

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Puyang Kaizhou Investment Group Co., Ltd.'s proposed senior unsecured bonds

HONG KONG, 1 March 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 Puyang Kaizhou Investment Group Co., Ltd. (“PKIG”; ‘BBB-/Stable’).

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

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

Rating Sensitivities

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

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

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