

Lianhe Global has assigned ‘A’ global scale Long-term Issuance Credit Rating to Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd.’s proposed USD Bonds

HONG KONG, 31 January 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD bonds (“the Bonds”) to be issued by Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd.’s (“QCP”; ‘A’/Positive) wholly-owned subsidiary Huatong International Investment Holdings Co., Limited (“Huatong International”).

The Bonds constitute Huatong International’s direct, unsubordinated, unconditional and unsecured obligations which shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. QCP has provided a keepwell deed to support the Bonds.

QCP intends to use the net proceeds from this offering for refinancing its existing indebtedness.

Key Rating Rationales

The proposed senior unsecured Bonds are rated at the same level as QCP’s global scale Long-term Issuer Credit Rating of ‘A’ as QCP shows its strong willingness to support Huatong International in meeting its debt obligations by offering the keepwell deed. In addition, a default by Huatong International would have significant negative impact on QCP’s reputation and future funding capability, which underpins QCP’s intention to support.

The Issuer Credit Rating reflects a high possibility that the Qingdao municipal government (“Qingdao government”) would provide strong support to QCP if needed, in light of the Qingdao government’s full ownership of QCP, QCP’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for state-owned asset management and industry investment and operation in Qingdao, and the linkage between the Qingdao government and QCP, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support. In addition, the Qingdao government may face significant negative impact on its reputation and financing activities if QCP encounters any operational or financial difficulties.

The Positive Outlook on QCP’s rating reflects QCP’s increasing strategic importance in Qingdao and linkage with the Qingdao government, and our expectation that the Qingdao government will continue to ensure QCP’s stable operation.

Rating Sensitivities

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

We would consider downgrading QCP's rating if (1) there is perceived weakening in support from the Qingdao government, particularly due to its reduced strategic importance with diminished government functions, or (2) commercial-oriented operations may significantly jeopardize QCP's overall credit profile, or (3) there is a significant reduction of the Qingdao government's ownership of QCP, or (4) there is a downgrade in our internal credit assessment on the Qingdao government.

We would consider upgrading QCP's rating if (1) there is an upgrade in our internal credit assessment on the Qingdao government, or (2) there is strengthened support from the Qingdao government, or (3) there is a continuing demonstration of the strengthening of QCP's strategic importance in Qingdao.

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 QCP's ratings are 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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