

Lianhe Global has assigned ‘BBB’ global scale Long-term Issuance Credit Rating to Yancheng Dafeng District Xiecheng Industrial Development Co., Ltd.’s proposed senior unsecured bonds

HONG KONG, 3 December 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 Yancheng Dafeng District Xiecheng Industrial Development Co., Ltd. (“YDXID”; ‘BBB/Stable’).

YDXID 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 YDXID’s global scale Long-term Issuer Credit Rating of ‘BBB’ as the Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of YDXID. The payment obligations of YDXID 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 Yancheng City would provide strong support to YDXID (via the People’s Government of Dafeng District of Yancheng City (“the Dafeng government”)) if needed, in light of the Dafeng government’s indirect 100% ownership, YDXID’s strategic importance as an important local investment and development company responsible for urban development and operation in the Dafeng District of Jiangsu’s Yancheng City and the linkage between the local government and YDXID, including appointment of the senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if YDXID encounters any operational and financial difficulties.

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

Rating Sensitivities

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

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

We would consider upgrading YDXID's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the local 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 YDXID's rating is Lianhe Global's *China Local Investment and Development Companies Criteria* published on 31 July 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. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

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