

Lianhe Global has affirmed ‘BB-’ global scale Long-term Issuer Credit Rating and Issuance Credit Rating of Shinsun Holdings (Group) Co., Ltd.; Issuer Rating Outlook Revised to Negative

HONG KONG, 3 December 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB-’ global scale Long-term Issuer Credit Rating of Shinsun Holdings (Group) Co., Ltd. (2599.HK) (“Shinsun” or “the company”). The Outlook is revised to Negative.

Lianhe Global has also affirmed ‘BB-’ Issuance Credit Rating of the senior unsecured USD notes issued by Shinsun. A full list of issuance rating is included in this press release.

Key Rating Rationales

The Issuer Rating reflects Shinsun’s established market position in Zhejiang province and its capability to grow from its home base to the Pan-Yangtze River Delta region and other selective high growth potential cities. However, Shinsun’s rating is constrained by its high financial leverage, the geographical concentration with significant land bank exposure in low-tier cities, and reliance on non-traditional bank financings.

The Negative Outlook on Shinsun’s rating reflects our expectation of Shinsun’s deteriorating access to financing channels, leading to reducing financing flexibility, and its exposure to short-term repayment burden of non-traditional bank financings, which puts pressure on its liquidity. Shinsun’s stock price experienced a significant decline since mid-November 2021, which further weakened its refinancing capability. The company’s non-traditional bank financings accounted for c. 50% of total reported debt at end-June 2021, with repayment burden in the next 6 months. Under the current environment, any accelerated repayments on Shinsun’s non-traditional bank financings will heighten the company’s financing risk. The need to deal with refinancings will also pose negative impact on its operations in terms of land bank expansion, sales and profitability with tightened financial resources. We would revise the Rating Outlook to Stable when the company has demonstrated its capability to manage its maturing financial obligations in the near to medium terms.

Rating Sensitivities

We would consider downgrading Shinsun’s rating if it were to (1) aggressively expand and 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 (2) its operating performance were to deteriorate such that its contracted sales and/or revenue experience a material decline or liquidity profile is worsened.

An upgrade is unlikely given the negative outlook on Shinsun. However, if Shinsun’s were able to demonstrate the ability to manage its financial obligations in the near to medium terms, we

may consider revising its outlook to stable. Additionally, we would consider upgrading Shinsun's rating if it were to (1) considerably increase its operating scale without over-reliance on the joint venture model while maintaining competitive position in its core markets, (2) considerably reduce its exposure to non-traditional bank financings, and (3) maintain its financial leverage as measured by debt/capitalization at below 65% or EBITDA interest coverage at above 3.0x consistently.

Any rating action on Shinsun's rating would result in a similar rating action on its USD notes.

Full List of Issuance Rating

- USD200 million 10.5% 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 Shinsun'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

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2021