

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to China Hongqiao Group Limited’s convertible USD bonds

HONG KONG, 14 May 2025 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to the USD300 million, 1.5% senior unsecured convertible bonds due 2030 (“the Bonds”) issued by China Hongqiao Group Limited (1378.HK) (“China Hongqiao”; ‘BBB-/Stable’).

China Hongqiao intends to use the net proceeds from this offering for refinancing of existing indebtedness and general corporate purposes.

Key Rating Rationales

The Bonds are treated as debt with 0% equity credit and are rated at the same level as China Hongqiao’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as we considered that the optional conversion of the Bonds has neutral impact on its equity credit assessment. The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of China Hongqiao, and have no additional equity-like features. The payment obligations of China Hongqiao 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 China Hongqiao’s continued improvement in profitability and operating performance, improving financial performance and matrix supported by the prevailing high aluminum prices, along with its established leading market position and cost advantage backed by its vertically integrated production platform and economy of scale. However, China Hongqiao’s rating is constrained by the cyclical nature of the aluminum industry and its regulation and concentration risks.

The Stable Outlook on China Hongqiao’s rating reflects our expectation that China Hongqiao will maintain its operating performance and operating efficiency, which enables the company to mitigate the cyclical nature of the industry. Moreover, the production capacity migration will further enhance the company’s competitive advantage.

Rating Sensitivities

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

We would consider downgrading China Hongqiao’s rating if (1) it were to increase its financial leverage as measured by its EBITDA interest coverage consistently below 5.0x or debt over EBITDA leverage consistently above 3.5x, or (2) it suffers a significant deterioration in

operating performance in terms of revenue, margin or cash flow generation, or its liquidity is materially worsened.

We would consider upgrading China Hongqiao's rating if (1) it maintains and improves its operating performance, and (2) it migrates its production capacity to Yunnan province smoothly without compromising its operation efficiency, reducing its production and sales volume, and (3) it continues to demonstrate prudent financial management and improves its financial leverage as measured by its EBITDA interest coverage and debt over EBITDA leverage consistently.

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.

Principal Methodology Applied

General Corporate Rating Criteria (published on 31 December 2021)

Hybrid Instruments: Equity Credit and Notching Criteria (published on 12 February 2025)

The methodology 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 rating process aside from providing information requested by Lianhe Global.

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