

Lianhe Global downgrades E-House (China) Enterprise Holdings Limited’s global scale Long-term Issuer and Issuance Credit Rating to ‘CCC’ from ‘B’; Issuer Rating Outlook Revised to Negative

HONG KONG, 25 February 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of E-House (China) Enterprise Holdings Limited (02048.HK) (“E-House” or “the company”) to ‘CCC’ from ‘B’. The Outlook is revised to Negative.

Lianhe Global has also downgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD notes issued by E-House to ‘CCC’ from ‘B’. A full list of issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating downgrade to ‘CCC’ from ‘B’ reflects E-House’s significantly heightened refinancing risk on its maturing offshore USD300 million notes due in April 2022, given the continuously weakening contracted sales and poor sales commission collections from its property developers in 2022 year-to-date, which is worse than our previous expectation. The lukewarm property market sentiment put pressure on many cash strapped Chinese property developers leading into less cash disbursements to downstream vendors, like E-House. Also, E-House’s weakening credit profile and deteriorating financial metrics with the negative impact from the loss allowance for its trade related receivables increasingly constrains on its liquidity and financial flexibility. Therefore, there is uncertainty on E-House’s current financing situation to meet its financial obligations in the near term.

The Negative Outlook on E-House’s rating reflects the worsening of E-House’s liquidity since end-2021 under the backdrop of the weakening contracted sales and the continuing poor sales commission collections from its property developers. We expect E-House to face significantly heightened liquidity pressure and reduced cash flow from sales of properties in the near-term. We would revise the Rating Outlook to Stable when E-House has demonstrated its capability to manage its maturing financial obligations in the near to medium terms.

Rating Sensitivities

We would consider downgrading E-House’s rating if (1) it were to fail to meet its near and medium term financial obligations when they become due, or (2) its operating performance and working capital management were to deteriorate such that its revenue experiences a material decline or operating cash flow shows sign of worsening.

An upgrade is unlikely given the negative outlook on E-House. However, if E-House were able to demonstrate the ability to manage its financial obligations in the near to medium

terms, we may consider revising the outlook to stable. Additionally, we would consider upgrading E-House's rating if (1) its operating efficiency were to exhibit a remarkable improvement such that it could maintain a sustainable positive operating cash flow and visible loss allowance, or (2) strengthen its profitability as measured by an EBITDA margin to increase to above 15% consistently, or (3) its financial leverage as measured by a debt/EBITDA ratio to decrease to below 6.5x consistently.

Any rating action on E-House's rating would result in a similar rating action on its USD notes.

Full List of Issuance Ratings

- USD300 million 7.625% senior unsecured notes due 2022 downgraded from 'B' to 'CCC'
- USD300 million 7.600% senior unsecured notes due 2023 downgraded from 'B' to 'CCC'

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 E-House's rating is Lianhe Global's General Corporate 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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