

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

HONG KONG, 23 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 Shandong Yimeng Industrial Group Co., Ltd. (“SYIG”; ‘BBB’/Stable)’s indirect wholly-owned subsidiary, Yisheng (BVI) International Co., Ltd, which is unconditionally and irrevocably guaranteed by SYIG.

SYIG intends to use the net proceeds from this offering for project construction, trade procurement and supplement of working capital.

Key Rating Rationales

The Bonds are rated at the same level as SYIG’s global scale Long-term Issuer Credit Rating of ‘BBB’ as they are unconditionally and irrevocably guaranteed by SYIG, and SYIG’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 Linyi City (“Linyi government”) would provide moderately strong support to SYIG if needed, in light of its full ownership of SYIG through the Management Committee of Yihe New District (“Yihe ND MC”), the de facto local government of Yihe New District (“Yihe ND”), SYIG’s strategic importance as the important local investment and development company (“LIDC”) that is responsible for infrastructure construction, state-owned asset operation and industry development and investment in Yihe ND, and the linkage between the Yihe ND MC and SYIG, including appointment of the senior management, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the Linyi government may face negative impact on its reputation and financing activities if SYIG encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

ownership of SYIG, or (3) there is a downgrade in our internal credit assessment on the Linyi government.

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