

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Mianyang Science and Technology City New Area Investment Holdings (Group) Co., Ltd.**

HONG KONG, 25 August 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Mianyang Science and Technology City New Area Investment Holdings (Group) Co., Ltd. (“MNIG” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the de facto local government of Mianyang Science and Technology City New District (“MST New District”), Mianyang Science and Technology City New District Management Committee (“MST MC”), would provide very strong support to MNIG if needed, in light of its majority ownership of MNIG, MNIG’s strategic importance as the solo local investment and development company (“LIDC”) that is responsible for infrastructure construction in MST New District, and the linkage between the local government and MNIG, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if MNIG encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** MST MC holds 81.6% shares of MNIG. The local government has the final decision-making authority and supervises the company, including senior management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the local government has formulated a performance assessment policy for the company and conducts regular and special audits to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** MNIG, as the solo LIDC in MST New District, is mainly responsible for infrastructure construction within the region with strong franchise advantage. The company also undertakes construction and sales of resettlement housing within the region, as well as trading business, property management, leasing and parking lot management business. MNIG plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government’s development plans.

**Ongoing Government Support:** MNIG continued to receive financial subsidies, mainly including operating subsidies from the local government to maintain its business operation. MNIG received a total of RMB218.7 million in subsidies between 2020 and 1H2023. In addition, MNIG received asset injections in the forms of cash, rights of management, agent construction projects, and other assets, reaching a total of RMB14.1 billion between 2020 and 1H2023, from the local government, for asset expansions and business diversification. We expect MNIG to receive ongoing support from the local government in the coming years considering its strategic importance in MST New District.

**MNIG's Financial and Liquidity Position:** Ongoing asset injections from the local government led to strong growth in MNIG's total assets to RMB25.8 billion at end-June 2023 (end-2020: RMB3.3 billion), although liquidity was moderately weak with non-current assets accounting for 64% of the total assets. At end-June 2023, MNIG had unrestricted cash balance and unused credit facilities of RMB1.3 billion and RMB2.8 billion, respectively, compared with its debt due within one year of RMB1.9 billion.

MNIG's financial leverage (total liabilities to assets) decreased to 37.5% at end-June 2023, from 43.8% at end-2022, due to the increased asset size. However, MNIG's total adjusted debt increased to RMB5.1 billion at end-June 2023 (end-2022: RMB3.3 billion). In addition, MNIG's financing channel has concentrated in bank loans. Obtaining additional financing channels or government support would be important to maintain its liquidity.

**Economy and Fiscal Condition of MST New District:** MST New District, formerly known as Mianyang Science and Technology City Science and Education Venture Park ("MSTCSEVP"), is a county-level development zone established in 2001, with the approval of the Mianyang government. In December 2020, MSTCSEVP was integrated with 9 townships to form the fourth provincial-level new zone in Sichuan Province, MST New District. MST New District's GDP reached RMB11.0 billion in 2022, representing a year-over-year ("y-o-y") growth of 6.9%.

The budgetary revenue of MST New District maintained growth over the past two years, and reached RMB0.7 billion in 2022 (a y-o-y increase of 10.0%), with the tax revenue accounting for 84.6% of the revenue. On the other hand, MST New District highly relied on transfer payments from the higher government, which reached RMB1.0 billion in 2022, (56.9% of aggregate fiscal revenue). Its fiscal debt ratio (total outstanding debt/aggregate fiscal revenue) surged to 116.6% in 2022 from 67.3% in 2020, mainly due to the increase in special debt.

### **Rating Sensitivities**

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

We would consider upgrading MNIG's rating if there is an upgrade in our internal credit assessment on the local 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 MNIG'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](http://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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