

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Xi’an Chanba Development Group Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 9 August 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 Xi’an Chanba Development Group Co., Ltd. (“XCDG”; ‘BBB-/Stable’).

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

XCDG’s Issuer Credit Rating reflects a high possibility that the de facto local government of Chanba Ecological District (“CBE”), Xi’an Chanba Ecological Area Management Committee (“CBE MC”), would provide strong support to XCDG if needed. This mainly considers CBE MC’s majority ownership of XCDG, XCDG’s strategic importance as an important local investment and development company responsible for infrastructure and affordable housing development in CBE, and the linkage between the local government and XCDG, 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 local government may face significant negative impact on its reputation and financing activities if XCDG encounters any operational and financial difficulties.

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

Rating Sensitivities

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

We would consider downgrading XCDG’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’s ownership of XCDG, or (3) there is a downgrade in our internal credit assessment on the local government.

We would consider upgrading XCDG's rating if (1) there is strengthened support from the local government, or (2) 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 XCDG'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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