

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Shanghai Zhuanghang Economic Development Co., Ltd.'s proposed senior unsecured bonds

HONG KONG, 31 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 Shanghai Zhuanghang Economic Development Co., Ltd. (“SZED”; ‘BBB-/Stable’).

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

SZED’s Issuer Credit Rating reflects a high possibility that the People’s Government of Fengxian District of Shanghai City (“Fengxian government”) would provide moderately strong support to SZED if needed, in light of SZED’s strategic importance as an important local investment and development company (“LIDC”) responsible for infrastructure construction in Zhuanghang Town (“Zhuanghang”) of Fengxian District (“Fengxian”), and the linkage between the Fengxian government and SZED, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support, etc. In addition, the Fengxian government may face negative impact on its reputation and financing activities if SZED encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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