

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Zhejiang Qiantang River Investment Development Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 25 September 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 Zhongchuang (HK) Technology Company Limited (“ZCHK”), a subsidiary 100% directly owned by Zhejiang Qiantang River Investment Development Co., Ltd. (“ZQRID”; ‘BBB-’/Stable).

ZQRID 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 ZQRID’s global scale Long-term Issuer Credit Rating of ‘BBB-’, as ZQRID shows its strong willingness to support ZCHK in meeting its debt obligations by offering the keepwell deed and the deed of equity purchase undertaking. The keepwell deed requires ZQRID to maintain ZCHK’s solvency, and the deed of equity interest purchase undertaking requires ZQRID to transfer funds to its offshore subsidiaries to ensure interest and principal payments of the Bonds, if applicable, through purchasing the equity held by its offshore subsidiaries. In addition, a default by ZCHK would have significant negative impact on ZQRID’s reputation and future funding capability, which underpins ZQRID’s intention to support.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Haining (“Haining government”) would provide strong support to ZQRID if needed. This mainly considers the Haining government indirectly owns majority shares of ZQRID, ZQRID’s strategic importance as the sole local investment and development company responsible for infrastructure construction, land consolidation, as well as development and operation of industrial parks in Haining Economic Development Zone and the linkage between the Haining government and ZQRID, including the appointment of senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the Haining government may face significant negative impact on its reputation and financing activities if ZQRID encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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

Contact Information

Primary Analyst
Roy Luo, FRM, CESGA
Associate Director
(852) 3462 9582
roy.luo@lhratingsglobal.com

Secondary Analyst
Sigmund Jiang, CFA, CESGA
Analyst
(852) 3462 9587
sigmund.jiang@lhratingsglobal.com

Committee Chairperson
Toni Ho, CFA, FRM
Director
(852) 3462 9578
toni.ho@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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