

Lianhe Global has affirmed ‘BB+’ global scale Long-term Issuer and Issuance Credit Rating of China Aoyuan Group Limited; Issuer Rating Outlook Stable

HONG KONG, 8 October 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB+’ global scale Long-term Issuer Credit Rating of China Aoyuan Group Limited (3883.HK) (“Aoyuan” or “the company”). The Outlook is Stable.

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

Key Rating Rationales

The Issuer Rating reflects the Guangzhou-based company’s continuous improvement in market position and brand recognition in the Chinese property market. The rating also considers Aoyuan’s adequate liquidity position and good access to market funding. However, its high financial leverage and average profitability constrain its rating.

The Stable Outlook reflects our expectation that Aoyuan will continue to deleverage while maintaining an adequate land bank portfolio for future development. We also expect the company to improve its operating efficiency gradually by delivering projects under development at a pace more commensurate with its contracted sales growth to boost its recognized revenues in the next 12 to 18 months, in light of the lukewarm sentiment of economic growth and tightening government financial and policy measures.

Rating Sensitivities

We would consider downgrading Aoyuan’s rating if it were to aggressively replenish its land bank which results in an increase of 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 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 Aoyuan’s rating if it were to lower its financial leverage as measured by a debt/capitalization ratio to below 50% and an EBITDA interest coverage ratio to above 5x consistently.

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

Full List of Issuance Ratings

- USD460 million 6.35% senior unsecured notes due 2024 affirmed at ‘BB+’

- USD230 million 5.98% senior unsecured notes due 2025 affirmed at 'BB+'
- USD200 million 7.95% senior unsecured notes due 2024 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 Aoyuan's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018 which can be found at the website.

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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