

Lianhe Global has assigned ‘A’ global scale Long-term Issuance Credit Rating to Qingdao City Construction Investment (Group) Limited’s proposed USD Bonds

HONG KONG, 28 June 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD bonds (“the USD Bonds”) to be issued by Qingdao City Construction Investment (Group) Limited’s (“QCCI”; ‘A’/Stable) wholly-owned subsidiary Hongkong International (Qingdao) Company Limited (“HKIQD”).

The USD Bonds constitute HKIQD’s direct, unsubordinated, unconditional and unsecured obligations which shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. QCCI has provided a keepwell deed, a deed of equity interest purchase undertaking and an irrevocable cross-border US dollar standby facility agreement in supporting the USD Bonds.

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

Key Rating Rationales

The proposed senior unsecured USD Bonds are rated at the same level as QCCI’s global scale Long-term Issuer Credit Rating of ‘A’ as QCCI shows its strong willingness to support HKIQD in meeting its debt obligations by offering the keepwell deed, the deed of equity interest purchase undertaking and the irrevocable cross-border US dollar standby facility agreement. In addition, a default by HKIQD would have significant negative impact on QCCI’s reputation and future funding capability, which underpins QCCI’s intention to support.

QCCI’s rating reflects our internal assessment on the 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 Shandong’s 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 significant negative impact on its reputation and business and financing activities should QCCI encounter any operational or financial difficulties.

The Stable Outlook on QCCI's rating 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

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

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.

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 QCCI's ratings are 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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