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Fitch Places Bluestar on Rating Watch Positive on Parent's Syngenta Bid

Fitch Ratings-Hong Kong/Shanghai-04 February 2016: Fitch Ratings has placed China National Bluestar (Group) Co, Ltd's (Bluestar) Long-Term Issuer Default Rating (IDR) and senior unsecured rating of 'BBB+' on Rating Watch Positive (RWP). Fitch has also placed on RWP the 'BBB+' ratings for the USD500m 3.5% senior notes due 2018 and the USD500m 4.375% senior notes due 2020 issued by Bluestar Finance Holdings Limited. Bluestar Finance Holdings Limited is a wholly owned subsidiary of Bluestar, and the notes are guaranteed by Bluestar.

Fitch's action follows the 3 February 2016 announcement that Bluestar's parent, China National Chemical Corporation (ChemChina), has offered to buy Swiss seeds and pesticides group Syngenta AG (Syngenta) for USD43bn. The transaction is subject to several conditions, including shareholder approval and regulatory clearance in various countries

KEY RATING DRIVERS

Enhanced Strategic Importance: The acquisition of Syngenta raises ChemChina's overall strategic importance to the Chinese agriculture and food industry, as Syngenta is the world's third-largest seed company and one of the four dominant producers of genetically modified seeds. Enhancing agricultural yields is of high importance, as the country has more than 20% of the world's population with less than 10% of the planet's arable land. In addition, Chinese agricultural yields are more than 40% lower than those of most Western countries.

If the acquisition is completed, the Group's agriculture department will become significantly bigger, accounting for close to 40% and 35% of the Group's pro-forma total assets and revenue, respectively, compared with around 17% and 13% in 2014 after considering Pirelli & C. S.p.A.'s consolidation.

Parental Linkage Drives Ratings: Bluestar's ratings remain linked to the credit profile of parent ChemChina, which effectively holds a 63.58% stake. Bluestar consistently receives guarantees from ChemChina for a significant portion of its loans. As of end-September 2015, 65% of Bluestar's loans were quaranteed by ChemChina.

KEY ASSUMPTIONS

Fitch's key assumptions within our rating case for the issuer include: - ChemChina will complete its acquisition of Syngenta.

RATING SENSITIVITIES

Positive: Developments that may, individually or collectively, lead to positive rating action include:

- Completion of the transaction

Negative: Developments that may, individually or collectively, lead to negative rating action include:

- If the transaction is not completed. Fitch would be likely to affirm Bluestar's current ratings with a Stable Outlook

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Additional information is available on www.fitchratings.com.

Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 17 Aug 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm? rpt_id=869362&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzl1NiJ9.eyJleHAiOjE0NTg2NDgwNTYsInNlc3Npb25LZXkiOiJBT1NaU05CM0hPTVIVUU5aRktMVIVESFdBU

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