

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Shaanxi Xixian New Area Fengxi Development Group Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 17 February 2023 – 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 bonds (“the Bonds”) to be issued by Shaanxi Xixian New Area Fengxi Development Group Co., Ltd. (“SXFD”; ‘BBB-’/Stable).

SXFD intends to use the net proceeds from this offering for project construction and supplement of working capital.

Key Rating Rationales

The Bonds are rated at the same level as SXFD’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of SXFD. The payment obligations of SXFD under the Bonds shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Issuer Credit Rating reflects a high possibility that the de facto local government of Fengxi New City of Xixian New Area of Shaanxi Province (“Fengxi”), the Management Committee of Fengxi (“Fengxi MC”), would provide strong support to SXFD if needed, in light of its direct majority ownership of SXFD, SXFD’s strategic importance as the important state-owned entity for infrastructure development, shantytown renovation, land development, as well as resettlement house construction in Fengxi, and the linkage between the Fengxi MC and SXFD, including control and supervision over the management, strategic alignment and ongoing operational and financial support. In addition, the Fengxi MC may face significant negative impact on its reputation, business and financing activities if SXFD encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that SXFD’s strategic importance would remain intact while the Fengxi MC will continue to ensure SXFD’s stable operation.

Rating Sensitivities

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

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

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

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 SXFD'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.

Contact Information

Primary Analyst

Toni Ho

Director

(852) 3462 9578

toni.ho@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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