believe that Yanlord's margin for full year 2016 will be similar to the levels seen in 2015, based on our expectation that the company's unrecognized revenue totaling RMB29 billion at end-June 2016 relates to products with higher margins.

Exhibit 2
Robust Sales Growth in 2015; Likely Similar Contracted Sales in 2016



Sources: Company information and Moody's forecast

Exhibit 3
Healthy Gross Margins in 2015 and 2016



Sources: Company information and Moody's forecast

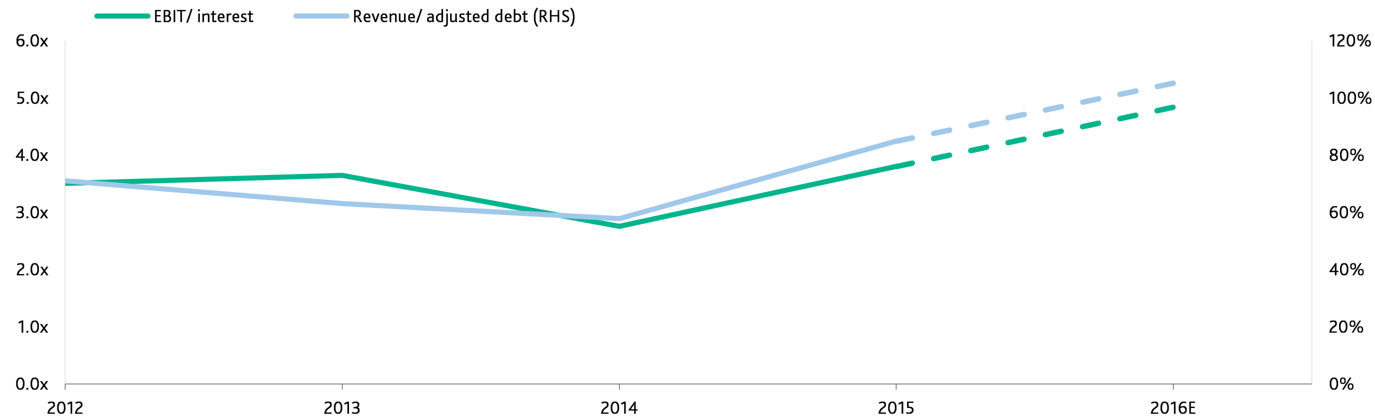
CREDIT METRICS STRONGER THAN THAT FOR BA3-RATED PEERS

We expect Yanlord's financial metrics to improve in 2016 (Exhibit 4), backed by strong revenue growth, stable gross margins and a disciplined approach to managing growth and higher debt levels. Our projected EBIT/interest of 4.4x-4.8x over the next 12-18 months and revenue/debt above 85% position the company at the higher end of a Ba3 rating level. Such credit metrics also compare favorably as against Ba3 and Ba2 industry peers. These ratios also provide some cushion against potential business volatility, arising from its small scale and slightly concentrated business operation.

Yanlord's credit metrics improved in 2015 and also for the 12 months to 30 June 2016, because of its strong sales execution and revenue growth, and also because of its prudent financial management in controlling the increase in debt. For instance, EBIT/interest increased to 4.3x for the 12 months to 30 June 2016 and to 3.8x in 2015 from 2.8x in 2014, and revenue/debt strengthened to 114% from 85% and 58% over the same periods.

Total adjusted debt remained stable at RMB19.5-RMB20.7 billion during the period between 2014 and end-June 2016, because of its prudent land acquisition policy and improved cash collections.

Exhibit 4
Yanlord's Credit Metrics Will Continue to Improve in 2016



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

GOOD ACCESS TO THE 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 onshore banks, as well as to offshore banks and the 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.

Yanlord is in the midst of establishing a holding company in China to tap into the onshore corporate bond market.

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.

SLIGHTLY CONCENTRATED, BUT HIGH QUALITY LAND BANK

Yanlord's land bank of 5.2 million square meters is slightly concentrated across 10 cities, seven of which — namely Shanghai, Nanjing, Zhuhai, Shenzhen, Tianjin, Suzhou and Chengdu — each accounted for around 9%-19% of the company's total land bank in terms of GFA (Exhibit 6).

The 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.

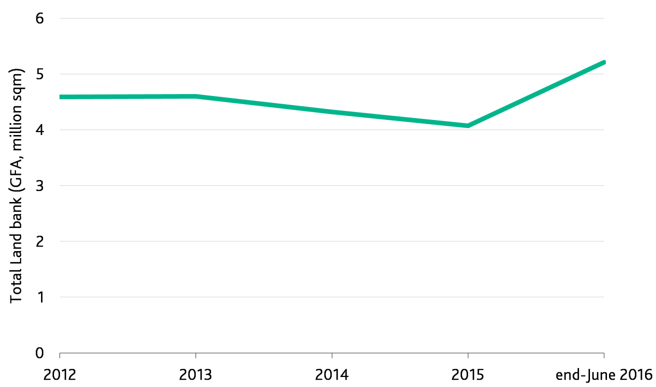
On the other hand, its land bank is of high quality, with a large portion located in the city centers of first- and second-tier cities. Yanlord increased the proportion of its land bank in higher-tier cities during the seven months between January and July 2016, acquiring seven land parcels or projects in Tianjin, Nanjing, Suzhou and Shenzhen.

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, the company is cognizant of a potential erosion in its margins from the acquisition of high-priced land in first- and second-tier cities. We therefore expect that it will remain financially prudent and adopt a cautious approach towards land purchases.

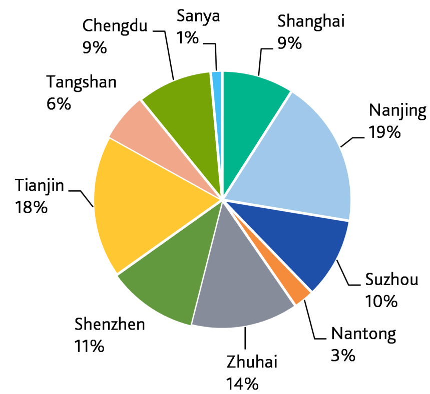
Yanlord also selectively participates in early stages of land development to acquire quality land at reasonable prices. For example, since 2009, it has been involved in the primary land development of the Sino-Singapore Nanjing Eco Hi-tech Island project; a partnership with the Singapore and Nanjing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

Exhibit 5
Yanlord Maintains a Small Land Bank



Source: Company's annual and interim reports

Exhibit 6
Land Bank as of End-June 2016 Shows a Slight Geographic Concentration



Source: Company's 2016 interim result presentation

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 12-18 months, its sales over 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 destocking pressure and slower-than-expected cash collection.

These measures are part of China's broader aim 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 12-18 months. And, in August 2016, Nanjing and Suzhou also announced tightening measures.

Key measures in these cities include raising the down-payment requirement for second home mortgages, increasing land supply for residential housing, clamp-downs on improper financing arrangements for down-payments, tightening requirements for developers when bidding for land and pre-selling properties.

The increase in the proportion of upfront cash down-payments required for buyers of second homes will also delay their plans to upgrade into more expensive residences.

Yanlord demonstrates a material exposure to the four cities under tightening measures, with 49% of its land bank located in these cities as of end-June 2016. These cities contributed 72.5% of its total sales in 2015.

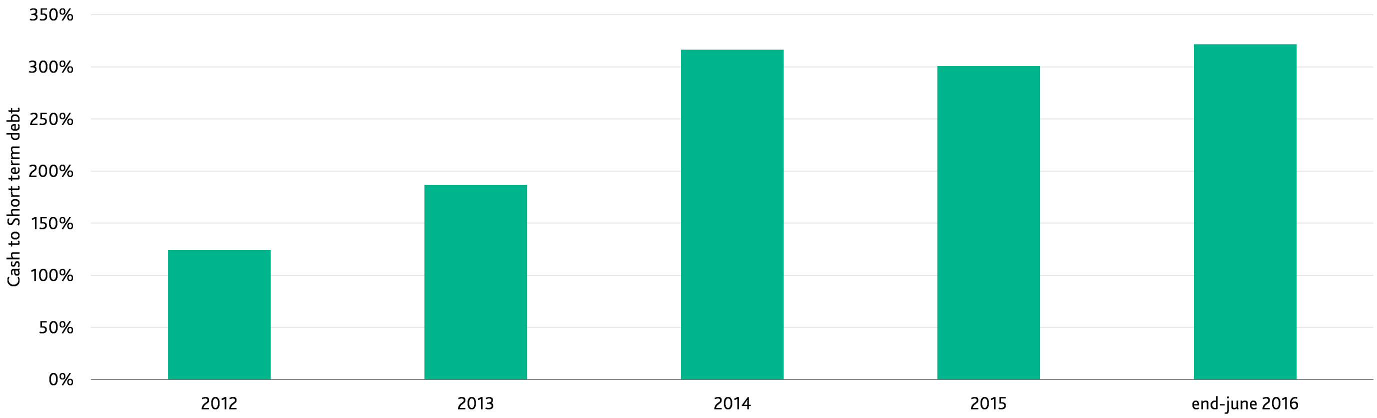
Liquidity Analysis

Yanlord's cash balance increased by 8% to RMB19.0 billion at end-June 2016 and can cover its cash needs over the next 12 months, including its RMB5.9 billion of debt maturities and committed land payments.

The company's cash to short-term debt of 322% at end-June 2016 (Exhibit 7) compares favorably with Ba3-rated peers.

The strong cash position provides Yanlord with some buffer against potential working capital needs and market fluctuations.

Exhibit 7
Yanlord's Cash to Short-Term Debt Remained Robust at End-June 2016



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, Tangshan and Sanya.

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

Its land bank, totaling 5.2 million square meters at end-June 2016, 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 at Ba2, which is one notch higher than its actual rating, based on its financials for the 12 months to 30 June 2016.

Exhibit 8

Rating Factors

Homebuilding And Property Development Industry Grid [1][2]	Current LTM 6/30/2016	
Factor 1 : Scale (15%)	Measure	Score
a) Revenue (USD Billion)	$3.6	Ba
Factor 2 : Business Profile (25%)		
a) Business Profile	Ba	Ba
Factor 3 : Profitability and Efficiency (10%)		
a) Cost Structure (Pre-Impairment Gross Margin)	24.0%	Ba
Factor 4 : Leverage and Coverage (30%)		
a) EBIT Coverage of Interest	4.3x	Ba
b) Revenue to Debt	113.7%	Ba
b) HB and PD Debt to Total Capitalization		na
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.
[2] As of 6/30/2016(L);
Source: Moody's Financial Metrics

Ratings

Exhibit 9

Category	Moody's Rating
YANLORD LAND GROUP LIMITED	
Outlook	Rating(s) Under Review
Corporate Family Rating -Dom Curr	Ba3[1]
Senior Unsecured -Dom Curr	Ba3[1]

1 - Placed under review for possible upgrade on August 18 2016
Source: Moody's Investors Service

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