

Lianhe Ratings Global Limited has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Sino French Ecological Park Investment Development Co., Ltd.

HONG KONG, 3 January 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Chengdu Sino French Ecological Park Investment Development Co., Ltd. (“CSID” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Longquanyi District, Chengdu City (“Longquanyi government”) would provide strong support to CSID if needed, in light of its majority ownership of CSID, CSID’s strategic importance as the sole state-owned entity for infrastructure investment, construction and operation in Chengdu Sino French Ecological Park (“Ecological Park”), and the linkage between the Longquanyi government and CSID, including control and supervision over the management, strategic alignment and ongoing operational and financial support. In addition, the Longquanyi government may face significant negative impact on its reputation, business and financing activities if CSID encounters any operational and financial difficulties.

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

Key Rating Rationales

Longquanyi Government’s Ownership and Supervision: The Longquanyi government indirectly holds the majority ownership of CSID through Chengdu Economic Development Industrial Investment Group Co., Ltd. (“CEDI”), via the Chengdu Economic and Technological Development Zone Management Committee (“ETDZMC”). The Longquanyi government, as the ultimate controller, supervises the company, including control and supervision over the management, decisions on strategic development and investment and financing plans etc. In addition, the Longquanyi government has assessment mechanism over the company and it will appoint auditor to supervise the operating performance and financials on a periodic basis.

Strategic Importance to Longquanyi and Strategic Alignment: As an important state-owned entity in Longquanyi District, Chengdu City (“Longquanyi”), CSID is the sole infrastructure investment, construction and operation entity in Ecological Park, mainly responsible for the construction of municipal projects, public service projects, as well as industry-city integration projects in the Ecological Park and surrounding areas with franchise advantages. CSID is also responsible for soil disposal business in the region, so as to promote the economic and social development and regional industrial upgrading, and enhance the comprehensive service capability of Longquanyi, especially the Ecological Park and the

surrounding areas. CSID's business operation and development have been aligned with the government's development plans.

Ongoing Government Support: CSID received support from the Longquanyi government, including capital injection, operation subsidy, special debt and policy support. Meanwhile, as the sole state-owned entity for infrastructure investment, construction and operation in Ecological Park, CSID has certain advantages in project and resource acquisition. The Longquanyi government also continued to inject capital, as well as special debt as project funds, to the company, while CSID also enjoyed a variety of policy support. CSID had received a total subsidy amount of c. RMB22.6 million from 2020 to the first nine months of 2022. We believe CSID is likely going to receive government support in the form of operational and/or financial subsidies, to support its daily business operation and related infrastructure investment and construction.

CSID's Financial Matrix and Liquidity Position: CSID's total assets showed a significant growth trend in the past years and reached RMB19.9 billion at end-September 2022, mainly due to the increase of other receivables with related parties. CSID's financial leverage (total liabilities to assets) was 74.7% and its adjusted debt increased to c. RMB14.1 billion at end-September 2022. The liquidity of CSID was moderately tight. CSID had a cash balance and unused credit facilities of c. RMB2.5 billion and RMB2.1 billion at end-September 2022, compared with its debt due within one year of c. RMB4.9 billion. Besides, CSID has access to various financing channels, including bank loans, bond issuance and non-traditional financing (e.g. trust loans), to support its debt repayment and business operations.

Economy and Fiscal Strength of Longquanyi: Longquanyi, as one of municipal districts under the jurisdiction of Chengdu City, is located in the eastern part of the central area. Longquanyi's economy maintained steady growth, with GDP reaching RMB150.4 billion in 2021, up 7.2% year-on-year. The GDP was mainly fueled by the secondary and tertiary industries, which accounted for 63.1% and 34.9% of total GDP in 2021.

The aggregate fiscal revenue of the Longquanyi government was mainly derived from the budgetary revenue and government fund. The Longquanyi government's budgetary revenue grew steadily and increased to RMB8 billion in 2021, where its tax revenue accounted for more than 83% of its budgetary revenue in the past three years. Besides, Longquanyi's government fund income also grew steadily due to the increase in revenue from the transfer of state-owned land use rights and recognized RMB9.8 billion in 2021. The fiscal self-sufficiency rate of the Longquanyi government was insufficient, thus it continued to receive subsidies from higher governments. At end-2021, the total outstanding amount of government debt increased to c. RMB25.6 billion from c. RMB17.9 billion at end-2019, mainly due to the increase in special purpose bonds. The debt ratio (i.e. total government debt divided by aggregate revenue) of the Longquanyi government was c. 121% at end-2021, up considerably from c. 79.4% at end-2019.

Rating Sensitivities

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

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

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, 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 CSID's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, 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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