

Lianhe Global has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Shaoxing City Investment Group Limited to 'A' from 'A-'; Issuer Rating Outlook is Stable

HONG KONG, 10 August 2022 – Lianhe Ratings Global Limited ("Lianhe Global"), an international credit rating company, has upgraded the global scale Long-term Issuer Credit Rating of Shaoxing City Investment Group Limited ("SCIG") to 'A' from 'A-'. The Issuer Rating Outlook is Stable.

Lianhe Global has also upgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by SCIG to 'A' from 'A-' at the same time. A full list of Issuance rating is included in this press release.

Key Rating Rationales

The Issuer Credit Rating upgrade reflects an upgrade in our internal credit assessment on Zhejiang's Shaoxing Municipal Government and the expectation of the continuing of a high possibility that the Shaoxing Municipal Government would provide strong support to SCIG if needed. This mainly considers the Shaoxing Municipal Government's 90% ownership of SCIG (with the other 10% owned by Zhejiang Finance Development Co., Ltd., a wholly owned entity of the Zhejiang Provincial Department of Finance, to subsidize the Provincial Social Security Fund), the high importance of SCIG to Shaoxing in the utilities (gas and water) infrastructures and services, as well as urban infrastructure and social-housing construction area, and the strong linkage between the Shaoxing Municipal Government and SCIG, including management supervision, ongoing operational and financial support. In addition, the Shaoxing Municipal Government may face significant negative impact on its reputation and financing activities if SCIG encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that SCIG's strategic importance would remain intact while the Shaoxing Municipal Government will continue to ensure SCIG's stable operation.

Rating Sensitivities

We would consider downgrading SCIG's rating if (1) there is perceived weakening in support from Zhejiang's Shaoxing Municipal Government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Shaoxing Municipal Government's ownership of SCIG, or (3) there is a downgrade in our internal credit assessment on the Shaoxing Municipal Government.

We would consider upgrading SCIG's rating if (1) there is strengthened support from the Shaoxing Municipal Government, or (2) there is an upgrade in our internal credit assessment on the Shaoxing Municipal Government.

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

Full List of Issuance Rating

- USD 700 million 2.5% senior unsecured bonds due 2026 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 SCIG'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.

Contact Information

Primary Analyst
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

Committee Chairperson
Ben Yau
Senior Director
(852) 3462 9586
ben.yau@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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