Rating Announcement 29th November 2017

Future Land Holdings Co., Ltd.

Hong Kong

Category:	Corporate rating
Rating type:	Solicited rating
Industry:	Property Development
Long-term Credit Rating:	A_g+
Rating Outlook:	Stable

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China Chengxin (Asia Pacific) Credit Ratings affirms the A_g+ rating of Future Land Holdings Co. Ltd., with stable outlook

Hong Kong, 29th November 2017 -- China Chengxin (Asia Pacific) Credit Ratings announces that the A_g+ rating of Future Land Holdings Co., Ltd. ("FLH" or the "Company") is unaffected by its 2017H1 results, outlook stable. FLH's rating reflects its sound business performance with sustainable sales growth and expansion of the business.

FLH was established in 1993 with A-share listed on Shanghai Stock Exchange (Stock Code: 601155.SH) in December 2015. FLH is one of the leading property developers in the Yangtze River Delta. As of 30 June 2017, Mr. Wang Zhenhua is the controlling shareholder of the Company.

The contracted sales and revenues of FLH kept growing in 2017H1. The contracted sales of the Company increased from RMB 28.0 billion in 2016H1 to RMB 49.1 billion in 2017H1 with a YoY growth of 75.01%. The contracted sales in Yangtze River Delta were the main driver of growth which contributed 84.2% of the total while Hangzhou, Suzhou, Shanghai, Nanjing and Changzhou contributed 13%, 12%, 11%, 10% and 8% of the total respectively. In 2017H1, the contracted GFA increased by 31.7% to 3.5 million sqm while the average selling price increased by 32.9% to RMB 13,831 per sqm. The targeted contracted sales of the Company in 2017 were RMB 85 billion and 57.8% had been already fulfilled in the first half year. With about RMB 150 billion expected saleable resources in 2017, we expect that FLH had enough resources to fulfil its target.

FLH continued expanding its business by acquiring new projects. FLH acquired 51 projects with GFA of 15.7 million sqm at a cost of RMB 48.0 billion in 2017H1. 28 of newly acquired projects were located in the Yangtze River Delta with 57.0% of total GFA while Pearl River Delta, Bohai Rim and Central and Western China accounted for 1.5%, 13.7% and 27.8% respectively. As of 30 June 2017, FLH had a total land bank of 43.7 million sqm. Total lank bank along the Yangtze River Delta was accounted for 58% while there were 19% and 20 % of land bank in Bohai Rim and Central and Western China respectively. We believe that those newly acquired projects will assist the Company to consolidate its market share in the Yangtze River Delta and provide a sustainable growth in revenue.

The rental income of the Company's investment properties was RMB 345 million in 2017H1, which was 90.2% higher than that of 2016H1. As of 30 June 2017, the Company had 13 investment properties with total leasable area of 808 thousand sqm and average occupation rate of 97.1%. In 2017H2, the investment properties with GFA of 3.4 million sqm will be rolling out. We expected that the recurring rental income of the investment properties will contribute a higher proportion to the revenue in the future.

The profitability of the Company had improved in 2017H1. The revenue was RMB 11.3 billion in 2017H1 with a YoY growth of 24.9%. The net income increased from RMB 0.9 billion in 2016H1 to RMB 1.1 billion in 2017H1 with a YoY growth of 33.3%. Higher revenue, as well as increase in share of profit and gain from joint venture and associates, was the diver of increased net income. The adjusted gross profit margin of FLH rose from 21.6% in 2016H1 to 34.4% in 2017H1. The ROE was 22.2% within last twelve months, which was improved compared to 20.9% in 2016.

As of 30 June 2017, with an increase in land bank, FLH's net debt amounted for RMB 20.6 billion, increasing RMB 7.8 billion as compared with that of end-2016. Also, FLH's debt leverage increased. The adjusted debt-to-capital ratio was 70.7% and the net debt-to-equities ratio was 121.8% in 2017H1 while they were 61.6% and 78.3% at the end of 2016 respectively. Furthermore, the adjusted EBITDA interest coverage ratio was 3.5x within last twelve months, which was lower than 2016 whole year's 3.7x.

FLH's liquidity situation has weakened because of the increase in short-term debt. The cash to short term debt ratio decreased from 128.6% in 31 December 2016 to 120.0% in 30 June 2017. Apart from that, FLH had RMB 7.5 billion cash outflow from operating activities in 2017H1 because of the increase in the cash paid for purchase of goods and services.

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
AAAg	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.
AAg+ **AAg** **AAg-**	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.
Ag+ **Ag** **Ag-**	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.
BBBg+ **BBBg** **BBBg-**	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.
BBg+ **BBg** **BBg-**	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.
Bg+ **Bg** **Bg-**	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.
CCCg	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.
CCg	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.
Cg	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.
Dg	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.

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

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