MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Ba3 to Yanlord's proposed SGD bond; outlook stable

Global Credit Research - 17 Mar 2014

Hong Kong, March 17, 2014 -- Moody's Investors Service has assigned a Ba3 rating to Yanlord Land Group Ltd's proposed senior unsecured SGD bonds.

Moody's has also affirmed the company's Ba3 corporate family rating, Ba3 senior unsecured debt rating, and the Ba3 rating to the RMB bond issued by Yanlord Land (HK) Co., unconditionally guaranteed by Yanlord Land Group Limited.

The ratings outlook is stable.

The proceeds of the proposed notes will be used for debt refinancing.

RATINGS RATIONALE

"The proposed bonds will improve Yanlord's liquidity position, help fund future growth and improve the company's debt maturity profile," says Lina Choi, a Moody's Vice President and Senior Analyst.

"As part of the proceeds will be used for debt refinancing, the proposed bonds will not result in any material increase in the company's debt leverage," adds Choi, who is also the Lead Analyst for Yanlord.

Yanlord's book debt increased to RMB17.5 billion at end-2013 from RMB13.6 billion at end-2012, as the company used debt to fund existing and new projects.

Its debt leverage at end-2013 -- as measured by revenue to debt -- of 0.7x is weak for a Ba rating category. Moody's expects Yanlord's debt leverage to stay at this level over the next two years.

On the other hand, Yanlord's operating performance improved materially in 2013, as it adjusted its business model and sold a higher proportion of mass market products. It recorded growth in contracted sales of RMB3 billion, taking the total to approximately RMB15 billion in 2013.

Moody's expects that the company will post a 10%-15% growth in contracted sales in 2014, resulting in revenue growth in 2014 and 2015. Its revenue to debt ratio should therefore stay at current levels, as the expected higher revenues will offset the increased levels of debt used to fund growth.

However, its increased focus on the sale of mass market products has resulted in a narrower adjusted EBITDA margin of 32% in 2013 from 36% in 2012. As a result, its adjusted EBITDA/interest was 3.2x in 2013, and which may be weakened to 2.7x-3.0x over the next two years. Nonetheless, such levels would support its Ba3 rating.

"Despite Yanlord's weakening interest coverage over the next 24 months, it will likely maintain its contracted sales growth levels and engage in disciplined land acquisitions, which should ensure a sound liquidity position to buffer against market volatility," says Choi.

Yanlord's liquidity strength is reflected by its cash on hand of RMB7.1 billion at end-2013, which is equivalent to 2x its short-term debt. Given its estimated operating cash flow of RMB2.5-RMB3.0 billion over the next 12 months, the company has sufficient resources to fully cover its short-term maturing debt of RMB3.6 billion and committed land payment premiums of around RMB1.4 billion over the same period.

Moody's believes that Yanlord will not undertake aggressive land acquisitions that would lead to a weakening of its liquidity position, because the company has a track record of spending less than 20% of its annual contracted sales on such acquisitions. In 2013, Yanlord spent RMB2.9 billion on land purchases, and which represented 19.5% of its contracted sales, versus 16% in 2012.

The stable ratings outlook reflects Moody's expectation that Yanlord will continue to achieve contracted sales growth and maintain prudent financial management to maintain adequate liquidity.

Upgrade factors would emerge if the company: (1) substantially achieves its presales target over the next 12 months and improves its balance sheet liquidity, and (2) achieves an EBITDA/interest coverage of over 3.5x-4.0x on a sustained basis.

The ratings could be downgraded if Yanlord: (1) fails to execute its sales plan such that liquidity weakens, as reflected in cash/short term debt coverage falling below 1.0x-1.5x, or (2) engages in other material land acquisitions that strain its liquidity, and/or (3) exhibits weakening credit metrics, with EBITDA/interest under 2.5x for a sustained period.

The principal methodology used in these ratings was the Global Homebuilding Industry published in March 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Yanlord Land Group Limited is one of the major property developers in China. It operates in the major cities of Shanghai, Nanjing, Suzhou, Shenzhen, Tianjin, Tangshan, Zhu Hai, Sanya, and Chengdu. It was established in 1993 and was listed on the Singapore Stock Exchange in 2006.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

The first name below is the lead rating analyst for this Credit Rating and the last name below is the person primarily responsible for approving this Credit Rating.

Lina Choi
Vice President - Senior Analyst
Corporate Finance Group
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong
China (Hong Kong S.A.R.)
JOURNALISTS: (852) 3758 -1350
SUBSCRIBERS: (852) 3551-3077

Gary Lau
MD - Corporate Finance
Corporate Finance Group
JOURNALISTS: (852) 3758 -1350
SUBSCRIBERS: (852) 3551-3077

Releasing Office:
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong
China (Hong Kong S.A.R.)
JOURNALISTS: (852) 3758 -1350
SUBSCRIBERS: (852) 3551-3077