MOODY'S
INVESTORS SERVICE

Announcement: Moody's continues to review China National Bluestar's ratings for downgrade

Global Credit Research - 04 May 2016

Hong Kong, May 04, 2016 -- Moody's Investors Service has continued the review for downgrade of China National Bluestar (Group) Co., Ltd.'s (Bluestar) Baa2 issuer rating.

The following ratings are also under review for downgrade:

• Baa2 senior unsecured rating for the USD500 million bonds due 2018, and USD500 million bonds due 2020, issued by Bluestar Finance Holdings Limited and guaranteed by Bluestar. Both notes are supported by a keepwell deed and a deed of purchase undertaking by Bluestar's parent, China National Chemical Corporation (ChemChina, unrated).

• (P)Baa2 rating on the USD500 million senior perpetual securities issued by Bluestar Finance Holdings Limited and guaranteed by Bluestar. The provisional status of the rating reflects the pending registration of guarantee with China's State Administration of Foreign Exchange and National Development and Reform Commission.

RATINGS RATIONALE

"Our continued review of Bluestar's rating and the ratings on the bonds and perpetual securities guaranteed by Bluestar, reflects our concern over the potential deterioration in ChemChina's financial profile, following its planned acquisition of Syngenta," says Gerwin Ho, a Moody's Vice President and Senior Analyst.

"The parent's financial profile could in turn pressure Bluestar's Baa2 issuer rating, given the close linkage of the two companies' credit profiles," adds Ho, who is also the International Lead Analyst for Bluestar.

Moody's points out that Bluestar's Baa2 rating incorporates a three-notch uplift for parental support, based on Moody's assessment of a high likelihood of extraordinary support from ChemChina to Bluestar, in times of need.

Moody's initiated the ratings review on 4 February 2016, after ChemChina announced that it had agreed to acquire Syngenta. The intended offer values Syngenta's total outstanding share capital at USD43 billion.

The acquisition, if materially funded by debt, will increase ChemChina's debt leverage and negatively affect its ability to support Bluestar when needed. Please refer to Moody's press release on 4 February 2016.

The acquisition is pending anti-trust reviews and approvals from the relevant authorities in various jurisdictions. In addition, ChemChina is still finalizing the funding structure, including the potential involvement of equity partners to lower its funding requirement. Moody's expects to conclude the ratings review when all these issues have concluded.

Moody's notes that Bluestar reported an improved financial performance in 2015. Bluestar has accelerated its business restructuring by closing its loss-making operations and growing profitable operations, including its animal nutrition business. As a result, its EBITDA margin improved to about 20% in 2015 from about 13% in 2014, and its adjusted debt/EBITDA fell to 5.5x versus 7.1x over the same period.

However, Bluestar's improved performance is unlikely to offset the potential negative impact from ChemChina's proposed acquisition of Syngenta.

During the ratings review, Moody's will focus on: (1) the progress of the Syngenta acquisition, including the financing structure, integration issues and regulatory approvals; (2) any changes in ChemChina's and Bluestar's business strategy and financial policy; and (3) the likelihood and extent of government support to ChemChina, and the consequent impact on parental support for Bluestar; as well as (4) Bluestar's fundamental credit profile.

The principal methodology used in these ratings was Global Chemical Industry Rating Methodology published in December 2013. Other methodologies used include the Government-Related Issuers methodology published in October 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

China National Bluestar (Group) Co., Ltd. produces a wide range of chemical products, including silicon upstream and downstream products, methionine, water treatment solutions, polyethylene and petrochemical products.

The company is effectively 63.6%-owned by China National Chemical Corporation, which constitutes in turn the largest chemical company in China and is 100% owned by China's State-owned Assets Supervision and Administration Commission.

Syngenta AG is engaged in the manufacture, development, and distribution of crop protection products and seeds. In 2015, the company reported sales of USD13.4 billion and EBITDA of USD2.8 billion.

The Local Market analyst for these ratings is Jiming Zou, +86 (21) 2057 4018.

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