

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Binzhou Beihai State-owned Assets Operation and Management Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 7 July 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 Beihai State-owned Assets Holding Co., Ltd, an indirect wholly-owned subsidiary of Binzhou Beihai State-owned Assets Operation and Management Co., Ltd. (“BBSA”; ‘BBB-’/Stable). The Bonds are unconditionally and irrevocably guaranteed by BBSA.

BBSA 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 BBSA’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as they are unconditionally and irrevocably guaranteed by BBSA, and BBSA’s obligations for the Bonds shall at all times at least rank pari passu with all its other present and future unsubordinated and unsecured obligations.

The Issuer Credit Rating reflects a high possibility that the de facto local government of Binzhou Beihai Economic Development Zone (“Beihai EDZ”), the Management Committee of Beihai EDZ (“Beihai EDZ MC”) would provide very strong support to BBSA if needed, in light of its full ownership of BBSA, the strategic importance of BBSA as the most important local investment and development company responsible for infrastructure investment and development in Beihai EDZ, and the linkage between the Beihai EDZ MC and BBSA, including management appointment, supervision over BBSA’s strategic development, major investment and financing plans, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if BBSA encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

We would consider upgrading BBSA's rating if there is an upgrade in our internal credit assessment on the local 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 BBSA'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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