

Lianhe Global has assigned ‘BB’ to Zhongliang Holdings Group Company Limited’s proposed USD notes

HONG KONG, 21 October 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 Zhongliang Holdings Group Company Limited (2772.HK) (“Zhongliang”, ‘BB’/Stable).

Zhongliang 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 Zhongliang’s global scale Long-term Issuer Credit Rating of ‘BB’ as they constitute Zhongliang’s senior and unsecured obligations. Zhongliang’s obligations for the USD notes shall rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The Issuer Rating reflects Zhongliang’s established market position and a nationwide footprint in tier 2 and tier 3 cities of the Yangtze River Delta Region. Zhongliang’s rating is constrained by its elevated financial leverage as a result of debt-funded expansion in the prior years.

The Stable Outlook reflects our expectation that Zhongliang would expand its operating scale in a prudent manner especially regarding land acquisitions, while continuing maintaining its stable growth.

Rating Sensitivities

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

We would consider downgrading Zhongliang’s rating if it were to (1) aggressively replenish its land bank which result in an increase in its financial leverage as measured by debt/capitalization to over 80% or a decrease in its EBITDA interest coverage to below 2.0x consistently, and/or (2) its operating performance were to deteriorate such that its contracted sales and/or revenue experience a material decline or liquidity profile is worsened.

We would consider upgrading Zhongliang’s rating if it were to (1) considerably increase its operating scale, and (2) maintain its financial leverage as measured by debt/capitalization at below 60% or EBITDA interest coverage at above 3x 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 Zhongliang'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.

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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