

Lianhe Global has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Changsha Jinzhou New City Investment Holding Group Co., Ltd.

HONG KONG, 11 December 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating to Changsha Jinzhou New City Investment Holding Group Co., Ltd. (“CJNCI” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Changsha City, Hunan Province (“Changsha government”) would provide moderately strong support to CJNCI if needed, in light of its controls over CJNCI through its representative office, The Ningxiang High-tech Industrial Development Zone Management Committee (“Ningxiang HIDZ MC”), CJNCI’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Ningxiang High-tech Industrial Development Zone (“Ningxiang HIDZ”), and the linkage between the Changsha government and CJNCI, 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 Changsha government and Ningxiang HIDZ MC may face negative impact on its reputation and financing activities if CJNCI encounters any operational and financial difficulties.

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

Key Rating Rationales

Government’s Ownership and Supervision: Ningxiang HIDZ MC, as the representative office of the Changsha government and the de facto local government of Ningxiang HIDZ, directly holds the full ownership of CJNCI, and has the final decision-making authority. The Changsha government supervises the company through Ningxiang HIDZ MC, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Changsha government and Ningxiang HIDZ MC has assessment mechanism over the company and supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Changsha and Ningxiang HIDZ, and Strategic Alignment: CJNCI, as the key LIDC in Changsha City, Hunan Province (“Changsha”), is primarily responsible for the investment, development and operation of infrastructure projects and land consolidation within Ningxiang HIDZ. Serving as the sole entity in charge of infrastructure related projects and state-owned asset management throughout the entire region, CJNCI mainly engaged in resettlement housing construction, urban renewal, road and pipeline construction and

improvement, water conservancy and sewage treatment projects and other infrastructure projects with strong regional advantages. CJNCI 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: CJNCI received operational and financial support from the government. CJNCI received a total subsidy amount of RMB461 million from 2020 to the first six months of 2023. Ningxiang HIDZ MC continued to inject capital, real estates and other kinds of assets into CJNCI to expand its asset size. Besides, the Ningxiang HIDZ MC will repurchase some infrastructure projects and provide policy supports to CJNCI to ensure its business operation. Given that it is the sole entity for infrastructure construction and operation in Ningxiang HIDZ, CJNCI has an advantage in acquiring related resources and major projects. We believe CJNCI is likely going to receive government support to support its daily business operation.

CJNCI's Financial and Liquidity Position: CJNCI's total assets showed a continuous growth trend in the past years and reached RMB44.4 billion at end-June 2023, mainly due to the increase of inventories. The current assets of CJNCI accounted for 85.2% of the total assets at end-June 2023, yet the overall asset liquidity was moderate due to large amount of undeveloped land and development cost associated to its infrastructure projects. CJNCI's financial leverage (total liabilities to total assets) was 59.9% and its adjusted debt increased to RMB23.8 billion at end-June 2023 from RMB19.0 billion at end-2021. The liquidity of CJNCI was sufficient. At end-June 2023, CJNCI had a cash balance and unused credit facilities of RMB2.7 billion and RMB20.5 billion, respectively, compared with its debt due within one year of RMB4.9 billion. Besides, CJNCI 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 Changsha: Changsha is the capital city of Hunan Province with a total land area of 11,820 square kilometers. Changsha recorded an economic growth in 2022, achieving a GDP of RMB1,396.6 billion, with a year-on-year growth of 4.5%. Its GDP scale was ranked 15th among the cities in China.

The Changsha government's aggregate fiscal revenue is mainly derived from budgetary revenue and government fund income, which recorded RMB120.2 billion and RMB106.5 billion in 2022, respectively. The fiscal self-sufficiency of the Changsha government was insufficient, and it recorded a budget deficit of 28.9% in 2022. The fiscal debt ratio of the Changsha government, as measured by total government debt outstanding/aggregate revenue, had increased to 107.1% at end-2022 from 85.3% at end-2020, mainly due to the increase in special debt.

Rating Sensitivities

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

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

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