

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Guangde State-owned Assets Investment and Management Co., Ltd.**

HONG KONG, 20 November 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Guangde State-owned Assets Investment and Management Co., Ltd. (“GSAIM” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Guangde City, Xuancheng City (“Guangde government”) would provide strong support to GSAIM if needed, in light of its full ownership of GSAIM, GSAIM’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and operation and resettlement housing construction in Guangde City, Xuancheng City (“Guangde”), and the linkage between the Guangde government and GSAIM, 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 Guangde government may face significant negative impact on its reputation and financing activities if GSAIM encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Guangde Government’s Ownership and Supervision:** The Guangde government holds the full ownership of GSAIM through the State-owned Assets Supervision and Administration Commission of the People’s Government of Guangde City (“Guangde SASAC”). The Guangde government is the actual controller of the company. It has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Guangde government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

**Strategic Importance to Guangde and Strategic Alignment:** GSAIM, as the key LIDC in Guangde, is primarily responsible for the investment, development and operation of infrastructure and resettlement housing projects within the region. Serving as the key entity in charge of infrastructure related projects throughout the entire city (except Economic Development Zone of Guangde, Anhui), GSAIM mainly engaged in resettlement housing construction, urban renewal, road construction and improvement, environmental enhancement, water conservancy and reservoir projects and other infrastructure projects with strong regional advantages. GSAIM 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:** GSAIM received operational and financial support from the government. GSAIM received a total subsidy amount of RMB421.6 million from 2020 to the first six months of 2023. The Guangde government continued to inject capital, real estates and other kinds of assets, and equities of other companies into GSAIM to expand its asset size. Besides, the Guangde government will repurchase some infrastructure projects and provide policy supports to GSAIM to ensure its business operation. Given that it is the key entity for infrastructure construction and operation in Guangde, GSAIM has an advantage in acquiring related resources and major projects. We believe GSAIM is likely going to receive government support to support its daily business operation.

**GSAIM's Financial and Liquidity Position:** GSAIM's total assets showed a continuous growth trend in the past years and reached RMB32.3 billion at end-June 2023, mainly due to the increase of other account receivables. The non-current assets of GSAIM accounted for 54.0% of the total assets at end-June 2023, and the overall asset liquidity was moderate. GSAIM's financial leverage (total liabilities to total assets) was 52.9% and its adjusted debt increased to RMB13.7 billion at end-June 2023 from RMB9.0 billion at end-2021. The liquidity of GSAIM was moderately tight. At end-June 2023, GSAIM had a cash balance and unused credit facilities of RMB2.6 billion and RMB1.3 billion, respectively, compared with its debt due within one year of RMB4.2 billion. Having said that, GSAIM has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations.

**Economy and Fiscal Condition of Guangde:** Guangde is a county-level city located in the west of Xuancheng City, Anhui Province, with a total land area of 2,165 square kilometers. Guangde recorded an economic growth in 2022, achieving a GDP of RMB40.4 billion, with a year-on-year growth of 5.8%. Its GDP scale was ranked 3rd among the 7 jurisdictions of Xuancheng in 2022.

The Guangde government's aggregate fiscal revenue is mainly derived from budgetary revenue, which grew steadily in the past few years and reached RMB3.6 billion in 2022. The fiscal self-sufficiency of the Guangde government was insufficient, and it recorded a budget deficit of 70.7% in 2022. Therefore, the Guangde government highly relied on transfer payments from higher government and government fund income, which reached RMB2.5 billion and RMB1.8 billion in 2022, respectively. The fiscal debt ratio of the Guangde government, as measured by total government debt outstanding/aggregate revenue, had increased to 126.5% at end-2022 from 105.2% at end-2020, mainly due to the increase in special debt.

### **Rating Sensitivities**

We would consider downgrading GSAIM's rating if (1) there is perceived weakening in support from the Guangde government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Guangde

government's ownership of GSAIM, or (3) there is a downgrade in our internal credit assessment on the Guangde government.

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