

Lianhe Global has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Qingdao City Construction Investment (Group) Limited to ‘A’ from ‘A-’; Issuer Rating Outlook Stable

HONG KONG, 31 March 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has upgraded the global scale Long-term Issuer Credit Rating of Qingdao City Construction Investment (Group) Limited (“QCCI”) to ‘A’ from ‘A-’. The Outlook is Stable.

Lianhe Global has also upgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by QCCI’s wholly-owned subsidiary Hong Kong International (Qingdao) Company Limited (“HKIQD”) to ‘A’ from ‘A-’ at the same time. 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 issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating upgrade reflects our internal assessment on Shandong’s Qingdao municipal government (“Qingdao government”), and the increased strategic importance of QCCI to Qingdao and strengthened relationship between QCCI and the Qingdao government, as demonstrated by the continued transfer of strategic state assets to QCCI in 2021. We believe there continues to present a high possibility that the 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 Issuer Rating Outlook reflects our expectation that QCCI’s strategic importance would remain intact while the Qingdao government will continue to ensure QCCI’s stable operation.

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 (1) there is an upgrade in our internal credit assessment on the Qingdao government, or (2) there is strengthened support from the Qingdao government.

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 upgraded to 'A' from 'A-'
- USD300 million 3.9% senior unsecured bonds due 2022 upgraded to 'A' from 'A-'
- USD300 million 3.99% senior unsecured bonds due 2023 upgraded to 'A' from '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 31 December 2021, 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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