

Lianhe Global has assigned ‘BB+’ to China Hongqiao Group Limited’s Proposed USD Notes

HONG KONG, 1 June 2021 – 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 Hongqiao Group Limited (1378.HK) (“China Hongqiao” or “the company”; ‘BB+’/Stable).

China Hongqiao intends to use the net proceeds from this offering for refinancing its existing indebtedness and for general corporate purposes.

Key Rating Rationales

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

The Issuer Rating reflects China Hongqiao’s demonstrated effort in financial deleveraging, leading market position, economy of scale and vertically integrated production platform providing cost advantage, and improving operating performance. However, China Hongqiao’s rating is constrained by its relatively flat growth, regulatory risks, and cyclical industry nature.

The Issuer Rating Outlook reflects our expectation that China Hongqiao will continue to maintain its operating performance, driven by its leading market position, aluminum industry uptick, economy of scale and cost advantage. We also expect China Hongqiao to remain prudent on its overseas expansion pace with normalized level of capital expenditure, which together with improved operating performance, will help the company to contain good operating cash flow and continue its deleveraging effort.

Rating Sensitivities

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

We would consider downgrading China Hongqiao’s rating if it were to increase to its financial leverage as measured by its EBITDA interest coverage consistently below 4.0x or debt over EBITDA leverage consistently above 4.0x, or it suffers a significant deterioration in operating performance in terms of revenue, margin or cash flow generation, or its liquidity is worsened.

We would consider upgrading China Hongqiao’s rating if it were to maintain its leading market position and cost advantage, while continue to demonstrate prudent financial management

and maintain its financial leverage as measured by its EBITDA interest coverage and debt over EBITDA leverage consistently commensurate with the 'BBB' rating category.

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 China Hongqiao'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
Ben Yau
Director
(852) 3462 9586
ben.yau@lhratingsglobal.com

Committee Chairperson
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

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

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