

Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Lunan (Zaozhuang) Economic Development Investment Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 12 April 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 Lunan (Zaozhuang) Economic Development Investment Co., Ltd.’s (“LEDI”; ‘BBB/Stable’) wholly-owned offshore subsidiary, which is unconditionally and irrevocably guaranteed by LEDI.

LEDI 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 LEDI’s global scale Long-term Issuer Credit Rating of ‘BBB’ as they are unconditionally and irrevocably guaranteed by LEDI, and LEDI’s obligations for the Bonds shall at all times at least rank pari passu 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 Zaozhuang City, Shandong Province (“Zaozhuang government”) would provide strong support to LEDI if needed, in light of its full ownership of LEDI, LEDI’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Zaozhuang City, Tai’an City (“Zaozhuang”), and the linkage between the Zaozhuang government and LEDI, 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 Zaozhuang government may face significant negative impact on its reputation and financing activities if LEDI encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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

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