

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

HONG KONG, 8 May 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 Yantai Zhengyuan Investment Holding Group Co., Ltd. (“YZIHG”; ‘BBB’/Stable)’s indirect wholly-owned subsidiary, Zheng Yuan International Development (BVI) Co., Limited, which is unconditionally and irrevocably guaranteed by YZIHG.

YZIHG 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 YZIHG’s global scale Long-term Issuer Credit Rating of ‘BBB’ as they are unconditionally and irrevocably guaranteed by YZIHG, and YZIHG’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 Laishan District (“Laishan government”) would provide very strong support to YZIHG if needed, in light of its full ownership of YZIHG, YZIHG’s strategic importance as the most important local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Laishan, and the linkage between the Laishan government and YZIHG, 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 Laishan government may face significant negative impact on its reputation and financing activities if YZIHG encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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

We would consider upgrading YZIHG's rating if there is an upgrade in our internal credit assessment on the Laishan 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 YZIHG'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.

Contact Information

Primary Analyst
Karis Fan, CESGA
Analyst
(852) 3462 9579
karis.fan@lhratingsglobal.com

Secondary Analyst
Toni Ho, CFA, FRM
Senior Director
(852) 3462 9578
toni.ho@lhratingsglobal.com

Committee Chairperson
Roy Luo, FRM, CESGA
Director
(852) 3462 9582
roy.luo@lhratingsglobal.com

Business Development Contact
Joyce Chi, CESGA
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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