

Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Hubei Sanjiang Industrial Investment Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 5 July 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 Hubei Sanjiang Industrial Investment Co., Ltd. (“HSII”; ‘BBB/Stable’).

HSII 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 HSII’s global scale Long-term Issuer Credit Rating of ‘BBB’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of HSII. The payment obligations of HSII 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 reflects a high possibility that the People’s Government of Yidu (“the Yidu government”) would provide strong support to HSII if needed, in light of its indirect majority ownership of HSII, HSII’s strategic importance as an important local investment and development company responsible for project construction and industrial operation in Hubei’s Yidu, and the linkage between the Yidu government and HSII, including appointment of the senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the Yidu government may face significant negative impact on its reputation and financing activities if HSII encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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