

Lianhe Global has assigned ‘BB’ to Yuzhou Properties Company Limited’s proposed USD notes

HONG KONG, 21 November 2019 – 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 Yuzhou Properties Company Limited (“Yuzhou”; ‘BB’/Stable).

Yuzhou intends to use the net proceeds from this offering for refinancing its existing indebtedness.

Key Rating Rationales

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

Yuzhou’s rating reflects Yuzhou’s established market position in the Chinese property market, which is evident by its strong contracted sales growth, high-quality land bank primarily located in tier 1 and 2 cities in China, and healthy margins. However, Yuzhou’s rating is constrained by its elevated financial leverage as compared with its peers.

The Stable Outlook reflects our expectation that Yuzhou would continuously expand its operating scale through active yet measured land acquisitions to sustain its contracted sales growth while reasonably managing its debt growth.

Rating Sensitivities

Any rating action on Yuzhou’s rating would result in a similar rating action on the USD notes.

We would consider downgrading Yuzhou’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 3.0x consistently, and/or its operating performance were to experience a material deterioration.

We would consider upgrading Yuzhou’s rating if it were to (1) sustain growth both in scale and diversity, and (2) maintain its financial leverage as measured by debt/capitalization at below 60% and EBITDA interest coverage at above 5.0x consistently.

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 Yuzhou'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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