CCXAP assigns A_g+ to Shanghai Lingang Economic Development (Group) Co., Ltd.'s proposed Free Trade Zone CNY and EUR bonds

Hong Kong, 25 October 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a senior unsecured debt rating of A_g+ to the proposed Free Trade Zone CNY and EUR bonds to be issued by Lingang Wings Inc, an indirect wholly-owned subsidiary of Shanghai Lingang Economic Development (Group) Co., Ltd. ("Lingang Group" or the "Company") (A_g+/stable), and unconditionally and irrevocably guaranteed by Lingang Group.

The bonds will constitute direct, general, unsubordinated, unconditional and unsecured obligations of Lingang Group, which shall at all times rank pari passu with all the Company's other present and future unsecured obligations. The net proceeds of the bonds will be used in accordance with Lingang Group's Green Finance Framework and as approved by the NDRC. The bonds are issued within the China (Shanghai) Pilot Free Trade Zone.

Corporate Profile

Lingang Group is a large state-owned enterprise that focuses on the development of industrial parks, support services and industrial investment. The Company aims to be the promoter of sci-tech innovation and industrial development as well as the driver of regional transformation and urban renewal in Shanghai City. After more than 30 years of development, Lingang Group owns three major brands, namely "Lingang", "Caohejing" and "Innovation Galaxy". It is a major construction entity in the Lingang Special Area of China (Shanghai) Pilot Free Trade Zone ("Lingang Special Area") and a new force in the transformation and development of key areas in Shanghai City including the Caohejing Hi-Tech Park. The Company helps attract investments and provides different kinds of buildings such as factories, office buildings, storehouse, affordable rental housing and R&D centers in industrial parks. It is also responsible for the construction of public infrastructure projects in the Lingang Special Area.

Lingang Group is ultimately owned and controlled by the Shanghai Municipal Government, with direct ownership of 75.72% from the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") and indirect ownership of 24.28% through other large state-owned enterprises under Shanghai SASAC or State-Owned Assets Supervision and Administration Commission of Shanghai Pudong New Area Municipal Government.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to Lingang Group's long-term credit rating. We believe that the government support will flow through Lingang Group given its important position in the development and operation of industrial parks in Shanghai City, thereby mitigating any differences in expected loss that could result from structural subordination.

The A_g+ long-term credit rating of Lingang Group reflects Shanghai Municipal Government's excellent capacity and high willingness to provide support based on our assessment of the

Company’s characteristics. Our assessment of Shanghai Municipal Government’s capacity to provide support reflects Shanghai City’s status as the largest direct-administered municipality by GRP among the four municipalities in China. It also has a strong economic and fiscal foundation, with a good debt profile.

The willingness of support is underpinned by the Company’s (1) full ownership and direct management by the Shanghai Municipal Government; (2) strategic importance in the development of Shanghai City’s industrial parks; (3) solid government support through ongoing capital injection and subsidies; and (4) good access to low-cost and stable fundings. However, it is constrained by the Company’s (1) large exposure to industrial property development, which is typically subject to the volatilities of regional industrial investments; and (2) fast expansion on scale that exerts debt management pressure.

Rating Outlook

The stable outlook on Lingang Group’s rating reflects our expectation that the Shanghai Municipal Government’s capacity to provide support will be stable given its strong economic fundamentals; and the Company’s characteristics such as its primary role in developing and operating industrial parks will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Shanghai Municipal Government’s capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government’s willingness to support such as increasing strategical importance, increasing public-related project reserves, materially reducing exposure to commercial business.

What could downgrade the rating?

The rating could be downgraded if (1) Shanghai Municipal Government’s capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government’s willingness to support, such as decreasing strategical importance, reducing access to funding, or materially increasing contingent liability risk.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China’s Local Infrastructure Investment and Financing Companies (July 2022).

Regulatory Disclosures

CCXAP’s Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

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