

**Lianhe Global has assigned ‘BBB+’ to Jiangsu Shagang Group Company Limited’s Proposed USD Bonds**

HONG KONG, 21 May 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB+’ global scale Long-term Issuance Credit Rating to the senior unsecured USD Bonds (“the USD Bonds”) to be issued by Jiangsu Shagang Group Company Limited’s (“Shagang”; ‘BBB+’/Stable) indirect wholly-owned subsidiary Wealthy Vision Holdings Limited, which is unconditionally and irrevocably guaranteed by Shagang.

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

**Key Rating Rationales**

The USD Bonds are rated at the same level as Shagang’s global scale Long-term Issuer Credit Rating of ‘BBB+’ as Shagang has unconditionally and irrevocably guaranteed the USD Bonds. Shagang’s obligations for the USD Bonds shall at all times at least rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The Issuer Rating reflects Shagang’s competitive market position as the largest private steel producer in China, above average operating efficiency and above industry-average utilization rates, and strong operating cash flow. The company’s rating is constrained by its low raw materials self-sufficiency which makes it vulnerable to commodity price fluctuations, slow margin growth in key products amid rising raw materials costs, and relatively high yet stabilizing financial leverage in relation to its “BBB” category credit profile.

The Stable Outlook reflects our expectation that Shagang will sustain a stable and sizable scale of operation, continue to exhibit a prudent manner in reducing and containing its financial leverage, and maintain its positive operating cash flow and liquidity position.

**Rating Sensitivities**

Any rating action on Shagang’s rating would result in a similar rating action on the USD Bonds.

We would consider downgrading Shagang’s rating if it were to (1) aggressively expand into non-core businesses which results in an increase in its financial leverage<sup>1</sup> as measured by total debt/EBITDA to over 5.0x or a decrease in its EBITDA interest coverage to below 6.0x consistently, and/or (2) its operating performance were to deteriorate such that its revenue, margins or operating cash flow experiences a material decline or liquidity profile is worsened.

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<sup>1</sup> On a deconsolidated basis

We would consider upgrading Shagang's rating if it were to (1) considerably increase its operating scale while maintaining competitive position in its core markets, and (2) reduce and maintain its financial leverage<sup>1</sup> as measured by total debt/EBITDA at below 3.0x or EBITDA interest coverage at above 8.0x 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 Shagang'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](http://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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