



## **CCXAP assigns first-time Ag+ to Future Land Holdings and its proposed notes, outlook stable**

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Hong Kong, 31 July 2017 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of Ag+ to Future Land Holdings Co., Ltd. (“FLH”), and a senior unsecured rating of Ag+ to the proposed USD notes to be issued by New Metro Global Limited and guaranteed by FLH. The rating outlook is stable.

### **Rating Rationale**

The long-term credit rating of FLH is underpinned by the Company’s (1) good sales execution in terms of growing operating scale; (2) improvement of geographical diversification into tier-one and tier-two cities in Yangtze River Delta; (3) recurring income from its commercial properties; (4) stable profit margin; and (5) good access to capital and adequate liquidity buffer. However, the rating is also constrained by (1) the volatile business nature and intensive market competition of China’s property market; (2) the Company’s rapid expansion of land bank exerts pressure on capital expenditures, but partially offset by joint ventures; and (3) increasing debt leverage.

### **Rating Outlook**

The stable outlook on FLH’s rating reflects its strong sales growth on residential property development. We expect that the Company will continue to expand its geographic diversification and improve its credit metrics, as well as increase the proportion of joint ventures to mitigate business risks.

### **What could upgrade the rating?**

The rating could be upgraded if the Company (1) maintains stable growth in contracted sales and sustains steady profitability; (2) improves its credit metrics, such as debt leverage and interest coverage; and (3) maintains disciplined financial policy and adequate liquidity profile.

### **What could downgrade the rating?**

The rating could be downgraded if (1) the Company’s credit metrics are worse than anticipated; (2) the Company becomes more aggressive in its land bank acquisition which leads to increasing debt level; and (3) the Company’s liquidity profile weakens.

## Rating Methodology

The rating report could be found under the icon "Rating Results". The methodology used in this rating is Global Rating Methodology for Real Estate Development Industry dated May 2017 placed under the icon "Rating Process > Rating Methodology".

## Contacts of Credit Ratings

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

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