

Lianhe Global has assigned ‘A’ global scale Long-term Issuance Credit Rating to Qingdao City Construction Investment (Group) Limited’s proposed Free Trade Zone CNY Bonds

HONG KONG, 18 April 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured CNY bonds (“the Bonds”) to be issued by Qingdao City Construction Investment (Group) Limited’s (“QCCI”; ‘A’/Positive) wholly-owned subsidiary Hongkong International (Qingdao) Company Limited (“HKIQD”).

The Bonds constitute HKIQD’s direct, unsubordinated, unconditional and unsecured obligations which shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. QCCI has provided a keepwell deed, a deed of equity interest purchase undertaking and an irrevocable cross-border CNY standby facility agreement in supporting the Bonds.

QCCI intends to use the net proceeds from this offering for refinancing its existing indebtedness.

Key Rating Rationales

The proposed senior unsecured Bonds are rated at the same level as QCCI’s global scale Long-term Issuer Credit Rating of ‘A’ as QCCI shows its strong willingness to support HKIQD in meeting its debt obligations by offering the keepwell deed, the deed of equity interest purchase undertaking and the irrevocable cross-border CNY standby facility agreement. In addition, a default by HKIQD would have significant negative impact on QCCI’s reputation and future funding capability, which underpins QCCI’s intention to support.

QCCI’s rating reflects a high possibility that the Qingdao Municipal Government (“Qingdao government”) would provide strong support to QCCI if needed, in light of the Qingdao government’s full ownership of QCCI, the high strategic importance of QCCI to Qingdao and the strong linkage between the Qingdao government and QCCI, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions, and ongoing government support. In addition, the Qingdao government may face significant negative impact on its reputation and financing activities should QCCI encounter any operational or financial difficulties.

The Positive Outlook on QCCI’s rating reflects its increasing strategic importance in Qingdao and linkage with the Qingdao government with the role as Qingdao’s important urban comprehensive development and operating entity, our internal assessment on the Qingdao government, and the expectation that it will continue to ensure QCCI’s stable operation.

Rating Sensitivities

Any rating action on QCCI's rating would result in a similar rating action on the Bonds.

We would consider downgrading QCCI's rating if (1) there is perceived weakening in support from the Qingdao government, particularly due to its reduced strategic importance with diminished government functions, or (2) commercial-oriented operations may significantly jeopardize QCCI's overall credit profile, or (3) there is a significant reduction of the Qingdao government's ownership of QCCI, or (4) there is a downgrade in our internal credit assessment on the Qingdao government.

We would consider upgrading QCCI's rating if (1) there is an upgrade in our internal credit assessment on the Qingdao government, or (2) there is strengthened support from the Qingdao government, or (3) there is a continuing demonstration of the strengthening of QCCI's strategic importance in Qingdao.

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 QCCI's ratings are 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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