

## **Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Huzhou Moganshan High-tech Group Co., Ltd.’s proposed senior unsecured bonds**

HONG KONG, 19 May 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 Huzhou Moganshan High-tech Group Co., Ltd. (“HMHG”; ‘BBB’/Stable).

HMHG 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 HMHG’s global scale Long-term Issuer Credit Rating of ‘BBB’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of HMHG. The payment obligations of HMHG 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 Deqing County, Huzhou City (“Deqing government”) would provide strong support to HMHG if needed, in light of its full ownership of HMHG, HMHG’s strategic importance as the major local investment and development company (“LIDC”) that is responsible for infrastructure construction and land development in Deqing County, Huzhou City, especially in Mogan Mountain of Huzhou Hi-tech Industry Development Zone, and the linkage between the Deqing government and HMHG, 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 Deqing government may face significant negative impact on its reputation and financing activities if HMHG encounters any operational and financial difficulties.

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

### **Rating Sensitivities**

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

We would consider downgrading HMHG’s rating if (1) there is perceived weakening in support from the Deqing government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Deqing

government's ownership of HMHG, or (3) there is a downgrade in our internal credit assessment on the Deqing government.

We would consider upgrading HMHG's rating if (1) there is strengthened support from the Deqing government, or (2) there is an upgrade in our internal credit assessment on the Deqing 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 HMHG'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](http://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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