

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Anqing Yixiu District Beautiful Village Construction Co., Ltd.

HONG KONG, 29 April 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Anqing Yixiu District Beautiful Village Construction Co., Ltd. (“AYVC” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yixiu District (“the Yixiu government”) would provide strong support to AYVC if needed, in light of its full ownership of AYVC, AYVC’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for project development in Yixiu District, Anqing City (“Yixiu”), and the linkage between the Yixiu government and AYVC, 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 Yixiu government may face significant negative impact on its reputation and financing activities if AYVC encounters any operational and financial difficulties.

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

Key Rating Rationales

Yixiu Government’s Ownership and Supervision: The Yixiu government, as the ultimate controller, owns 100% share of AYVC through the Yixiu Finance Bureau. The Yixiu government has strong control and supervision over the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Yixiu government has assessment mechanism over the company, and it appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Yixiu and Strategic Alignment: AYVC, as an important LIDC in Yixiu, is primarily responsible for project development, including infrastructure and affordable houses within the region. The company also operates industrial parks to promote local industrial development. AYVC 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: AYVC received operational and financial support from the Yixiu government. AYVC received ongoing financial subsidy from the local government. In addition, the Yixiu government injected a large amount of assets, including cash capital,

mining rights, projects and stated-owned properties into AYVC. Given the strategic of AYVC, we believe it is likely going to receive government support in the future.

Economy and Fiscal Strength of Yixiu: Yixiu is a district under the jurisdiction of Anqing City, Anhui Province. Yixiu maintained a rapid economic growth in the past three years, with economic growth rates recording at 8.1%, 4.0% and 6.3% in 2021, 2022 and 2023, respectively. Yixiu's GDP reached RMB16.3 billion in 2023. Yixiu focused on three leading industries in recent years, namely green food, new material and new energy.

Yixiu's aggregate fiscal revenue is mainly derived from budgetary revenue, which increased steadily to RMB1.2 billion in 2023 from RMB1.0 billion in 2021. At end-2023, the Yixiu government's outstanding debt was RMB1.42 billion, up from RMB0.91 billion at end-2020, mainly due to the large increase in special debt to support public projects' development.

AYVC's Financial Matrix and Liquidity Position: AYVC's total assets surged to RMB10.5 billion at end-September 2023 from RMB3.1 billion at end-2020, as the company received a large amount of assets injections from the local government, enlarging its capital base to RMB7,196 million from RMB1,394 million. The company also relied on borrowings to fund its project development in Yixiu. Its total debt rose to RMB2,495 million at end-September 2023, more than triple compared with RMB832 million at end-2020. Nevertheless, the company's financial leverage, as measured by debt/capitalization, remained at a moderately low level of 25.7% at end-September 2023, fell from 37.4% at-end 2020, thanks to the local government's asset injections.

AYVC's short-term debt servicing pressure is manageable. At end-September 2023, AYVC had cash of RMB304 million, compared with its debt due within one year of RMB245 million. Furthermore, AYVC may use bank borrowings, bond issuance and other external funding to support its debt repayments and business operations. At end-March 2024, AYVC had unused credit facilities of RMB2.3 billion.

Rating Sensitivities

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

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