

Goho Financial Asset Management Co., Ltd.'s 2019-1 Corporate Bond

Credit rating for this bond: AA+

Credit rating for this issuer: AA+

Rating outlook: Stable

Size of this issue: No more than CNY 400 million
(inclusive)

Maturity: 5 years (3+2)

Debt servicing method: Annual interest payment,
repayment of principal at maturity.

Date of rating: June 17, 2019

Key financial data:

Item	2016	2017	2018	March 2019
Total assets (CNY 100mn)	68.02	129.31	138.22	137.74
Owners' equity (CNY 100mn)	22.77	39.56	42.31	42.88
Long-term liabilities (CNY 100mn)	9.86	19.39	47.38	44.68
Total liabilities (CNY 100mn)	42.34	83.48	87.71	85.00
Operating income (CNY 100mn)	5.61	9.01	14.92	3.11
Net profit (CNY 100mn)	2.04	2.82	3.15	0.58
EBITDA (CNY 100mn)	4.78	7.23	9.84	--
Cash flow before financing (CNY 100mn)	-10.76	-13.85	-24.73	5.98
ROA (%)	3.66	2.86	2.36	0.42
ROE (%)	12.20	9.06	7.71	1.37
Debt-to-asset ratio (%)	66.52	69.41	69.39	68.87
Total debt to capitalization ratio (%)	65.03	67.85	67.46	66.47
Long-term debt to capitalization ratio (%)	30.21	32.89	52.83	51.03
Current ratio (x)	1.16	1.24	1.44	1.50
Cash ratio (x)	0.19	0.07	0.09	0.11
EBITDA-to-interest cover (x)	2.44	2.20	1.81	--
Debt to EBITDA ratio (x)	0.11	0.09	0.11	--
EBITDA / issue size (x)	1.19	1.81	2.46	--

Note: 1. The difference between the sum of sub-totals and grand totals in this report is due to rounding-off; unless otherwise stated, the currency used here refers to the Chinese yuan (CNY); 2. The data in the financial statement of 1Q 2019 have not been audited, and the relevant indicators have not been annualized.

Rationale

The rating of Goho Financial Asset Management Co., Ltd. (hereinafter referred to as "the Company" or "Goho Asset") conducted by United Credit Ratings Co., Ltd (hereinafter referred to as "United Ratings") reflects that, as the first provincial-level asset management company in Anhui Province and one of the first batch of provincial-level companies in China qualified for acquisition and disposal of substantial non-performing financial assets, the Company features strong advantages in terms of license and competitiveness in the region. The Company's shareholders have increased their capitals continuously since 2016, such that the Company's capital strength has been enhanced significantly, with its capital reserve standing at the top of its peers; meanwhile, its diverse composition of shareholders is conducive to further expanding the Company's business scale. In recent years, the Company shows a rapid development in the disposal of non-performing assets and fund management, and its operating income and profit have grown in a fast pace.

At the same time, United Ratings also pays close attention to the effect of the macro-economic downturn on the Company. The non-performing asset packages acquired by the Company may result in a lower-than-expected return on investment, risks on credit projects have increased, equity investments are more exposed to market fluctuations, and the Company's debt level remains relatively high, all of which put an adverse effect on the Company's credit fundamentals.

With continuous increase of non-performing bank assets in recent years, the Company is able to expand its business quickly and maintains sufficient room for development by taking advantage of its increasingly enhanced capital strength and its own advantage in license. The rating outlook by United Ratings for the

Company is “stable”.

Based on a comprehensive assessment of the bond issuer’s long-term credit profile and its ability to repay debts associated with the bond tranche, United Ratings concludes that the risk of default on the bond repayment is extremely low.

Strengths

1. The Company was established by Shanghai Dongxing Investment Holdings Co., Ltd., a subsidiary of China Orient Asset Management Co., Ltd. (hereinafter referred to as “Orient Asset Management”). With the tremendous strength and many years of business experiences in the industry, Orient Asset Management has provided strong support for the Company in terms of institutions set-up and business development; since 2016, the shareholders have increased the total capitals of the Company by CNY 2.463 billion, significantly reinforcing its capital strength; meanwhile, a more diverse composition of shareholders is conducive to the further expansion of the Company’s business scale.

2. Against the backdrop of China’s macro-economic downturn and the continuous increase of the banks’ non-performing asset ratio, Goho Asset, as the first provincial-level asset management company in Anhui Province and one of the first batch of provincial-level companies in China qualified for acquisition and disposal of substantial non-performing financial assets, is able to expand its business quickly and maintains sufficient room for development by taking advantage of its increasingly enhanced capital strength and its license advantage.

3. In recent years, the Company shows a rapid development in the disposal of non-performing assets and fund management, and its operating income and profit have grown in a fast pace; the Company has established the local asset management subsidiaries in cooperation with certain counties and municipal governments in Anhui Province, which will promote the

Company’s future business growth.

Concerns

1. At present, China’s macro economy is taking a downward trend, with escalating risks in business operation. Therefore, packages of non-performing assets acquired by the Company may result in the lower-than-expected return on investment, which may affect the Company’s profitability.

2. Accounts receivables and investment assets account for a large proportion in the Company’s assets with moderate asset liquidity, and some entrusted loans are overdue, indicating that there is a need to pay attention to the risk of investment targets and the subsequent disposal of overdue loans.

3. In recent years, the Company shows a relatively fast increase in debt and a relatively high level of debt, and debt maturities are short, making it necessary to keep a close eye on the Company’s liquidity.

Analysts

LIU Kedong

Tel: 010-85172818

Email: liukd@unitedratings.com.cn

CHEN Ning

Tel: 010-85172818

Email: chenn@unitedratings.com.cn

Fax: 010-85171273

Address: 12F PICC Office Tower,

No. 2 Jianguomenwai Avenue,

Chaoyang District, Beijing (100022)

[Http://www.unitedratings.com.cn](http://www.unitedratings.com.cn)

