

Lianhe Global has assigned ‘BB’ to China Hongqiao Group Limited’s Proposed USD Notes

HONG KONG, 24 September 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 China Hongqiao Group Limited (“China Hongqiao”; ‘BB’/Positive).

China Hongqiao intends to use the net proceeds from this offering for refinancing its existing indebtedness and for general corporate purposes.

Key Rating Rationales

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

The Issuer Rating reflects China Hongqiao’s leading market position, economy of scale, vertically integrated production platform, highly self-sufficient production, and high operating efficiency. However, China Hongqiao’s rating is constrained by its relatively flat revenue growth, capacity constraints, concentration of clients and moderately high financial leverage.

The Issuer Rating’s Positive Outlook reflects our expectation that China Hongqiao has competitive advantages in terms of investing in the (1) overseas alumina production which is likely to boost its revenue in 2022 or earlier and (2) emission reduction technologies ahead of the implementation of the stricter emission standards in 2021.

Rating Sensitivities

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

We would consider downgrading China Hongqiao’s rating if it were to increase to its financial leverage as measured by its EBITDA interest coverage consistently below 3x or debt over EBITDA leverage consistently above 5.5x, or it suffers a significant deterioration in EBITDA margin below 20% consistently.

We would consider upgrading China Hongqiao’s rating if it were to successfully execute its alumina projects in Guinea and Indonesia which results in revenue growth consistently and maintain its current financial leverage as measured by its EBITDA interest coverage and debt over EBITDA leverage commensurate with the ‘BB’ rating category.

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 China Hongqiao'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.

Contact Information

Primary Analyst

Ben Yau

Director

(852) 3462 9586

ben.yau@lhratingsglobal.com

Secondary Analyst

Alex Kung

Senior Director

(852) 3462 9577

alex.kung@lhratingsglobal.com

Committee Chairperson

Joyce Huang, CFA

Senior Director

(852) 3462 9578

joyce.huang@lhratingsglobal.com

Business Development Contact

Joyce Chi

Managing Director

(852) 3462 9569

joyce.chi@lhratingsglobal.com

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2019.