

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Luoyang Guoyuan Investment Holding Group Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 22 March 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 Luoyang Guoyuan Investment Holding Group Co., Ltd. (“LGIH”; ‘BBB-’/Stable).

LGIH 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 LGIH’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of LGIH. The payment obligations of LGIH 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 People’s Government of Jianxi District, Luoyang City (“Jianxi government”) would provide strong support to LGIH if needed, in light of its indirect full ownership of LGIH, LGIH’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Jianxi District, Luoyang City (“Jianxi”), and the linkage between the Jianxi government and LGIH, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Jianxi government may face significant negative impact on its reputation and financing activities if LGIH encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that LGIH’s strategic importance would remain intact while the Jianxi government will continue to ensure LGIH’s stable operation.

Rating Sensitivities

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

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

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