



CCXAP affirms Future Land Holdings Co., Ltd. long-term credit rating and senior unsecured debt rating at A_g+, with stable outlook

Hong Kong, 25 May 2018 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of A_g+ to Future Land Holdings Co., Ltd. (“FLH”), and a senior unsecured rating of A_g+ to the 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) strong revenue and sales growth supported by rapid asset turnover strategy; (2) improving geographic diversification with a focus on Yangtze River Delta; (3) strengthened cash generation capability from investment properties; and (4) improving profitability metrics. However, the rating is also constrained by (1) tightening regulatory environment with uncertainties in property market; (2) active land acquisitions and expanding investment properties which exert pressure on capital expenditures; and (3) increasing debt burden.

Rating Outlook

The stable outlook on FLH’s rating reflects its strong sales growth in property development and recurring revenue from commercial complexes. We expect that the Company’s operating scale will continue to increase with high degree of geographical diversification and more sustainable revenue generation.

What could upgrade the rating?

The ratings 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 ratings 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 significantly 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".

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