

**Lianhe Global has affirmed ‘B’ global scale Long-term Issuer and Issuance Credit Ratings of LVGEM (China) Real Estate Investment Company Limited; Issuer Rating Outlook Negative; Removes Rating Watch Negative**

HONG KONG, 20 March 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘B’ global scale Long-term Issuer Credit Rating of LVGEM (China) Real Estate Investment Company Limited (95.HK) (“LVGEM” or “the company”). The Outlook is Negative.

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

Lianhe Global has removed the Rating Watch Negative on the company’s issuer credit rating.

**Key Rating Rationales**

The Issuer Rating 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 weakening liquidity profile, 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 Negative Outlook on LVGEM’s rating reflects its heightened pressure on liquidity on the backdrop of its weakening contracted sales performance, and heightened refinancing pressure in the next 6-12 months. We would consider revising the Rating Outlook to Stable when there is a clearer sign of the recovery of LVGEM’s operating performance, leverage level and liquidity position.

**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 negative outlook on LVGEM. However, if LVGEM were able to demonstrate the ability to improve its operating performance, manage its financial

obligations in the near to medium term and improve its liquidity position, we may consider revising the outlook to stable.

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

### **Full List of Issuance Ratings**

- HKD174.6 million and USD8.758 million 6.0% senior unsecured commercial paper notes due 2023 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 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](http://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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