

Lianhe Global has affirmed ‘A’ global scale Long-term Issuer Credit Rating of Shuifa Group Co., Ltd.; Rating Outlook Stable

HONG KONG, 21 December 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘A’ global scale Long-term Issuer Credit Rating of Shuifa Group Co., Ltd. (“Shuifa”). The Outlook is Stable.

Key Rating Rationales

The Issuer Credit Rating reflects our internal assessment on the Shandong provincial government (“Shandong government”), and the gradual shift of Shuifa’s development focus to business outside Shandong province as well as the increasing contributions from certain commercial segments. All in all, we believe there is still a high possibility that the Shandong government would provide moderately strong support to Shuifa if needed, in light of its majority ownership of Shuifa, Shuifa’s strategic position as the sole provincial level, and the major water supply and water-related project development platform in Shandong Province and the strong linkage between the Shandong government and Shuifa including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Shandong government may face negative impact on its reputation and business and financing activities should Shuifa encounter any operational or financial difficulties.

The Stable Outlook reflects our expectation that Shuifa’s business profile will remain intact while the Shandong government will continue to ensure Shuifa’s stable operation.

Rating Sensitivities

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

We would consider upgrading Shuifa’s rating if (1) there is strengthened support from the Shandong government, or (2) there is an upgrade in our internal credit assessment on the Shandong government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, 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 Shuifa's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, 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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