

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

HONG KONG, 23 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 Zhangzhou Yuanshan Development Co., Ltd. (“ZZYD”; ‘BBB-/Stable’).

ZZYD 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 ZZYD’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of ZZYD. The payment obligations of ZZYD 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 Zhangzhou Municipal People’s government (“the Zhangzhou government”) would provide moderately strong support to ZZYD if needed. This mainly considers the Management Committee of Zhangzhou Hi-Tech District’s (“ZHTD MC”) (a local office of the Zhangzhou government and the de facto local government of Zhangzhou Hi-Tech District (“ZHTD”)) full ownership of ZZYD, ZZYD’s strategic importance as an important local investment and development company (“LIDC”) responsible for infrastructure construction in ZHTD, which is a national high-tech industrial development zone and one of the four key driver zones of Zhangzhou’s economic development., and the linkage between ZHTD MC and ZZYD, 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 Zhangzhou government may face negative impact on its reputation and financing activities if ZZYD encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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

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