

Fujian Zhanglong Group Co., Ltd.

Initial Issuer Report

Summary

| | |
|---------------|---------------------------------------|
| Issuer Rating | BBB+ |
| Outlook | Stable |
| Location | China |
| Industry | Local Government Financing Vehicle |
| Date | 13 July 2022 |

Key Figures of Zhangzhou and Zhanglong Group

| (RMB billion) | 2020 | 2021 |
|-----------------------|-------|-------------------|
| Zhangzhou | | |
| GDP | 454.6 | 502.5 |
| GDP growth rate (%) | -3.9 | 7.7 |
| Budgetary revenue | 21.9 | 24.6 |
| Government fund | 23.4 | 22.1 |
| Transfer payment | 20.4 | 20.4 ¹ |
| Budgetary expenditure | 44.5 | 42.2 |
| Zhanglong Group | | |
| Assets | 58.8 | 64.4 |
| Equity | 18.8 | 20.0 |
| Revenue | 12.7 | 29.4 |

¹ Transfer payment in 2021 is estimated given the lack of such information

Source: Zhangzhou Finance Bureau and Lianhe Global's calculations

Analysts

Ben Yau
+852 3462 9586
ben.yau@lhratingsglobal.com

Alex Kung
+852 3462 9577
alex.kung@lhratingsglobal.com

Applicable Criteria

[China Local Government Financing Vehicle Criteria \(31 December 2021\)](#)

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Fujian Zhanglong Group Co., Ltd.

Summary

The Issuer Credit Rating reflects a high possibility that the Zhangzhou Municipal People’s Government (“Zhangzhou government”) would provide strong support to Fujian Zhanglong Group Co., Ltd (“Zhanglong Group” or “the company”) if needed, in light of its 90% ownership of Zhanglong Group, Zhanglong Group’s strategic position as an important state-owned assets operation and development entity of Zhangzhou and the strong linkage between the Zhangzhou government and Zhanglong Group, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Zhangzhou government may face significant negative impact on its reputation, business and financing activities should Zhanglong Group encounter any operational or financial difficulties.

The Stable Outlook reflects our expectation that Zhanglong Group’s strategic importance would remain intact while the Zhangzhou government will continue to ensure Zhanglong Group’s stable operation.

Rating Rationale

Zhangzhou Government’s Ownership and Strong Supervision: The Zhangzhou government has 90% ownership of Zhanglong Group via the State-owned Assets Supervision and Administration Commission of the Zhangzhou government (“Zhangzhou SASAC”). The other 10% stake is held by Fujian Provincial Department of Finance. The Zhangzhou government also has strong control and supervision over Zhanglong Group, including control of the board of directors, senior management appointments, major strategic, investment and financing planning.

Strategic Importance and Strategic Alignment: Zhanglong Group is an important stated-owned entity that is mainly responsible for regional industrial development, infrastructure construction and operation of Zhangzhou, to support the local economic and industrial development, as well as urban infrastructure construction and development. Zhanglong Group’s water business has franchise advantage, in which it supplies water to more than 90% of the urban area of Zhangzhou. Zhanglong Group plans to expand the operating scale of water business and sustain the development of supply chain business. Additionally, Zhanglong Group has set up an urban development fund to promote the upgrading of urban infrastructure and improve the comprehensive financing capacity of Zhangzhou’s state-owned enterprises.

Ongoing Government Support: Zhanglong Group has received supports from the Zhangzhou government for its business operation, mainly including asset injections, government subsidies, financial support, and it also benefits from preferential tax and/or tax exemption policies in encouraged industrial and/or utilities business. Zhanglong Group had received total government support in the form of asset injections of approximately RMB4 billion between 2019 and end-March 2022, mainly including equity of farms, stocks of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd (600436.SH) and other quality



assets. Zhanglong Group has received financial subsidies from the local government mainly for supporting projects related to public infrastructure or special projects. We believe Zhanglong Group is likely going to receive timely government support in the form of operational and/or financial subsidies.

Moderately Weak Financials and Debt Burden: Zhanglong Group's financial leverage as measured by total liabilities/total assets has been at a relatively high level at c. 66%-69% in the past three years. We expect its financial leverage to remain below 70% considering the government's supervision. At end-March 2022, Zhanglong Group had unrestricted cash of approximately RMB3.4 billion, and yet the total debt of the company was approximately RMB37.3 billion, of which short-term debt accounted for the majority of c. RMB23.0 billion. Having said that, Zhanglong Group has wide access to financing channels and established relationships with banks, with available credit line of c. RMB19.1 billion at end-March 2022, and part of short-term debt can be issued on a rolling basis.

Moderate Economic and Fiscal Conditions of Zhangzhou: As a seaside city, Zhangzhou provides a network of roadways to access seaports for the central regions and benefits from the development of the West Coast Economic Zone. Zhangzhou's GDP reached RMB502.5 billion, representing a year-over-year growth rate of 7.7%, in 2021. The economic growth was mainly fueled from the secondary and tertiary industries.

Zhangzhou's aggregate fiscal revenues were mainly derived from budgetary revenue. The tax revenue accounted for approximately 65%-70% of its budgetary revenue in the past three years. Zhangzhou's fiscal deficit has been at a relatively high level. The fiscal self-sufficiency rate of Zhangzhou was relatively low, leading it to continue to receive subsidies from higher government authorities.

Rating Sensitivities

We would consider downgrading Zhanglong Group's rating if (1) there is a perceived weakening in support from the Zhangzhou government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Zhangzhou government's ownership of Zhanglong Group, or (3) there is a downgrade in our internal credit assessment on the Zhangzhou government.

We would consider upgrading Zhanglong Group's rating if (1) there is strengthened support from the Zhangzhou government, or (2) there is an upgrade in our internal credit assessment on the Zhangzhou government.

Operating Environment

Moderate Economic of Zhangzhou

Zhangzhou is a prefecture-level city in southern Fujian Province bordering Guangdong Province. Zhangzhou enjoys geographical advantages from the development of the West Coast Economic Zone [海峡西岸经济区], which is an economic development zone located in west of the Taiwan Straits. As one of the important road networks in Fujian, Zhangzhou plays a strategic role in the development of the West Coast Economic Zone that providing access to the seaports for central regions and strengthening economic cooperation between Central China, East and West China. Zhangzhou has jurisdiction over 4 districts and 7 county-level cities with a total land area of c.12,600 square kilometers, and a residential population of c. 5 million with an urbanization rate of c. 63% in 2021.

The GDP of Zhangzhou reached approximately RMB502.5 billion, representing a year-over-year growth rate of 7.7% in 2021, which was ranked 4th in terms of GDP in Fujian



Province (with a total of 9 cities in the province). The economic growth was mainly fueled by the secondary and tertiary industries, of which the secondary industry accounted for the largest of 49% and the tertiary industry accounted for 40.5% of its GDP in 2021. The GDP per capita of Zhangzhou was c. RMB99,000 and disposable income per capita was c. RMB34,000 in 2021, representing a year-over-year growth of 7.5% and 9.3%, respectively.

Zhangzhou's GDP and Fixed Asset Investment

| (RMB billion) | 2019 | 2020 | 2021 |
|--|-------|-------|-------|
| GDP | 474.2 | 454.6 | 502.5 |
| -Primary industry (%) | 10.1 | 11.0 | 10.5 |
| -Secondary industry (%) | 48.9 | 45.2 | 49.0 |
| -Tertiary industry (%) | 41.0 | 43.8 | 40.5 |
| GDP growth rate (%) | 6.5 | -3.9 | 7.7 |
| Fixed asset investment | 371.1 | 267.9 | 203.7 |
| Fixed asset investment growth rate (%) | 0.1 | -27.8 | 8.2 |
| Residential Population (million) | 5.2 | 5.1 | 5.1 |

Source: Bureau of Statistics of Zhangzhou and Lianhe Global's calculation

Moderate Fiscal Conditions of Zhangzhou

Zhangzhou's aggregate fiscal revenues were mainly derived from budgetary revenue. The tax revenue accounted for approximately 65%-70% of its budgetary revenue in the past three years. However, as the main income of the government-managed fund, the land transfer income is vulnerable due to the influence of macro-policy controls, resulting in large fluctuation in the total government-managed fund income. The self-sufficiency rate of Zhangzhou was relatively low. The fiscal deficit remained high in the past three years but slightly decreased in 2021. Zhangzhou continues to receive subsidies from higher government authorities in the past few years. We expect the ongoing economic development to support Zhangzhou's budgetary revenue growth and it will continue to receive subsidies from higher level of governments, while land transfer planning remains a key factor affecting the government-managed fund income.

Zhangzhou's debt ratio (i.e. total government debt divided by aggregate revenue) remains moderately high. At end-2021, Zhangzhou had RMB94.2 billion outstanding debt (compared with its total outstanding debt of RMB82.1 billion at end-2020), including RMB39.8 billion of general obligations and RMB54.4 billion for special projects.

Zhangzhou's Fiscal Conditions

| (RMB billion) | 2019 | 2020 | 2021 |
|--------------------------------------|--------|--------|-------------------|
| Budgetary revenue | 21.9 | 21.9 | 24.6 |
| Budgetary revenue growth rate (%) | 0.3 | -0.4 | 12.6 |
| Tax revenue | 16.0 | 14.3 | 17.6 |
| Tax revenue (% of budgetary revenue) | 73.1 | 65.4 | 71.6 |
| Government fund income | 22.6 | 23.4 | 22.1 |
| Transfer payment | 16.8 | 20.4 | 20.4 ² |
| Aggregate revenue | 62.0 | 66.4 | 68.2 |
| Budgetary expenditure | 44.0 | 44.5 | 42.2 |
| Budget deficit ¹ (%) | -100.7 | -103.7 | -71.2 |

¹ Budget deficit = (1 - budgetary expenditure / budgetary revenue) * 100%

² Transfer payment in 2021 is estimated given the lack of such information

Source: Zhangzhou Finance Bureau and Lianhe Global's calculations

Ownership Structure and Profile

Government's Ownership with Strong Supervision



Zhanglong Group was established in July 2001 with an initial registered capital of RMB100 million under the approval of the Zhangzhou government. Zhanglong Group increased its registered capital to RMB1,205.5 million by way of asset injections from the Zhangzhou government in December 2001. In September 2006, under the Document [2006] No.10 issued by the Zhangzhou government, Zhanglong Group's shareholder changed to the State-owned Assets Supervision and Administration Commission of the Zhangzhou government ("Zhangzhou SASAC"), and Zhangzhou SASAC became the only shareholder that held 100% shares of Zhanglong Group. According to the Document [2020] No.22 issued by Fujian Provincial Department of Finance, Zhangzhou SASAC transferred its 10% of shareholding to Fujian Provincial Department of Finance in September 2021. At end-March 2022, the paid-in capital of Zhanglong Group was RMB3,828.5 million (which increased by transferring from undistributed profits and capital reverse between 2012 and 2014), and the Zhangzhou government is the controlling shareholder with 90% shares of Zhanglong Group.

Strategic Importance and Government Linkage

The Strategic Importance of Zhanglong Group to Zhangzhou

Zhangzhou government is willing to extend support to Zhanglong Group in view of its strategic important role as an important state-owned entity for regional industrial development, infrastructure construction and operation of Zhangzhou, to support the local economic and industrial development, as well as urban infrastructure construction and development of Zhangzhou. Zhanglong Group's strategic planning and development have been aligned with the local government's economic and social policies, aiming to develop Zhangzhou.

Strong Linkage with Zhangzhou government

Zhanglong Group's linkage with the local government is strong as it is majority owned by the Zhangzhou government through Zhangzhou SASAC. The other 10% stake is held by Fujian Provincial Department of Finance. The Zhangzhou government has strong control and supervision over Zhanglong Group, including control of the board of directors, senior management appointments and major strategic, investing and financing plans.

Ongoing Government Support including Asset Injections, Equity Transfers and Financial Subsidies

Zhanglong Group has received supports from the local government for its business operation, which are not limited to capital injections, government subsidies, allocation of land resources or assets and guidance from the government in its daily management. Zhanglong Group had received total government support in the form of assets injection of approximately RMB4 billion between 2019 and end-March 2022, mainly including equity of farms, stocks of Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd (600436.SH) and other quality assets.

Zhanglong Group has received financial subsidies from the local government mainly for supporting projects related to public infrastructure or special projects. Zhanglong Group also benefits from preferential tax and/or tax exemption policies in encouraged industries and/or utility business. Zhanglong Group received a total of approximately RMB686 million of government subsidies and tax benefits between 2019 and end-March 2022. We believe Zhanglong Group is likely going to receive timely government support in the form of operational and/or financial subsidies.

Business Profile

A Key State-owned Assets Operation and Infrastructure Construction Entity in Zhangzhou

Zhanglong Group is a diversified state-owned entity that engages in infrastructure construction, water supply and sewage treatment, industrial park development in Zhangzhou, Fujian. It also engages in trading business, property sales, expressway operation, modern agriculture, industrial investment and other businesses to facilitate the economic development in Zhangzhou. Zhanglong Group holds large asset scale in the field of infrastructure and transportation construction investment, giving it certain regional dominance. Meanwhile, Zhanglong Group has franchise advantages in water supply business in the urban area of Zhangzhou as it covers more than 90% area in the region. According to the optimization plan of state-owned enterprise structure issued by the Zhangzhou SASAC, Zhanglong Group would be injected with state-owned assets by the government and would continue to be responsible for infrastructure construction in certain regions.

The total revenue of Zhanglong Group was RMB10.0 billion, RMB12.7 billion, RMB29.4 billion and RMB6.5 billion in 2019, 2020, 2021 and the first three months of 2022, respectively. The gross margin has been low at c. 3%-10% in the past three years, mainly caused by the large proportion revenue from the trading business segment with low gross margin. The revenue of trading business reached RMB6.0 billion for the first three months of 2022, accounting for 93.4% in terms of total revenue.

Revenue Breakdown

Total revenue: RMB6.5 billion for the first three months of 2022



Source: Zhanglong Group and Lianhe Global's calculation

Trading Business

Zhanglong Group's trading business is the largest business segment that mainly involves 1) automobile trading, 2) import and export trading and 3) domestic trading. The revenue derived from the trading business amounted to approximately RMB7,801 million, RMB9,817 million, RMB27,217 million and RMB6,038 million, representing approximately 79%, 78%, 93% and 93% of the total revenue in 2019, 2020, 2021 and the first three months of 2022.



Zhanglong Group has obtained provincial and/or regional authorization for 17 domestic and international automobile brands, the authorization period is usually 1 to 3 years. At end-March 2022, it operates 26 automobile 4S stores in total and most of the stores are governed by dealership agreements with corresponding automobile manufacturers. The 4S stores provide comprehensive services to their customers, and the revenue from the automobile trading mainly derives from three components: automobile sales, automobile repair and others (e.g. agency services), while the automobile sales remain dominant in this segment with a proportion of c. 85% in terms of total revenue of the automobile trading. Per management, Zhanglong Group has begun to involve in new energy vehicles, while the scale of the automobile trading will be maintained.

Zhanglong Group is involved in import and export products including food, wood and zircon sand, etc. The customer base is relatively stable but highly concentrated, mainly across to the United Arab Emirates, the United States and Canada, etc. The operating income from this business segment had increased in the past three years. However, the gross margin had decreased to 1.0% in 2021 from 3.4% in 2020, mainly due to the challenging conditions facing the global economies and fluctuations in foreign exchange rates. To avoid the exchange risk, Zhanglong Group uses financial instruments such as forward exchange rate settlement in some of its trading business.

Zhanglong Group primarily trades steel, cement, concrete, steel billet, chemical products, wood, other materials products, as well as floral trading in China. Meanwhile, Zhanglong Group also undertakes the supply of major materials such as steel and cement for the Zhangzhou government's investment projects. The operating income derived from the domestic trading had increased significantly accounting for the biggest contribution of approximately 79% of Zhanglong Group's trading business in 2021.

Water Supply and Sewage Treatment Business

Zhanglong Group supplies water to more than 90% area in the urban region of Zhangzhou and is responsible for sewage in the urban area of Zhangzhou. Zhanglong Group's water business has a franchise right granted by the Zhangzhou government and the water supply price is controlled by the government. The revenue derived from this business segment amounted to c. RMB207 million, RMB249 million, RMB288 million and RMB86 million in 2019, 2020, 2021 and the first three months of 2022, respectively. Although it had a high gross margin of c. 45% in the past three years, it only accounted for c. 1% to 2% of Zhanglong Group's total revenue. Zhanglong Group plans to expand the operating scale of its water business in the future.

Construction Business

The construction business can be divided into three sub-segments: 1) infrastructure construction; 2) garden landscape construction; and 3) water supply facilities construction. The revenue of the construction business was c. RMB991 million, RMB1,719 million, RMB1,109 million and RMB223 million in 2019, 2020, 2021 and the first three months of 2022, respectively.

The infrastructure construction business is generally conducted under the Built-Transfer ("BT") model and the agent construction model. Zhanglong Group undertakes infrastructure construction by signing repurchase agreement or agent construction agreement with the Zhangzhou government or other local government related entities or departments. Zhanglong Group has participated in a number of important infrastructure projects and expressway construction projects such as Gulei Land Reclamation Project, The Five-Centre Construction Projects (including a museum, an art gallery, an exhibition



centre, a library and science museum in Zhangzhou), Zhangzhou War Preparation Bridge, Yingbin Road, Xia-Zhang Sea-Crossing Bridge, Xia-Zhang Expressway and Zhang-Yong Expressway, etc. At end-March 2022, Zhanglong Group has several agent projects under construction such as shanty town reconstruction project in Longwen District, school and resettlement housing projects, etc., with certain capital expenditure commitments in the near future.

Zhanglong Group has rich nursery stock resources and extends to the construction of green landscape projects. It has obtained a number of qualifications and quality management systems for landscape engineering design and urban landscaping. The major completed garden landscape projects include Longwen and Xiangcheng sections of Zhangzhou Country Park and Zhangzhou Linyutang Cultural Park, etc.

The water supply facilities construction involves equipment installation, sales of equipment parts, design and construction of specific projects. It also provides property developers with designs and installation of water pipeline network and drainage systems according to customers' specifications.

Other Businesses

Zhanglong Group also engages in other businesses such as land development, property development and sales, rental income and industrial park development, etc. At end-March 2022, Zhanglong Group had 3 land development projects completed and repurchased, and had 1 project under development, the Yuanshan Project. Meanwhile, Zhanglong Group has 4 property development projects under construction, which are cooperating with other developers. Zhanglong Group will focus on regional development and industrial investment (mainly some new energy and new material industry), while sustaining the development of supply chain operation in the future, and is planning to develop trade logistics business to achieve synergy between its business segments.

Zhanglong Group is the undertaking party and the promotor designated by the government to accelerate the marketization of Zhangzhou's resources in the mode of co-development. Accordingly, Zhanglong Group has set up an urban development Fund of funds ("FOF"), Zhangzhou Urban Development FOF together with China Capital Management, to promote the upgrading of urban infrastructure and improve the comprehensive financing capacity of Zhangzhou's state-owned enterprises. The FOF has 2 sub-funds at end-May 2022, which were set up to support the urban development in Dongshan County and High-tech Zone, respectively.

Zhanglong Group has also co-funded 2 equity investment special funds that in charge of the equity investment and EPC integration in "一药一智" and "站前投资" industrial park with some central enterprises. Both two special funds will be operated by Zhanglong Group's fund subsidiary with a 5% annual management fee. In the future, Zhanglong Group will still be the core subject to undertake the government's urban planning and development projects at the implementation level.

Financial Profile

Balance Sheet Structure and Quality

Balance Sheet Structure and Quality

| (RMB million) | 2019 | 2020 | 2021 | End-Mar 2022 | End-Mar 2022* |
|---------------|--------|--------|--------|--------------|---------------|
| Total Assets | 48,803 | 58,760 | 64,394 | 67,193 | 67,193 |
| Equity | 16,427 | 18,820 | 20,000 | 20,399 | 16,599 |

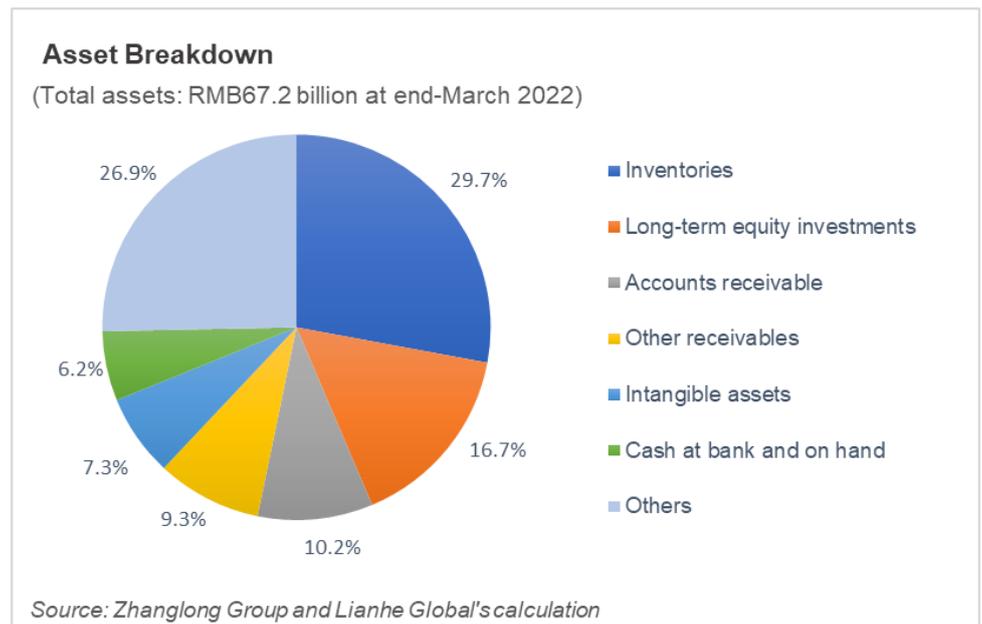


| | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|
| Debt | 26,824 | 33,309 | 37,388 | 34,219 | 38,019 |
| Debt / (Debt + Equity) (%) | 62.0 | 63.9 | 65.2 | 62.7 | 69.6 |
| LT Debt | 12,533 | 12,387 | 11,116 | 11,387 | 15,187 |
| LT Debt/(LT Debt + Equity) (%) | 43.3 | 39.7 | 35.7 | 35.8 | 47.8 |

Note: * Adjusted numbers and ratios reflect the perpetual debts reallocating to long-term debts and total debts from equity

Source: Zhanglong Group's financial reports and Lianhe Global's calculations

Zhanglong Group's total assets showed a continuous growth trend in the past few years, with growth rates of 20.4%, 9.6% and 4.4% at end- 2020 and 2021 and March 2022, respectively. The asset increase was mainly due to the increase in account receivables and advances to suppliers. The asset structure was stable, with inventories, long-term equity investments and account receivables accounting for c. 57% of the total assets at end-March 2022. The inventories reached RMB19.9 billion at end-March 2022, of which c. 65% was development cost of some infrastructure-related projects such as land development, transportation construction and other urban infrastructure projects. The long-term equity investment balance was RMB11.2 billion at end-March 2022, mainly including investment in construction projects such as government led urban development fund and expressways. The account receivables reached RMB6.9 billion at end-March 2022, of which c. 50% was generated from agent construction projects for Administration Committee of Zhangzhou High-tech Zone.



Zhanglong Group's financial leverage (total liabilities to assets) has been stable but at a relatively high around c. 66% to 69% since 2019. We expect Zhanglong Group's financial leverage would remain at this level considering the government's supervision. Compared with the figures at end-2020, Zhanglong Group's total liabilities increased by 17.2% to RMB46.8 billion at end-March 2022, while its total equities increased by 8.4% to RMB20.4 billion at end-March 2022 with unchanged equity structure. The total debt of the company was approximately RMB37.3 billion, of which short-term debt accounting for the majority of c. RMB23.0 billion (part of the short-term debt can be issued on a rolling basis). Debt over capitalization ratio was 62.7% at end-March 2022. Zhanglong Group mainly relies on external financing to support its capital expenditure. Most of Zhanglong Group's borrowings are used to cover the capital expenditure in its infrastructure-related projects.



Zhanglong Group's contingent liability is manageable. Zhanglong Group provides none external guarantees to third parties. Zhanglong Group's restricted assets were c. RMB0.8 billion (mainly including restricted cash and fixed assets), accounting for 1.1% of its total assets at end-March 2022.

Cash Flow

| Cash Flow (RMB million) | 2019 | 2020 | 2021 | 3M2022 |
|--|-------------|---------------|---------------|---------------|
| Cash Inflows from Operation | 15,403 | 15,702 | 33,689 | 10,001 |
| Cash Outflows from Operation | 15,256 | 19,218 | 35,109 | 9,567 |
| Net CF from Operation | 148 | -3,516 | -1,420 | 434 |
| Cash Inflows from Investment | 2,225 | 638 | 593 | 18 |
| Cash Outflows from Investment | 3,027 | 2,515 | 1,248 | 1,173 |
| Net CF from Investment | -803 | -1,877 | -655 | -1,155 |
| Cash Inflows from Financing | 20,714 | 25,095 | 29,671 | 11,381 |
| Capital Contribution | 579 | 60 | 57 | 2 |
| Borrowings | 7,067 | 13,864 | 13,973 | 5,562 |
| Others | 13,068 | 11,171 | 15,641 | 5,817 |
| Cash Outflows from Financing | 20,517 | 20,062 | 28,416 | 8,959 |
| Net CF from Financing | 197 | 5,033 | 1,256 | 2,422 |
| Net Increase in Cash and cash equivalent | -405 | -388 | -841 | 1,643 |

Source: Zhanglong Group's financial reports

Debt Servicing Capability

Debt Maturity Profile at end-March 2022

| (RMB million) | Amount | Percentage |
|----------------------|---------------|-------------------|
| 2022 Q2-Q4 | 22,959 | 61.6% |
| 2023 | 12,028 | 32.3% |
| 2024 | 1,407 | 3.8% |
| 2025 | 80 | 0.2% |
| 2026 and thereafter | 798 | 2.1% |
| Total | 37,272 | 100.0% |

Source: Zhanglong Group

At end-March 2022, Zhanglong Group had unrestricted cash of c. RMB3.4 billion and a total credit line of RMB33.8 billion, of which approximately RMB19.1 billion was available, compared with its debt to be due within one year of c. RMB23.0 billion. Zhanglong Group has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels such as finance lease. Bank loans, corporate bonds and other financing channels (mainly commercial papers and finance leases) accounted for c. 42%, 41% and 17% of Zhanglong Group's total debt, respectively.

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrade or downgrade or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by credit committee vesting processes. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstance shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fee in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entity nor its related party participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relies on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or parts, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2022.