

Rating Announcement

29<sup>th</sup> November 2017**Greenland Hong Kong Holdings Limited**

Hong Kong

Category:	Corporate rating
Rating type:	Solicited rating
Industry:	Property Development
Long-term Credit Rating:	A <sub>g</sub> +
Rating Outlook:	Stable

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**China Chengxin (Asia Pacific) Credit Ratings affirms the A<sub>g</sub>+ rating of Greenland Hong Kong Holdings Limited, with stable outlook**

Hong Kong, 29<sup>th</sup> November 2017 -- China Chengxin (Asia Pacific) Credit Ratings announces that the A<sub>g</sub>+ rating of Greenland Hong Kong Holdings Limited (“Greenland HK” or the “Company”) is unaffected by its 2017H1 results, outlook stable. Greenland HK’s rating reflects its sound business performance with sustainable sales growth and the improvement of credit profile.

Greenland HK was established in 1998 in Hong Kong, and listed on the Hong Kong Stock Exchange (Stock Code: 0337.HK) in 2006. Greenland HK’s main business is property development and it also participates into the financial sector by providing wealth management services. As of 30 June 2017, Greenland was the controlling shareholders of the Company and indirectly held 59.1% of the Company’s shares.

Greenland HK’s contracted sales and GFA boosted in 2017H1. The contracted sales of the Company increased to RMB 16.3 billion in 2017H1, increasing by 77% YoY. The contracted sales mainly relied on the sales from Yangtze River Delta which contributed 45% of the total, while the sales from Hainan, Jiangxi and Guangxi accounted for 27%, 11% and 11% respectively. The contracted GFA was 1.29 million sqm in 2017H1 with an 85% increase YoY. Yet, the average selling price decreased from RMB 13,160 per sqm to RMB 12,625 per sqm with the decreased proportion of contracted sales from Yangtze River Delta, which reduced from 66% in 2016H1 to 45% in 2017H1. As of 31 October 2017, the unaudited contracted sales within last ten months were RMB 24.6 billion and Greenland HK has completed its whole-year contracted sales target of RMB 23 billion.

In 2017H1, Greenland HK acquired four new projects so as to support the development of business, two of which were located in Wuxi and Wujiang. These four newly acquired projects were with GFA of 1,096 thousand sqm at a cost of RMB 4.4 billion. Also, in August 2017, the Company acquired one

more new project in Foshan with GFA of 479 thousand sqm at a cost of RMB 1.2 billion. As of 29 August 2017, Greenland HK's total land bank increased to 14.6 million sqm. With a sufficient land bank, we expect that Greenland HK has a great potential in property development market.

Apart from property development, Greenland HK diversified its business into other areas, which included property management, hotel services and property leasing. In 2017H1, the revenue in these three areas contributed 5.1% of the Company's revenue as compared to 4.5% in 2016H1. Greenland HK also participated into the financial business through its subsidiary, Greenland Financial Services ("Greenland FS"). As of 30 June 2017, the size of the asset management by Greenland FS was RMB 10 billion, increasing by about RMB 4 billion YoY. As of 30 June 2017, the registered users and total transaction volume increased to over 1 million and RMB 10 billion respectively. However, the growth of Greenland FS is lower than expectation to meet its target of 3 million registered users and RMB 100 billion total transaction volumes in one year.

In 2017H1, the Company's revenue decreased but its profitability improved. Greenland HK's revenue in 2017H1 decreased by 9.1% YoY to RMB 4.8 billion because of the decrease in GFA sold and delivered. But due to lower land cost and construction cost, the gross profit margin increased from 9.0% in 2016H1 to 20.9% in 2017H1. Because of the appreciation of RMB, Greenland HK experienced a foreign exchange gains in 2017H1 and its bottom-line results increased from a net loss of RMB 137 million in 2016H1 to a net profit of RMB 411 million in 2017H1. The ROE ratio was 18.2% in LTM 2017H1.

With the financial restructuring, Greenland HK reduced its leverage by debt repayment and its credit profile improved with a lower debt level in 2017H1. As of 30 June 2017, the adjusted capitalization ratio and adjusted net debt-to-equities ratio improved to 64.1% and 95.3% while they were 67.2% and 140.1% at end-2016 respectively. Also, the adjusted EBITDA interest rate coverage ratio was 3.3x in LTM 2017H1, which was better than 2.1x in 2016. Furthermore, Greenland HK's liquidity position improved with the decrease in short-term debt and increase in net cash flow. The cash to short-term debt ratio increased from 80.8% at end-2016 to 121.4% at mid-2017.

In July 2017, Greenland HK issued USD 400 million short-term notes with 4.5% interest rate. These implied that the Company could easily finance in the foreign capital market but we would continuously pay attention to the Company's short-term debt repayment ability.

## Appendix. CCXAP's Credit Rating Symbols and their Meaning

China Chengxin (Asia Pacific) Credit Ratings Company Limited uses simple, consistent, and comparable rating symbols expressed in letters to represent the credit worthiness of rated entities and rated debt issues.

### A. Long-Term Credit Ratings

A long-term credit rating refers to a rating for a period of more than 12 months.

Rating Symbol	Definition
<b>AAAg</b>	Capacity to meet commitments on short-term and long-term debts is extremely strong. Business is operated in a virtuous circle. The foreseeable uncertainty on business operations is minimal.
<b>AAg+</b> <b>AAg</b> <b>AAg-</b>	Capacity to meet short-term and long-term financial commitments is very strong. Business is operated in a virtuous circle. Foreseeable uncertainty in business operations is relatively low.
<b>Ag+</b> <b>Ag</b> <b>Ag-</b>	Capacity to meet short-term and long-term commitments is strong. Business is operated in a virtuous circle. Business operation and development may be affected by internal uncertain factors, which may create fluctuations in profitability and solvency of the issuer.
<b>BBBg+</b> <b>BBBg</b> <b>BBBg-</b>	Capacity to meet financial commitment is considered adequate and capacity to meet short-term and long-term commitments is satisfactory. Business is operated in a virtuous circle. Business is affected by internal and external uncertainties. Profitability and solvency may experience significant fluctuation. Principal and interest may not be sufficiently protected by the terms of agreement.
<b>BBg+</b> <b>BBg</b> <b>BBg-</b>	Capacity to meet short-term and long-term financial commitment is relatively weak. Financial commitment towards short-term and long-term debts is below average. Status of business operations and development is not good. Solvency is unstable and subject to sustainable risk.
<b>Bg+</b> <b>Bg</b> <b>Bg-</b>	Financial commitment towards short-term and long-term debts is bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Solvency is uncertain and subject to high credit risk.
<b>CCCg</b>	Financial commitment towards short-term and long-term debts is very bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Poor solvency with very high credit risk.
<b>CCg</b>	Financial commitment towards short-term and long-term debts is extremely bad. Business operations are poor. There are very limited positive internal and external factors to support business operation and development. Extremely high credit risk is found.
<b>Cg</b>	Financial commitment towards short-term and long-term debts is insolvent. Business falls into a vicious circle. Very limited positive internal and external factors are found to support business operations and development in positive cycle. Extremely high credit risk is seen and is near default.
<b>Dg</b>	Unable to meet financial commitments. Default is confirmed.

### B. Long-term Credit Rating Outlook

A rating outlook is the medium- and long-term trend of the credit rating of a rated entity. In formulating a rating outlook, CCXAP considers the potential change in economic and commercial factors from a medium- and long-term perspective for a period of 12 to 18 months.

<b>Positive</b>	Indicates a rating with an ascending trend
<b>Negative</b>	Indicates a rating with a descending trend
<b>Stable</b>	Indicates the rating is likely to be stable

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