

Lianhe Global has affirmed ‘B+’ global scale Long-term Issuer and Issuance Credit Ratings of Yincheng International Holding Co., Ltd.; Issuer Rating Outlook Revised to Negative

HONG KONG, 26 January 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘B+’ global scale Long-term Issuer Credit Rating of Yincheng International Holding Co., Ltd. (1902.HK) (“Yincheng”). The Outlook is revised to Negative.

Lianhe Global has also affirmed ‘B+’ Issuance Credit Rating of the senior unsecured USD notes issued by Yincheng. A full list of affirmed issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating reflects Yincheng’s established market position and branding in its home market Nanjing, the steady expansion of its development projects’ pipeline and the gradual diversification of its land bank from the heavy reliance on Nanjing. However, Yincheng’s rating is constrained by its small operating scale and geographical concentration as compared with its peers.

The Negative Outlook reflects our expectation of Yincheng’s deteriorating access to financing channels, which reduces its financing flexibility and puts pressure on its liquidity. Yincheng has USD165 million and USD110 million of senior notes maturing in March and September 2022, respectively. Therefore, Yincheng may face heightened refinancing risk for its maturing USD senior notes in the next 12 months. We would revise the Rating Outlook to Stable when Yincheng has demonstrated its capability to manage its maturing financial obligations in the near to medium terms.

Rating Sensitivities

We would consider downgrading Yincheng’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 1.0x consistently, and/or its operating performance were to deteriorate such that its property development business market position or sales experience a material decline.

An upgrade is unlikely given the negative outlook on Yincheng. However, if Yincheng 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 Yincheng’s rating if it were to (1) expand its operating scale and demonstrate successful

diversification into other regions 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 Yincheng's rating would result in a similar rating action on its USD notes.

Full List of Issuance Ratings

- USD110 million 12.5% senior unsecured notes due 2022 affirmed at 'B+'

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 Yincheng's rating is Lianhe Global's Chinese Property Developer Rating Criteria published on 31 December 2021 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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