

**Correction: Lianhe Global has assigned ‘BBB’ global scale Long-term Issuer Credit Rating with Stable Outlook to Zoucheng Shengcheng Cultural and Tourism Group Co., Ltd.**

HONG KONG, 14 March 2024 – This replaces the press release published on 7 March 2024.

Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB’ global scale Long-term Issuer Credit Rating to Zoucheng Shengcheng Cultural and Tourism Group Co., Ltd. (“ZCSCT” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zoucheng City (“the Zoucheng government”) would provide strong support to ZCSCT if needed, in light of its full ownership of ZCSCT, ZCSCT’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for development and operation of tourist attractions in Zoucheng, and the linkage between the Zoucheng government and ZCSCT, including appointment of the senior management, strategic alignment, supervision of major investment and financing plans and ongoing operational and financial support. In addition, the Zoucheng government may face significant negative impact on its reputation and financing activities if ZCSCT encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Zoucheng Government’s Ownership and Supervision:** Zoucheng State-owned Assets Supervision and Administration Bureau (“the Zoucheng SASAB”) holds 100% shares of ZCSCT, and is the company’s actual controller. The Zoucheng government has strong control and supervision over the company, including management appointment, decision on its strategic development, investment plan and major funding decisions. In addition, the Zoucheng government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financials on a periodic basis.

**Strategic Importance to Zoucheng and Strategic Alignment:** ZCSCT is an important LIDC that is responsible for development and operation of tourist attractions in Zoucheng. The company develops and operates an array of key cultural tourism projects, including Yi Mountain Scenic Area, Meng Yuan, and Taiping National Wetland within the region. The company’s business operation plays a significant role in promoting Zoucheng’s tourism industry development. Its strategic planning has been aligned with the local government’s economic and social development plans.

**Ongoing Government Support:** ZCSCT receives ongoing support from the local government in forms of operational support and asset enrichment. We expect the support from the local government to remain intact given ZCSCT's strategic importance.

**Economy and Fiscal Condition of Zoucheng:** Zoucheng is a county-level city directly under the jurisdiction of Shandong Province and administered by Jining City. Zoucheng has a history of over 6,000 years, and it is the birthplace of Mencius, a famous Chinese ancient thinker and educator. Besides, Zoucheng has been ranked as one of the Top 100 Counties in China and awarded as a National Historical and Cultural Cities in China. Zoucheng also has a strong industrial base with well-developed coal and electricity industries. The GDP amount of Zoucheng reached RMB100.9 billion in 2022, which was ranked 1st out of all 11 districts and counties of Jining. However, Zoucheng's GDP growth rate fluctuated in the past few years, owing to Covid's disruption, which was 4.0%, 8.7% and 5.0% in 2020, 2021 and 2022, respectively.

The Zoucheng government's budgetary revenue increased steadily to RMB8.6 billion in 2022 from RMB8.0 billion in 2020. The government fund income, mainly generated from land use rights transfers, also increased to RMB2.9 billion in 2022 from RMB2.0 billion in 2021. The outstanding debt of the Zoucheng government kept a steady growth between 2020 and 2022, increasing from RMB8.0 billion to RMB10.3 billion owing to the new issuance of special debts to support local public projects. Yet its fiscal debt ratio (total government debt outstanding/aggregate revenue) stayed around 99% over the same period as its aggregate revenue increased.

**ZCSCT's Financial and Liquidity Position:** ZCSCT's total asset climbed to RMB11,144 million at the end of November 2023, more than doubled compared with that of end-2020 (RMB4,566 million), as the company received a large amount of asset enrichment during the period. In contrast, the total debt of ZCSCT declined from RMB3.2 billion to RMB1.3 billion over the same period. The company's financial leverage ratio, measured as total debt to capitalization, fell significantly to 16.3% at the end of November 2023 from 70.1% at end-2020.

However, ZCSCT's short-term debt servicing pressure was very high. At the end of November 2023, the company had a cash balance of RMB73 million (including restricted cash of RMB40 million), compared with its debt due within one year of RMB598 million. Yet we expect the company to roll over most of its short-term bank borrowings (end-November 2023: RMB136 million). In addition, ZCSCT has many channels to raise funds and support its debt repayments and business operations, including bank loans, bond issuance and other non-traditional financing channels. At end-November 2023, ZCSCT had unused bank facilities of RMB204 million. Nevertheless, obtaining timely additional support and financing sources are vital to ZCSCT.

### **Rating Sensitivities**

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

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

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