

Lianhe Global has affirmed ‘BB-’ global scale Long-term Issuer and Issuance Credit Ratings to LVGEM (China) Real Estate Investment Company Limited; Issuer Rating Outlook is Stable

HONG KONG, 21 January 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB-’ global scale Long-term Issuer Credit Rating to LVGEM (China) Real Estate Investment Company Limited (95.HK) (“LVGEM” or “the company”). The Outlook is Stable.

Lianhe Global has also affirmed ‘BB-’ global scale Long-term Issuance Credit Rating to the senior unsecured USD notes issued by LVGEM. A full list of affirmed issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating reflects LVGEM’s established track record of handsome profit margin, specialized management expertise in the urban renewal industry, and its focus in the Greater Bay Area (GBA), including the Baishizhou project which so far marks the record-large redevelopment project in Shenzhen City.

However, LVGEM’s rating is constrained by its modest business franchise in terms of contracted sales size, acceptable liquidity profile with the basic source of funding, and significant concentration risks given its revenue drivers relying on a limited number of projects under development.

The Stable Outlook reflects our expectation that LVGEM would expand its operating scale in a prudent manner following its stake increase in the Baishizhou redevelopment project. It also reflects our expectation that LVGEM will maintain its competitive edge and niche strategy in the urban redevelopment market while managing an adequate financial profile without a material increase in financial leverage in the near term.

Rating Sensitivities

We would consider downgrading LVGEM’s rating if it were to aggressively increase its financial leverage as measured by an EBITDA interest coverage to decrease to below 2x or a debt/capitalization to increase to above 70% consistently, and/or its liquidity and operational profiles were to deteriorate such as a material decline in net cash flow from operating activities, contracted sales, and/or revenue recognition, consistently.

We would consider upgrading LVGEM’s rating if it were to considerably increase its operating scale, and lower its financial leverage as measured by a debt/capitalization to below 60% or an EBITDA interest coverage to above 4x consistently.

Any rating action on LVGEM's rating would result in a similar rating action on the USD notes.

Full List of Issuance Ratings

- USD 470 million 12.0% senior unsecured notes due 2023 affirmed at 'BB-'

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 LVGEM'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.

Contact Information

Primary Analyst
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

Committee Chairperson
Ben Yau
Director
(852) 3462 9586
ben.yau@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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