

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Jinniu Guotou Urban Operation and Management Co., Ltd.

HONG KONG, 29 November 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Chengdu Jinniu Guotou Urban Operation and Management Co., Ltd. (“JGUO” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jinniu District (“Jinniu government”) would provide moderately strong support to JGUO if needed, in light of its indirect wholly ownership of JGUO, the strategic importance of JGUO to Jinniu District (“Jinniu”) in infrastructure construction, as well as industrial investment and state-owned assets operation, and the linkage between the Jinniu government and JGUO, including supervision over JGUO through its shareholder, strategic alignment and ongoing operational and financial support. In addition, the Jinniu government may face negative impact on its reputation, business and financing activities if JGUO encounters any operational and financial difficulties.

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

Key Rating Rationales

Full Government’s Ownership: The Jinniu government has 100% indirect ownership of JGUO through Chengdu Jinniu State-owned Assets Investment Operation Group Co., Ltd. (“JSAI”), which is fully owned by the State-owned Assets Supervision, Administration and Finance Bureau of Jinniu (“Jinniu SASAFB”).

Strategic Importance to Jinniu and Strategic Alignment: JGUO is one of the important state-owned entities responsible for infrastructure construction, industrial investment and state-owned assets operation in Jinniu. The company undertakes some important infrastructure construction projects in the region, and investment under the government’s plan in cultural tourism, cross-border electricity, intelligent parking, supply chain finance and industry such as digital economy under the coordination of the Jinniu government. With the developed engineering construction business set up in 2021, JGUO’s business operations and development have been further aligned with the government’s urban development plan.

Ongoing Government Support: JGUO has received supports from JSAI and the Jinniu government, including capital and assets injection, operational subsidies and projects transfer, etc. At end-June 2022, the paid-in capital increased to RMB1 billion from the initial of RMB0.5 million, mainly through the capital injection from JSAI. Apart from the capital injection, JGUO

also increased its capital surplus by obtaining state-owned assets and projects transfers under the local government's approval or announcement. In addition, JGUO received financial subsidies of RMB70 million from the local government to support its business operation during the past two years.

JGUO's Financial Matrix and Liquidity Position: JGUO's total assets showed a significant growth trend in the past three years to RMB15.2 billion at end-June 2022, mainly due to the capital and assets injection from JSAI and the Jinniu government. JGUO's financial leverage (total liabilities to assets) experienced a sharp decline to 11.7% at end-2021 from 100% at end-2019. This leverage ratio increased to 32.6% at end-June 2022, mainly because of the increase in long-term borrowings. JGUO's total debt increased to approximately RMB4.75 billion at end-June 2022 from RMB980 million at end-2021, of which the short-term debt accounted for 10.9% of the total debt at end-June 2022. JGUO had a cash balance of c. RMB1.08 billion and unused credit facilities of RMB1.14 billion at the same time, indicating a sufficient liquidity but limited financing channel.

Economy and Fiscal Strength of Jinniu: Jinniu belongs to Chengdu, Sichuan Province, located in the north of the central city of Chengdu. Jinniu's economic maintained stable growth and its GDP reached RMB147.3 billion, representing a year-over-year growth rate of 7.2% in 2021. Jinniu's economic growth was entirely fueled by the secondary and tertiary industries in the past few years, which accounted for 19.0% and 81.0% in 2021, respectively.

The Jinniu government's aggregate fiscal revenues are mainly derived from budgetary revenue and transfer payment. The tax revenue accounted for 73%-81% of its budgetary revenue between 2019 and 2021. The fiscal self-sufficiency rate of the Jinniu government was sufficient. The government fund income was fluctuant during the past three years. The debt ratio (i.e., total government debt divided by aggregate revenue) of the Jinniu government was relatively low. At end-2021, the total outstanding amount of government debt increased to RMB4.2 billion from RMB3.7 billion at end-2020, mainly due to the increase in special debt.

Rating Sensitivities

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

We would consider upgrading JGUO's rating if (1) there is strengthened support from the Jinniu government, or (2) there is an upgrade in our internal credit assessment on the Jinniu 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 JGUO's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 31 December 2021, 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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