

Lianhe Global has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Fujian Zhanglong Group Co., Ltd. to ‘A-’ from ‘BBB+’; Issuer Rating Outlook Stable

HONG KONG, 14 June 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Fujian Zhanglong Group Co., Ltd. (“Zhanglong Group”) to ‘A-’ from ‘BBB+’. The Outlook is Stable.

Lianhe Global has also upgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by Zhanglong Group to ‘A-’ from ‘BBB+’ at the same time. A full list of upgraded issuance rating is included in this report.

Key Rating Rationales

The Issuer Credit Rating upgrade reflects the company’s increasing strategic importance in Zhangzhou, as the company is participating in the development of Dongshan county (“Dongshan”) and deepening its roles in the industrial park development under the guidance of the Zhangzhou Municipal People’s Government (“Zhangzhou government”). It is aligned with the development plans of the Zhangzhou government and strengthened Zhanglong Group’s role as the major entity responsible for regional industrial development in Zhangzhou.

We believe this presents a high possibility that the Zhangzhou Municipal People’s Government (“Zhangzhou government”) would provide very strong support to Zhanglong Group if needed, in light of its 90% ownership of Zhanglong Group, Zhanglong Group’s strategic position as an important state-owned asset operation and development entity of Zhangzhou and the strong linkage between the Zhangzhou government and Zhanglong Group, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Zhangzhou government may face significant negative impact on its reputation, business and financing activities should Zhanglong Group encounter any operational or financial difficulties.

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

Rating Sensitivities

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

We would consider upgrading Zhanglong Group's rating if there is an upgrade in our internal credit assessment on the Zhangzhou government.

Any rating action on Zhanglong Group's rating would result in a similar rating action on its USD bonds.

Full List of Issuance Ratings

- USD500 million 6.7% senior unsecured bonds due 2026 upgraded to 'A-' from 'BBB+'

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 Zhanglong Group'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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