

**Lianhe Global has assigned ‘BB-’ to Yuzhou Group Holdings Company Limited’s proposed USD green notes**

HONG KONG, 27 August 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 green notes (“the USD notes”) to be issued by Yuzhou Group Holdings Company Limited (01628.HK) (“Yuzhou”; ‘BB-’/Stable).

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

Yuzhou’s rating reflects Yuzhou’s shift in credit profile with the negative impact of a significant decrease in the revenue recognition and the increasing prominent effect of the margin compression in 2020.

The Stable Outlook reflects our expectation that Yuzhou would improve its revenue scale and from the margin compression of its projects commensurate with a “BB-” credit profile. Yuzhou will however still need to continuously replenish its land bank to sustain its contracted sales growth, particularly on a consolidated basis, while at the same time manage its debt growth and improve its margins in the next 12-18 months.

**Rating Sensitivities**

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

We would consider downgrading Yuzhou’s rating if it were to aggressively replenish its land bank which results 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 1.5x consistently, and/or it were to fail to improve its revenue recognition as planned or its operating performance were to experience a material deterioration or liquidity position is worsened.

We would consider upgrading Yuzhou’s rating if it could sustain its contracted sales growth and diversity while continue to strengthen its revenue recognition and profitability, and maintaining its financial leverage as measured by debt/capitalization at below 70% 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 Yuzhou'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](http://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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