

Lianhe Global has assigned ‘A-’ Rating to Qingdao City Construction Investment (Group) Limited’s Proposed USD Bonds

HONG KONG, 13 September 2019 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A-’ global scale Long-term Issuance Credit Rating to the senior unsecured USD Bonds (“USD Bonds”) to be issued by Qingdao City Construction Investment (Group) Limited’s (“QCCI”; ‘A-/Stable’) wholly-owned subsidiary Hongkong International (Qingdao) Company Limited (“HKIQD”).

The USD Bonds constitute HKIQD’s unsecured and unsubordinated obligations which shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. QCCI has provided a keepwell deed, a deed of equity interest purchase undertaking and an irrevocable cross-border US dollar standby facility agreement in supporting the USD Bonds.

QCCI intends to use the net proceeds from this offering for refinancing its existing indebtedness and for general corporate purposes.

Key Rating Rationales

The proposed senior unsecured USD Bonds are rated at the same level as QCCI’s global scale Long-term Issuer Credit Rating of ‘A-’ as QCCI shows its strong willingness to support HKIQD in meeting its debt obligations by offering the keepwell deed, the deed of equity interest purchase undertaking and the irrevocable cross-border US dollar standby facility agreement. In addition, a default by HKIQD would have significant negative impact on QCCI’s reputation and future funding capability, which underpin QCCI’s intention to support.

QCCI’s rating reflects a high possibility that Shandong’s Qingdao municipal government would provide strong support to QCCI if needed, in light of the Qingdao government’s full ownership of QCCI, the high strategic importance of QCCI to Qingdao and the strong linkage between the Qingdao government and QCCI including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Qingdao government may face significant negative impact on its reputation and business and financing activities should QCCI encounter any operational or financial difficulties.

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

Rating Sensitivities

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

We would consider downgrading QCCI's rating if (1) there is perceived weakening in support from Shandong's Qingdao government, particularly due to its reduced strategic importance with diminished government functions, or (2) commercial-oriented operations may significantly jeopardise QCCI's overall credit profile, or (3) there is a significant reduction of the Qingdao government's ownership of QCCI, or (4) there is a downgrade in our internal credit assessment on the Qingdao municipal government.

We would consider upgrading QCCI's rating if there is an upgrade in our internal credit assessment on the Qingdao municipal government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, 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 QCCI's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 16 July 2018, 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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