

## **Lianhe Global has assigned ‘BB+’ to China Aoyuan Group Ltd.’s proposed USD Notes**

HONG KONG, 24 June 2020 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB+’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD notes (“the USD notes”) to be issued by China Aoyuan Group Ltd. (“Aoyuan”; ‘BB+/Stable).

Aoyuan intends to use the net proceeds from this offering for refinancing its existing indebtedness.

### **Key Rating Rationales**

The USD notes are rated at the same level as Aoyuan’s global scale Long-term Issuer Credit Rating of ‘BB+’ as they constitute Aoyuan’s senior and unsecured obligations. Aoyuan’s obligations for the USD notes shall at least rank pari passu with all its other present and future unsubordinated and unsecured obligations.

The Issuer Rating reflects Aoyuan’s continuous improvement in market position and brand recognition in the Chinese property market. The rating also considers Aoyuan’s adequate liquidity position and good access to market funding. However, the rating is constrained by its moderately high financial leverage and average profitability.

### **Rating Sensitivities**

Any rating action on Aoyuan’s rating would result in a similar rating action on the USD notes.

We would consider downgrading Aoyuan’s rating if it were to aggressively replenish its land bank which would result in an increase of its financial leverage as measured by an EBITDA interest coverage ratio to decrease to 2x or a debt to capitalization ratio to increase to above 70%, and/or its or its operating performance were to deteriorate such that either its contracted sales or cash flow from operating activities experience a material decline.

We would consider upgrading Aoyuan’s rating if it were to lower its financial leverage as measured by a debt/capitalization ratio to below 50% and an EBITDA interest coverage ratio to above 5x consistently.

### **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

## **Rating Methodology**

The principal methodology used in this Aoyuan's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018 which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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