

Lianhe Global has assigned ‘A’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jinhua Communications Investment Group Co., Ltd.

HONG KONG, 11 December 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A’ global scale Long-term Issuer Credit Rating to Jinhua Communications Investment Group Co., Ltd. (“JCIG” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jinhua City, Zhejiang Province (“Jinhua government”) would provide strong support to JCIG if needed, in light of its majority ownership of JCIG, JCIG’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for transportation-related infrastructure construction, management and operation in Jinhua City, Zhejiang Province (“Jinhua”), and the key entity for infrastructure construction and land consolidation in Jinyi New Area (“Jinyi”), and the linkage between the Jinhua government and JCIG, 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 Jinhua government may face significant negative impact on its reputation and financing activities if JCIG encounters any operational and financial difficulties.

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

Key Rating Rationales

Jinhua Government’s Ownership and Supervision: The Jinhua government holds the majority ownership of JCIG through the State-owned Assets Supervision and Administration Commission of the People’s Government of Jinhua City (“Jinhua SASAC”)’s wholly-owned subsidiary, Jinhua State-owned Capital Operation Co., Ltd. The Jinhua 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 Jinhua 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 Jinhua and Strategic Alignment: JCIG, as the key LIDC in Jinhua, is primarily responsible for the investment, development and operation of transportation-related infrastructure in Jinhua. Serving as the sole entity in charge of transportation-related infrastructure projects throughout the entire city, JCIG is primarily responsible for the construction of projects such as highways, water transport, and railways, as well as investments, financing, construction, and management of projects related to roads and industries across in the region with strong regional advantages. Additionally, it is the key entity

in the construction of urban infrastructure in Jinyi, overseeing the development and construction activities, including infrastructure construction, land consolidation and resettlement housing construction in the area. JCIG 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: JCIG received operational and financial support from the government. JCIG received a total subsidy amount of RMB1.8 billion from 2020 to the first nine months of 2023. The Jinhua government continued to inject capital, real estate and other kinds of assets, and equities of other companies (such as Zhejiang Jinhua Jinyi New Area Development Group Co. Ltd.) into JCIG to expand its asset size and diversify its business. Besides, the Jinhua government will repurchase some transportation-related infrastructure projects and provide policy supports to JCIG to ensure its business operation. Given that it is the sole entity for transportation-related infrastructure construction and operation in Jinhua, JCIG has an advantage in acquiring related resources and major projects. We believe JCIG is likely going to receive government support to support its daily business operation.

JCIG's Financial and Liquidity Position: JCIG's total assets showed a continuous growth trend in the past years and reached RMB78.3 billion at end-September 2023, mainly due to the injection of other two companies from the Jinhua government. The current assets of JCIG accounted for 75.4% of the total assets at end-September 2023, yet the overall asset liquidity was moderate due to large amount of development cost. JCIG's financial leverage (total liabilities to total assets) was 65.6% and its adjusted debt increased to RMB41.9 billion at end-September 2023 from RMB6.3 billion at end-2021. The liquidity of JCIG was sufficient. At end-September 2023, JCIG had a cash balance and unused credit facilities of RMB12.3 billion (including restricted cash of RMB116 million) and RMB7.2 billion, respectively, compared with its debt due within one year of RMB9.1 billion. Besides, JCIG 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 Jinhua: Jinhua is a prefecture-level city located in the middle of Zhejiang Province, and the south wing of the Yangtze River Delta economic circle, bordering Shaoxing and Hangzhou in the north. It has a well-developed economy with counties specializing in different sectors. For example, Yiwu is known as an international small commodities center. Jinhua realized a GDP of RMB556.2 billion in 2022, representing a year-over-year growth of 2.5%, down from 9.8% in 2021. This was mainly caused by Covid's disruption during the year. Yet the city maintained a strong fixed asset investment growth of 13.5% in 2022, as the government promoted investments in transportation infrastructure, urban renewal and ecological protection projects to boost economic growth.

The Jinhua government's budgetary revenue decreased to RMB48.9 billion in 2022 from RMB49.2 billion in 2021, mainly due to the large-scale value-added tax credit refunds, a policy to support the economy. In contrast, its budgetary expenditure increased to RMB83.0 billion from RMB79.1 billion. Therefore, the Jinhua government's budget deficit was enlarged. In

addition, Jinhua's government fund income, mainly generated by land sales, dropped while its government debt grew in 2022.

Rating Sensitivities

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

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