

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Taizhou Hailing City Development Group Co., Ltd.**

HONG KONG, 14 March 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Taizhou Hailing City Development Group Co., Ltd. (“THCD”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that Taizhou municipal government would provide moderately strong support to THCD if needed. This mainly considers the Taizhou municipal government’s full ownership of THCD, the high strategic importance of THCD to Taizhou and Hailing District in land development and consolidation, infrastructure construction and maintenance, and the strong linkage between the Taizhou municipal government (via the Hailing district government) and THCD, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Taizhou municipal government may face negative impact on its reputation and financing activities should THCD encounter any operational or financial difficulties.

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

**Key Rating Rationales**

***Taizhou Municipal Government’s Full Ownership:*** The Taizhou municipal government has 100% ownership of THCD via the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government (“Taizhou SASAC”), which is appointed by the government to supervise state-owned entities. At end-2021, the Taizhou SASAC is the only shareholder of THCD. After capital injection, the paid-in capital of THCD increased from c. RMB3,732 million to RMB5,058 million in 2019.

***Strategic Importance to Taizhou and Hailing District:*** We believe that the Taizhou municipal government is willing to extend support to THCD in view of its strategic important role as one of the major state-owned infrastructure construction entities of Taizhou and Hailing District to support the local economic and urban development. THCD has played an important role in the urban development as it is engaged in primary land development and consolidation, infrastructure construction and resettlement housing sales, and has a monopoly position in Hailing District. THCD is the major urban developer and the important platform for supporting the economic development in Hailing District.

***Government Supervision and Strategic Alignment:*** The Taizhou municipal government has strong control and supervision (via the Hailing district government) over THCD, including the control of the board of directors, senior management appointments, and major strategic, investment and financing planning. THCD’s business operation and development have been aligned with the government’s economic and social policies.

**Ongoing Government Support:** THCD has received support from the government such as capital injections, land resources, government subsidies and financial support. The Taizhou municipal government and the Hailing district government have also purchased a considerable amount of the completed land development projects and infrastructure projects from THCD during the past few years. THCD is expected to continue receiving repayment from the governments in the future from the projects completed and projects under development.

**Moderately Weak Financials:** THCD's earnings generation capability has been weak given its focus on land development and contracting construction. THCD's financial leverage (total liabilities to assets) was high at 64.9% at end-September 2021. Apart from the financial support from the government, THCD has access to financing channels such as bank loans, bond issuance and other financing channels to support its debt repayment and business operation. THCD had unrestricted cash of c. RMB3.0 billion, available credit line amount of c. RMB13.1 billion and available bond issuance amount of c. RMB2 billion at end-September 2021, compared with its debt to be due within one year of c. RMB8.9 billion.

**Economy and Fiscal Strength Underpin Taizhou:** Taizhou's GDP was RMB531.3 billion in 2020 and RMB286.0 billion in the first half of 2021, representing a year-over-year growth of 3.6% and 19.1%, respectively. Taizhou's aggregate fiscal revenue maintained a steady growth in the past three years with continuing transfer payment received from the higher level governments. Taizhou's debt ratio (total government debt divided by aggregate revenue) decreased from 81.9% at end-2019 to 76.0% at end-2020.

### **Rating Sensitivities**

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

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

### **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, 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 THCD's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 31 December 2021, 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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