

Lianhe Global has assigned ‘BB-’ to Sinic Holdings (Group) Company Limited’s proposed 364-day USD green notes

HONG KONG, 18 January 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB-’ Issuance Credit Rating to the proposed 364-day senior unsecured USD green notes (“the USD notes”) to be issued by Sinic Holdings (Group) Company Limited (2103.HK) (“Sinic” or “the company”, ‘BB-’/Positive).

Sinic intends to use the net proceeds from this offering to finance or refinance eligible projects in accordance with its green, social, sustainability financing framework.

Key Rating Rationales

The USD notes are rated at the same level as Sinic’s global scale Long-term Issuer Credit Rating of ‘BB-’ as they constitute Sinic’s senior and unsecured obligations. Sinic’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 our assessment of Sinic’s improving operating scale, adequate profitability, and regional market franchise. The rating also considers Sinic’s capability to grow from its home base in Jiangxi Province into new regions. The rating constraints include the company’s high financial leverage, tight liquidity, and short track record due to its limited visible operating history.

The Positive Outlook on the Issuer Rating reflects our expectation that Sinic will maintain a steady financial position and mindful of growth pace, given its sizeable contracted sales proceeds which will partially fund its rapid expansion. At the same time, we expect the company to gradually pivot away from the reliance on short-term funding and trust loans in the medium term.

Rating Sensitivities

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

We would consider downgrading Sinic’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 70% 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 Sinic’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 3.0x 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 Sinic'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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