

Lianhe Global has assigned ‘A+’ global scale Long-term Issuance Credit Rating to Zhuhai Huafa Group Co., Ltd.’s proposed RMB Senior Guaranteed Perpetual Capital Securities

HONG KONG, 22 July 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A+’ global scale Long-term Issuance Credit Rating to the RMB Senior Guaranteed Perpetual Capital Securities (“Perpetual Securities”) to be issued by Huafa 2024 I Company Limited (“Huafa 2024 I”), a wholly-owned subsidiary of Zhuhai Huafa Group Co., Ltd. (“ZHG”; ‘A+’/Stable).

The Perpetual Securities constitute Huafa 2024 I’s direct, unconditional, unsubordinated and unsecured obligations which shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Perpetual Securities are unconditionally and irrevocably guaranteed by ZHG.

ZHG intends to use the net proceeds from this offering for refinancing existing offshore indebtedness.

Key Rating Rationales

The Perpetual Securities are rated at the same level as ZHG’s global scale Long-term Issuer Credit Rating (“LTICR”) of ‘A+’ as they are unconditionally and irrevocably guaranteed by ZHG, and ZHG’s obligations for the Perpetual Securities shall at all times rank at least pari passu with all its other present and future unsecured and unsubordinated obligations.

We do not apply downward notching from ZHG’s LTICR for the Perpetual Securities’ rating as we consider the Perpetual Securities are highly similar to its other senior obligations with the call date being the effective maturity date. We believe that ZHG will exercise its redemption right given the substantial coupon step-up after the call date. In addition, ZHG will be unlikely to defer any coupon payments to avoid the damage of its reputation and potential negative reaction from the capital market. ZHG has promptly met its payment obligations on existing similar securities.

ZHG’s LTICR reflects a high possibility that the People’s Government of Guangdong Province (“Guangdong government”) and the People’s Government of Zhuhai City, Guangdong Province (“Zhuhai government”) would provide strong support to ZHG if needed, in light of their ownership of ZHG, ZHG’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for urban construction and operation, industrial and finance development, and state-owned asset management in Zhuhai City, Guangdong Province (“Zhuhai”), and the linkage between the government and ZHG, including supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Guangdong and

Zhuhai government may face significant negative impact on its reputation and financing activities if ZHG encounters any operational and financial difficulties.

The Stable Outlook on ZHG's rating reflects our expectation that ZHG's strategic importance would remain intact while the Guangdong and Zhuhai government will continue to ensure ZHG's stable operation.

Rating Sensitivities

Any rating action on ZHG's rating would result in a similar rating action on the Perpetual Securities.

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

We would also consider downgrading the issuance rating of the Perpetual Securities if there is perceived increasing possibility of coupon/principal deferrals.

We would consider upgrading ZHG's rating if (1) there is strengthened support from the government, or (2) there is an upgrade in our internal credit assessment on the Guangdong 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 methodologies used in this ZHG's rating are Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022 and Hybrid Instruments: Equity Credit and Notching Criteria published on 21 June 2024, 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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