

Lianhe Global has affirmed 'A-' global scale Long-term Issuer and Issuance Credit Rating to Qingdao City Construction Investment (Group) Limited; Issuer Rating Outlook Revised to Positive

HONG KONG, 7 April 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘A-’ global scale Long-term Issuer Credit Rating to Qingdao City Construction Investment (Group) Limited (“QCCI”). The Outlook is revised to Positive from Stable.

Lianhe Global has also affirmed ‘A-’ global scale Long-term Issuance Credit Rating to the senior unsecured USD bonds issued by QCCI’s wholly-owned subsidiary Hong Kong International (Qingdao) Company Limited (“HKIQD”) as QCCI shows strong willingness to support HKIQD in meeting its debt obligations by offering a keepwell deed, a deed of equity interest purchase undertaking and an irrevocable standby facility agreement. A full list of affirmed issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Credit Rating reflects a high possibility that Shandong’s Qingdao municipal government (“Qingdao government”) would provide strong support to QCCI if needed, in light of the Qingdao government’s full ownership of QCCI, the high strategic importance of QCCI to Qingdao and the increasingly strong linkage between the Qingdao government and QCCI including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Qingdao government may face a significant negative impact on its reputation and business and financing activities should QCCI encounter any operational or financial difficulties.

The Positive Outlook reflects QCCI’s increasing strategic importance to and linkage with the Qingdao government, and our expectation that such would remain intact while the Qingdao government will continue to ensure QCCI’s stable operation. QCCI, under the Qingdao government’s mandate, took on a number of key strategic assets in 2020, in addition to undertaking various major businesses including infrastructure construction, primary land and property development, and financial services to support the economic development in Qingdao. We view such initiatives as a reflection of a strengthening relationship between QCCI and the Qingdao government.

QCCI’s business expansion has targeted to benefit Qingdao’s development rather than pure commercial decisions. With an increasing number of strategic assets housing under it, QCCI’s strategic importance to the Qingdao government has increased, although this has increased its business complexity and the difficulty of effective monitoring by the Qingdao government. We believe that in extremely stressed scenarios, QCCI would still receive strong support from

the Qingdao government, while the extension of the support to its commercially operated subsidiaries would be constrained.

Rating Sensitivities

We would consider downgrading QCCI's rating if (1) there is perceived weakening in support from the Qingdao government, particularly due to its reduced strategic importance with diminished government functions, or (2) commercial-oriented operations may significantly jeopardize QCCI's overall credit profile, or (3) there is a significant reduction of the Qingdao government's ownership of QCCI, or (4) there is a downgrade in our internal credit assessment on the Qingdao government.

We would consider upgrading QCCI's rating if there is an upgrade in our internal credit assessment on the Qingdao government, or there is a continuing demonstration of the strengthening of QCCI's strategic importance in Qingdao.

Any rating action on QCCI's rating would result in a similar rating action on the USD bonds.

Full List of Issuance Ratings

USD300 million 4.0% senior unsecured bonds due 2024 affirmed at 'A-'

USD300 million 3.9% senior unsecured bonds due 2022 affirmed at 'A-'

USD300 million 3.99% senior unsecured bonds due 2023 affirmed at 'A-'

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 QCCI's rating is Lianhe Global's China Local Government Financing Vehicle 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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