

Lianhe Global downgrades LVGEM (China) Real Estate Investment Company Limited’s global scale Long-term Issuer and Issuance Credit Ratings to ‘B’ from ‘BB-’; on Rating Watch Negative

HONG KONG, 20 January 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of LVGEM (China) Real Estate Investment Company Limited (95.HK) (“LVGEM” or “the company”) to ‘B’ from ‘BB-’.

Lianhe Global has also downgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD notes and the Issuance Credit Ratings of the senior unsecured HKD and USD commercial paper notes issued by LVGEM to ‘B’ from ‘BB-’. A full list of issuance ratings is included in this press release.

All ratings have been put on Rating Watch Negative (RWN).

Key Rating Rationales

The Issuer Rating downgrade to ‘B’ reflects LVGEM’s increasing refinancing pressure as it faces a tall maturity wall in both its offshore USD notes and certain onshore RMB bonds that are coming due in 2023, which puts constraint on its liquidity. The Issuer Rating also reflects LVGEM’s established track record of above-average profit margin and its focus on the Greater Bay Area (GBA), including the Baishizhou project which so far marks the record-large redevelopment project in Shenzhen. However, LVGEM’s rating is constrained by its modest business franchise in terms of contracted sales scale and significant concentration risks given its land bank locations and revenue drivers relying on the limited number of projects under development.

The RWN reflects our expectation of LVGEM’s exposure to short-term repayment burden, which puts pressure on its liquidity and heightens the uncertainty on its current financing situation which could impact its repayment capability. We would remove the RWN 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 LVGEM’s rating if (1) it were to fail to meet its near and medium term financial obligations when they become due, and/or (2) it were to aggressively increase its financial leverage as measured by debt/capitalization to over 70% or a decrease in its EBITDA interest coverage to below 1.0x consistently, and/or (3) its operating performance were to deteriorate such as a material decline in net cash inflow from operating

activities, contracted sales and/or revenue for a sustained period or liquidity profile is worsened.

An upgrade is unlikely given the RWN on LVGEM. We will resolve the RWN as soon as practicable.

Any rating action on LVGEM's rating would result in a similar rating action on its USD notes and HKD/USD commercial paper notes.

Full List of Issuance Rating

- USD470 million 12.0% senior unsecured notes due 2023 downgraded to 'B' from 'BB-'
- HKD174.6 million and USD8.758 million 6.0% senior unsecured commercial paper notes due 2023 downgraded to 'B' from 'BB-'

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, 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 LVGEM'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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