

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Dongjin Huaitou Ronghe Industry Investment Co., Ltd.

HONG KONG, 22 December 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Chengdu Dongjin Huaitou Ronghe Industry Investment Co., Ltd. (“CDHRI” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jintang County, Chengdu City (“Jintang government”) would provide strong support to CDHRI if needed, in light of its full ownership of CDHRI, CDHRI’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and land consolidation in Jintang County, Chengdu City (“Jintang”), especially in Huaizhou Xincheng Functional Area (“Xincheng”), and the linkage between the Jintang government and CDHRI, 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 Jintang government may face significant negative impact on its reputation and financing activities if CDHRI encounters any operational and financial difficulties.

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

Key Rating Rationales

Jintang Government’s Ownership and Supervision: The Jintang government holds the full ownership of CDHRI through the State-owned Assets Supervision, Administration and Finance Bureau of Jintang County, Chengdu City (“Jintang SASAFB”). The Jintang 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 Jintang 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 Jintang and Strategic Alignment: CDHRI, as the key LIDC in Jintang, is primarily responsible for the investment, development and operation of infrastructure and land consolidation projects within Jincheng. Serving as the key entity in charge of infrastructure related projects throughout the region, CDHRI mainly engaged in healthcare, rehabilitation, vocational education, and general aviation related infrastructure projects with strong regional advantages. CDHRI 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: CDHRI received operational and financial support from the government. CDHRI received a total subsidy amount of RMB204.2 million from 2020 to the first nine months of 2023. The Jintang government continued to inject capital, land assets, right of use asset, real estate and other kinds of assets into CDHRI to expand its asset size and diversify its business. Besides, the Jintang government will repurchase some infrastructure projects and provide policy supports to CDHRI to ensure its business operation. Given that it is the key entity for infrastructure construction and land consolidation in Jintang and Xincheng, CDHRI has an advantage in acquiring related resources and major projects. We believe CDHRI is likely going to receive government support to support its daily business operation.

CDHRI's Financial and Liquidity Position: CDHRI's total assets showed a continuous growth trend in the past years and reached RMB17.7 billion at end-September 2023, mainly due to the increase of inventories. The non-current assets of CDHRI accounted for 37.3% of the total assets at end-September 2023, but the overall asset liquidity was moderately weak due to large amount of inventories and intangible assets. CDHRI's financial leverage (total liabilities to total assets) was 51.7% and its adjusted debt increased to RMB7.4 billion at end-September 2023 from RMB1.4 billion at end-2021. The liquidity of CDHRI was moderately tight. At end-September 2023, CDHRI had a cash balance and unused credit facilities of RMB1.2 billion and RMB1.4 billion, respectively, compared with its debt due within one year of RMB3.0 billion. Having said that, CDHRI 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 Jintang: Jintang realized GDP of RMB60.3 billion in 2022, representing a year-on-year growth rate of 6.5%. Jintang's GDP was mostly fueled by secondary and tertiary industries, accounting for 40.6% and 47.5% of its total GDP in 2022, respectively. Jintang's population reached 0.8 million with an urbanization rate of 42% in 2022.

The Jintang government's budgetary revenue decreased slightly to RMB4.1 billion in 2022 from RMB4.2 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy. Meanwhile, the tax revenue accounted for 37.5% of the budgetary revenue in 2022, down from 48.3% in 2020 and 41.9% in 2021. The fiscal self-sufficiency rate of the Jintang government was insufficient and its budget deficit widened to -70.0% in 2022 from -63.9% in 2021, hence it continuously received a certain number of subsidies from higher government authorities. As another substantial component of the local fiscal revenue, the revenue from the government-managed fund decreased to RMB4.0 billion in 2022 from RMB5.7 billion in 2021 due to the downturn in real estate market and rigorous regulations. The Jintang government's debt ratio (total debt outstanding/aggregate fiscal revenue) was relatively high in 2022 (190.5%), due to the increase of total debt outstanding

from RMB17.4 billion at end-2021 to RMB24.2 billion at end-2022, which was mainly caused by the increase of government special debt.

Rating Sensitivities

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

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