



CCXAP assigns BBB_g- to Logan Group Company Limited's proposed US dollar-denominated notes

Hong Kong, 12 October 2020 -- China Chengxin (Asia Pacific) Credit Ratings ("CCXAP") has assigned BBB_g- to the proposed US dollar-denominated senior notes to be issued by Logan Group Company Limited ("Logan" or the "Company").

The notes are senior obligations of the Company, guaranteed by certain of its existing subsidiaries. The notes are at least pari passu in right of payment with the existing pari passu notes and all other unsecured and unsubordinated indebtedness of the Company. The Company intends to use the net proceeds for refinancing certain of its existing indebtedness.

The ultimate rating on the proposed notes is contingent upon the receipt of final documents conforming to information already received.

Corporate Profile

Logan is an integrated property developer and focuses on residential property development in China, particularly in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"). The Company had a total land bank of gross floor area ("GFA") of 39.2 million square meters ("sqm") as of 30 June 2020, with approximately 70% of its land bank (by saleable value) in the Greater Bay Area. Logan was listed on the main board of the Hong Kong Stock Exchange (Stock Code: 3380.HK) in 2013.

Rating Rationale

The rating of the proposed notes is equal to the Company's long-term credit rating as first-time assigned by CCXAP on 19 May 2020. Despite Logan's status as a holding company with no material operations, the Company's diversified business profile (with revenue and cash flow generation across its large number of operating subsidiaries) can help mitigate structural subordination risks.

The BBB_g- rating of Logan is underpinned by (1) quality land bank in the Great Bay Area; (2) sound profitability; and (3) good liquidity. However, the rating is also constrained by its (1) limited geographic diversification; and (2) moderate debt leverage with growing debt burden.

Rating Outlook

The stable outlook on Logan's rating reflects our expectation that the Company will maintain a strong market position in the Greater Bay Area and continue to prudently diversify its land bank profile. We also expect Logan's credit metrics to remain at a manageable level over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) establishes a track record of a stable growth in contracted sales; (2) grows its land bank scale and improves its geographic diversification without significant increase in debt; and (3) improves its net gearing ratio to below 50% and elevates EBIT interest coverage to above 5.0x on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales slumps; (2) net gearing ratio increases to above 100% or EBIT interest coverage falls below 3.0x; or (3) liquidity buffer deteriorates and financing capacity debilitates.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Real Estate Development Industry \(December 2019\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

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