

Lianhe Global has affirmed ‘BB’ global scale Long-term Issuer and Issuance Credit Ratings to Zhongliang Holdings Group Company Limited; Issuer Rating Outlook is Stable

HONG KONG, 10 February 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB’ global scale Long-term Issuer Credit Rating to Zhongliang Holdings Group Company Limited (2772.HK) (“Zhongliang”). 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 Zhongliang. A full list of affirmed issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating reflects Zhongliang’s established market position and large footprint in the Yangtze River Delta Region. Zhongliang maintains substantial JV participation across its footprint. Zhongliang has exhibited a strong operating efficiency in terms of standardized process and products, sales execution and high cash collection rate via its decentralized projection teams but centralized financial control.

However, Zhongliang’s rating is constrained by its elevated financial leverage as a result of debt-funded expansion in the prior years. Zhongliang’s liquidity will be tight if it does not control its capital expenditure in a prudent manner.

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

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 75% 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 3.0x consistently.

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

Full List of Issuance Ratings

- USD 450 million 9.5% senior unsecured notes due 2022 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 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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