

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to Xiao County Construction Investment Group Co., Ltd.’s CNY bonds

HONG KONG, 1 August 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to the CNY485 million, 7.8% senior unsecured CNY bonds due 2027 (“the Bonds”) issued by Xiao County Construction Investment Group Co., Ltd. (“XCCIG”; ‘BBB-/Stable’).

XCCIG intends to use the net proceeds from this offering for project construction and replenishing working capital.

Key Rating Rationales

The Bonds are rated at the same level as XCCIG’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of XCCIG. The payment obligations of XCCIG 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 Xiao County, Suzhou City (“Xiao County government”) would provide very strong support to XCCIG if needed, in light of its direct full ownership of XCCIG, XCCIG’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for comprehensive urban operation, project construction, area development and state-owned asset management in Xiao County, Suzhou City (“Xiao County”), and the linkage between the Xiao County government and XCCIG, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Xiao County government may face significant negative impact on its reputation and financing activities if XCCIG encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

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

We would consider upgrading XCCIG's rating if there is an upgrade in our internal credit assessment on the Xiao County 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 XCCIG'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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