

Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Haiyang State-owned Capital Operation Group Co., Ltd.'s proposed senior unsecured bonds

HONG KONG, 8 February 2024– 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 Haiyang State-owned Capital Operation Group Co., Ltd. (“HSCOG”; ‘BBB/Stable’).

HSCOG 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 HSCOG’s global scale Long-term Issuer Credit Rating of ‘BBB’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of HSCOG. The payment obligations of HSCOG 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 Haiyang City, Yantai City (“Haiyang government”) would provide very strong support to HSCOG if needed, in light of its full ownership of HSCOG, HSCOG’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for infrastructure construction and shantytowns renovation in Haiyang City, Yantai City (“Haiyang”), and the linkage between the Haiyang government and HSCOG, 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 Haiyang government may face significant negative impact on its reputation and financing activities if HSCOG encounters any operational and financial difficulties.

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

Rating Sensitivities

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

We would consider downgrading HSCOG’s rating if (1) there is perceived weakening in support from the Haiyang government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Haiyang

government's ownership of HSCOG, or (3) there is a downgrade in our internal credit assessment on the Haiyang government.

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