

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Ningxiang Water Construction and Investment Co., Ltd.'s proposed senior unsecured bonds

HONG KONG, 2 November 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 Ningxiang Water Construction and Investment Co., Ltd. (“NWCI”; ‘BBB-/Stable’).

NWCI intends to use the net proceeds from this offering for project investment and supplement of working capital.

Key Rating Rationales

The Bonds are rated at the same level as NWCI’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of NWCI. The payment obligations of NWCI 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 Ningxiang City, Changsha City (“Ningxiang government”) would provide moderate strong support to NWCI if needed, in light of its indirect full ownership of NWCI, NWCI’s strategic importance as the key local investment and development company that is responsible for water-related infrastructure construction and operation, water supply, and utilization of water resources in Ningxiang City, Changsha City, and the linkage between the Ningxiang government and NWCI, 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 Ningxiang government may face negative impact on its reputation and financing activities if NWCI encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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