

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Emeishan Modern Agricultural Development Group Co., Ltd.

HONG KONG, 21 February 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Emeishan Modern Agricultural Development Group Co., Ltd. (“EMADG” or “the company”). The Outlook is Stable.

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

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

Key Rating Rationales

Emeishan Government’s Ownership and Supervision: The Emeishan government holds the full ownership of EMADG through the State-owned Assets Supervision and Administration Commission of Emeishan City (“Emeishan SASAC”). The Emeishan 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 Emeishan 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 Emeishan and Strategic Alignment: EMADG, as the key LIDC in Emeishan, is primarily responsible for the investment, development and operation of rural revitalization related infrastructure projects and affordable housing projects within the city. Serving as the key entity in charge of infrastructure projects throughout the region, EMADG is mainly engaged in urbanization construction, sewage pipe and drainage system renovation, road and bridge construction, healthcare and education, Emeishan tourism projects and other infrastructure related projects with strong regional advantages. EMADG 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: EMADG received operational and financial support from the Emeishan government. EMADG received a total subsidy amount of RMB272.4 million from 2020 to the first nine months of 2023. The Emeishan government continued to inject capital, project-related assets, equities of other companies and other kinds of assets into EMADG to expand its asset size and diversify its business. Besides, the Emeishan government will repurchase some infrastructure projects and provide policy supports to EMADG to ensure its business operation. Given that it is the key entity for infrastructure construction and affordable housing construction in Emeishan, EMADG has an advantage in acquiring related resources and major projects. We believe EMADG is likely going to receive government support to support its daily business operation.

EMADG's Financial and Liquidity Position: EMADG's total assets showed a continuous growth trend in the past few years and reached RMB12.5 billion at end-September 2023, largely attributed to the increase of receivables from the local government. The current assets of EMADG accounted for 51.9% of the total assets at end-September 2023, yet the overall asset liquidity was moderately weak due to large amount of inventories and receivables. EMADG's financial leverage (total liabilities to total assets) declined to 39.2% and its adjusted debt decreased to RMB4.0 billion at end-September 2023 from RMB4.6 billion at end-2020. EMADG's liquidity was sufficient. At end-September 2023, EMADG had a cash balance and unused credit facilities of RMB212.4 million and RMB961.9 million, respectively, compared with its debt due within one year of RMB588.0 million. Besides, EMADG 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 Emeishan: Emeishan is a county-level city of Leshan City, Sichuan Province, and is located in the southern part of Sichuan. Emeishan's economic growth fluctuated in the past three years due to the COVID-19 pandemic, with a year-over-year growth rate of 4.2%, 8.0% and -3.9% in 2020, 2021 and 2022, respectively. Emeishan's GDP reached RMB37.4 billion in 2022, and ranked the 2nd among all districts and county-level cities under the administration of Leshan.

Emeishan's governmental fiscal revenues primarily stem from budgetary income and government fund income. In 2022, the budgetary revenue of the Emeishan government increased to RMB 2.2 billion, up from RMB 2.1 billion in 2021, while maintaining a consistent budgetary expenditure of RMB 3.2 billion. Consequently, the Emeishan government saw an improvement in its budget deficit, reducing to 45.9% during the same period. Simultaneously, government fund income exhibited robust growth, experiencing a year-on-year increase of 41.6% and reaching RMB 3.6 billion in 2022. The debt ratio, measured by the total outstanding government debt relative to aggregate revenue, decreased from 136.9% at the end of 2021 to 118.0% at the end of 2022.

Rating Sensitivities

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

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