

Lianhe Global has assigned 'BB+' to Logan Property Holdings Company Limited's proposed USD notes

HONG KONG, 7 January 2020 – Lianhe Ratings Global Limited ("Lianhe Global"), an international credit rating company, has assigned 'BB+' global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD notes ("the USD notes") to be issued by Logan Property Holdings Company Limited (3380.HK) ("Logan"; 'BB+' / Stable).

Logan intends to use the net proceeds from the USD notes for refinancing its existing indebtedness.

Key Rating Rationales

The USD notes are rated at the same level as Logan's global scale Long-term Issuer Credit Rating of 'BB+' as they constitute the company's unsecured and unsubordinated indebtedness. Logan's obligations for the USD notes shall rank pari passu with all its other present and future unsecured and unsubordinated indebtedness.

Logan's rating reflects its established brand recognition and leading market position in Guangdong Province, especially Shenzhen where the company is based, and its higher-than-peer profitability which is supported by its low-cost land bank portfolio. However, Logan's rating is constrained by its high financial leverage and geographical concentration in terms of revenue and land bank as compared with those of its peers.

The Stable Outlook reflects our expectation that Logan's renowned presence in the Greater Bay Area and well-managed land acquisition expenditures will continue to underpin its higher-than-peer profitability. The Stable Outlook also reflects our expectation that Logan will expand its operating scale cautiously and manage its debt growth in a prudent manner.

Rating Sensitivities

Any rating action on Logan's rating would result in a similar rating action on the USD notes.

We would consider downgrading Logan's rating if it were to replenish its land bank in an aggressive way which would result in an elevated leverage or it were to under deliver expected contracted sales which would lead to a material deterioration of its profitability as measured by 1) an EBITDA interest coverage ratio at below 3.0x, or 2) a gross margin at below 30%, continuously.

We would consider upgrading Logan's rating if it were to steadily improve its leverage while maintaining a higher-than-peer profitability as measured by 1) an EBITDA interest coverage ratio at above 5.0x, and 2) a debt/land bank ratio at below 70%, persistently.

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 Logan'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.

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