

Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Xingyang Urban Development 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 Xingyang Urban Development Investment Group Co., Ltd. (“XUDI”; ‘BBB/Stable’).

XUDI 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 XUDI’s global scale Long-term Issuer Credit Rating of ‘BBB’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of XUDI. The payment obligations of XUDI 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 the People’s Government of Xingyang City’s (“the Xingyang government”) indirect majority ownership of XUDI, XUDI’s strategic importance as the most important LIDC responsible for project development and city operation in Xingyang City (“Xingyang”), Zhengzhou, and the linkage between the local government and XUDI, including appointment of the senior management, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support, hence a high possibility that the local government would provide very strong support to XUDI if needed. In addition, if XUDI encounters any operational and financial difficulties, the local government could potentially face significant negative impact on its reputation and financing activities.

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

Rating Sensitivities

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

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

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