MOODY'S
INVESTORS SERVICE

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

Global Credit Research - 14 May 2013

Hong Kong, May 14, 2013 -- Moody's Investors Service has upgraded Yanlord Land Group Limited's senior unsecured debt rating to Ba3 from B1, and has assigned Ba3 rating to the RMB bond to be issued by Yanlord Land (HK) Co., unconditionally guaranteed by Yanlord Land Group Limited.

At the same time, Moody's has affirmed Yanlord's Ba3 corporate family rating.

The outlook on all ratings remains stable.

The proceeds of the RMB bonds will be used to finance existing and new projects.

RATINGS RATIONALE

"In view of Yanlord management's commitment to keep its onshore secured borrowings below 15% of total assets, through continued expansion of its offshore borrowings, Moody's has removed the notching relating to subordination risk because of priority debt," says Lina Choi, a Moody's Vice President and Senior Analyst.

As of December 2012, Yanlord's subsidiary and secured debt/total asset ratio was 11%. With additional onshore borrowings to fund increasing scale, Moody's expects the ratio to increase to 14.5% - 15% in the next 12 -- 18 months, a level which supports removing notching due to subordination risk.

"The proposed RMB bonds will provide funding for Yanlord to deliver on its 2013 sales targets and to replenish its land bank," says Choi who is also the lead analyst for Yanlord.

"But the proposed bonds will not have any significant financial impact on Yanlord's Ba3 ratings," adds Choi.

Yanlord will step up construction to meet its higher sales targets -- under a stable market -- in the next 12 -18 months. Consequently, it will assume more debt. But Moody's expects Yanlord will remain prudent in its financial management. Its credit metrics --EBITDA/interest of 2.5x -- 3.0x and Adjusted debt/total capitalization of 40% - 45% -- in the next 12 -- 18 months will remain consistent with its Ba3 rating level.

Yanlord's Ba3 rating continues to reflect its business model, which focuses on high-quality properties that generate margins at the higher end of industry ranges. It also considers Yanlord's ability to access the debt and capital markets and its history of raising equity to fund development.

Also supporting the Ba3 rating is Yanlord's prudent financial management, as evidenced by debt deleveraging during the challenging period of 2012 when sales of deluxe properties were restrained.

Its Ba3 rating is constrained by (i) the concentration of its revenue sources in a few major cities, particularly Shanghai; and (ii) the slow turnover of its deluxe products. Although the company offered selective price reductions in 2012 -- so as to monetize inventory for the purposes of raising liquidity -- its inventory level, measured by inventory (including completed and worked-in-progress) to revenue, was high at 3.7-4.0x.

Yanlord's liquidity profile has also improved, as it has monetized more inventory on-hand and seen higher cash flow from growing contract sales. At December 2012, the company had cash on hand of RMB3.5 billion versus short-term loans of RMB2.7 billion. In addition, its cash collection was high at RMB2.18 billion for 1Q 2013, or 91% of reported contract sales of RMB2.38 billion, which, in turn, represent 18.3% of its full-year target of RMB13 billion.

The stable outlook reflects Moody's expectation that Yanlord can continue to adjust its business model to generate more sales from the mass market and that it will continue to improve its liquidity. In addition, Moody's expects Yanlord to maintain its cautious strategy on land acquisitions and its good financial discipline.

Upgrade pressure could emerge if the company: (1) demonstrates stable sales growth and substantially achieves its presales target; (2) maintains a prudent strategy on land acquisitions; (3) shows improvements in liquidity and reductions in inventory, and (4) achieves EBITDA/interest coverage above 3.0x--3.5x and adjusted debt/capitalization below 50%, both on a sustained basis.

On the other hand, downgrade pressure could arise if Yanlord: (1) fails to execute its sales plan; (2) shows increased liquidity risk due to the absence of proactive actions to refinance its short-term debt; or (3) aggressively acquires land funded by debt.

Downgrade pressure could be indicated by EBITDA/interest under 2.0x for a sustained period.

The principal methodology used in these ratings was the Global Homebuilding Industry Methodology 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, Zhu Hai 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.

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 Wai 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