

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to China Investments Holdings Ltd.

HONG KONG, 27 October 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to China Investments Holdings Ltd. (“CIH” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Nanhai District, Foshan City (“Nanhai government”) would provide strong support to CIH if needed, in light of its indirect majority ownership of CIH, CIH’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for wellness elderly care, industrial park construction and financial leasing in Nanhai District, Foshan City (“Nanhai”), and the linkage between the Nanhai government and CIH, including supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Nanhai government may face significant negative impact on its reputation and financing activities if CIH encounters any operational and financial difficulties.

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

Key Rating Rationales

Nanhai Government’s Ownership and Supervision: The Nanhai government indirectly holds the majority ownership of CIH via the Nanhai State-owned Assets Supervision and Administration Bureau’s 90% owned Guangdong Nanhai Holding Group Co. Ltd. (“GNHG”), and is the actual controller of the company. The Nanhai government does not directly participate in the company’s daily operations, yet it provides support and guidance on significant matters such as guiding the reform and restructuring of the company, increasing and preserving the value the company’s state-owned assets, promoting the optimal allocation of state-owned assets. CIH has a non-executive director appointed by the Nanhai government through GNHG, who exercises supervisory functions on the board of directors. In addition, the Nanhai government has assessment mechanism over the company and board of directors, and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Nanhai and Strategic Alignment: CIH plays an important role in promoting Nanhai’s regional economic development and local residents’ livelihoods, as well as social services, by engaging in businesses like elderly care, new energy industry park development and services, financing leasing, and big data in the region. Its business operation and development have been aligned with the government’s development plans. Being the sole

Hong Kong-listed company controlled by the Nanhai government, CIH also plays a significant role as the Nanhai government's exclusive overseas investment and financing platform.

Ongoing Government Support: CIH received operational and financial support from the government. It received a subsidy totaling around RMB325.1 million from 2020 to the first six months of 2023 and special support funds from the Nanhai government to aid in its industrial park development and big data initiatives. In addition, the Nanhai government has implemented related policies to ensure the financial security, tax benefits, and other support for CIH's elderly care business. Given that it is the key entity for elderly care and industrial development in Nanhai, CIH has an advantage in acquiring related resources and major projects. We believe CIH is likely going to receive government support, including operational subsidies, tax breaks and favorable policies to support its daily business operation.

CIH's Financial and Liquidity Position: CIH's total assets showed a continuous growth trend in the past years and reached HKD9.6 billion at end-June 2023, mainly due to the increase of finance lease receivables. Non-current assets accounted for 72.4% of total assets at end-June 2023, while the overall asset liquidity was moderate, with 45.8% of CIH's assets being pledged to secure bank loans and general banking facilities. CIH's financial leverage (total liabilities to total assets) was 79.5% and its adjusted debt increased to HKD6.8 billion at end-June 2023. Liquidity was sufficient as CIH had a cash balance and unused credit facilities of HKD1.3 billion and HKD3.5 billion, respectively, compared with its debt due within one year of HKD2.2 billion at end-June 2023. Besides, CIH has access to various financing channels, including bank loans and non-traditional financing, to support its debt repayment and business operations.

Economy and Fiscal Condition of Nanhai: Nanhai is a district located in Foshan City, Guangdong Province, with a total land area of 1,072 square kilometers. Nanhai recorded an economic growth in 2022, achieving a GDP of RMB373.1 billion, with a year-on-year growth of 2.2%. Nanhai's economy is well-developed and was ranked 10th among China's Top 100 Districts and 2nd among the five districts in Foshan in 2022.

The aggregate fiscal revenue of the Nanhai government was mainly derived from the budgetary revenue and government fund income. The Nanhai government's budgetary revenue decreased to RMB25.8 billion in 2022 due to the large-scale value-added tax refund policy to support the economy. The government fund income is mainly generated by land-use right transfers, which decreased substantially to RMB18.4 billion in 2022, compared with RMB43.1 billion recorded in 2021. The fiscal self-sufficiency of the Nanhai government was relatively strong. Its budget deficit narrowed to 4.0% in 2022 from 8.6% in 2021. However, its government debt increased significantly to RMB61.8 billion at end-2022 from RMB50.3 billion at end-2021, mainly due to the increase in special debt to support a series of major projects.

Rating Sensitivities

We would consider downgrading CIH's rating if (1) there is perceived weakening in support from the Nanhai government, particularly due to its reduced strategic importance with

diminished government functions, or (2) there is a significant reduction of the Nanhai government's ownership of CIH, or (3) there is a downgrade in our internal credit assessment on the Nanhai government.

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