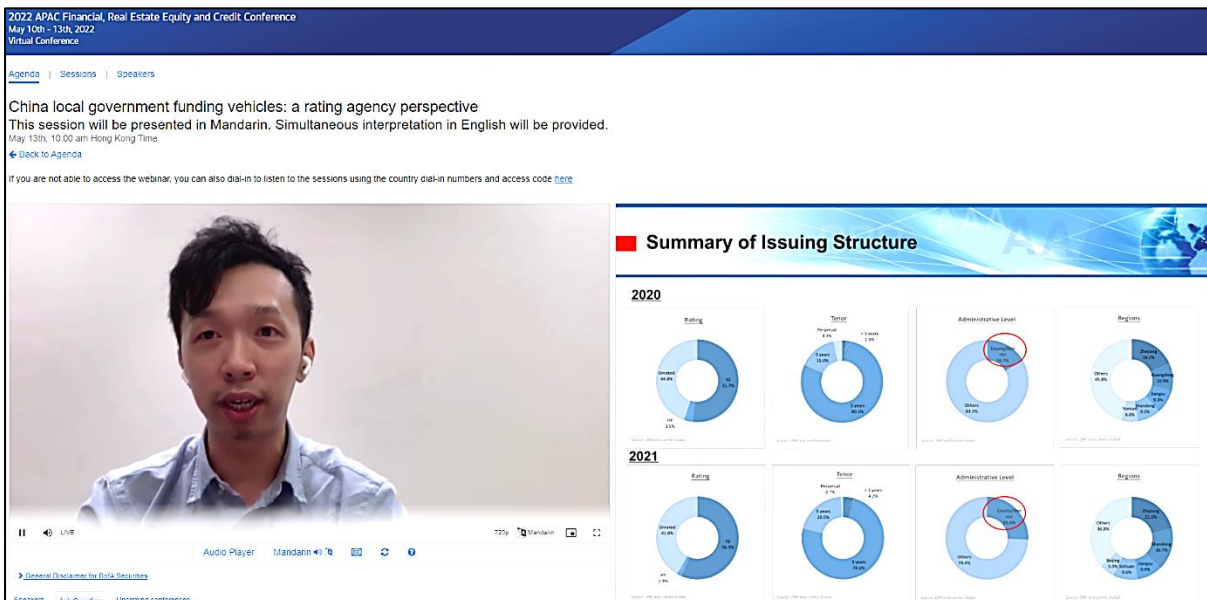


## Lianhe Ratings and Lianhe Global Participated in “2022 APAC Financial, Real Estate Equity and Credit Conference”

On 13 May 2022, China Lianhe Credit Rating Co., Ltd. (“Lianhe Ratings”) and Lianhe Ratings Global Limited (“Lianhe Global”) participated in the “2022 APAC Financial, Real Estate Equity and Credit Conference” organized by a top U.S. investment bank. On the fourth day of this 4-day event, Mr. Jiping Ding, the Head of Public Finance of Lianhe Ratings and Mr. Ben Yau, a director of Lianhe Global, participated in a 1-hour theme presentation and Q&A session on “China local government funding vehicles: a rating agency perspective”. The session attracted 98 market participants, making it the most popular session among all other relevant ones in the conference.



**2022 APAC Financial, Real Estate Equity and Credit Conference**  
May 10th - 13th, 2022  
Virtual Conference

Agenda | Sessions | Speakers

China local government funding vehicles: a rating agency perspective  
This session will be presented in Mandarin. Simultaneous interpretation in English will be provided.  
May 13th, 10:00 am Hong Kong Time  
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If you are not able to access the webinar, you can also dial-in to listen to the sessions using the country dial-in numbers and access code [here](#).

**Summary of Issuing Structure**

Year	Rating	Tenor	Administrative Level	Regions
2020	<ul style="list-style-type: none"> <li>Invested: 64.6%</li> <li>Uninvested: 35.4%</li> </ul>	<ul style="list-style-type: none"> <li>Medium: 6.4%</li> <li>Long: 5.0%</li> <li>Short: 88.6%</li> </ul>	<ul style="list-style-type: none"> <li>Local: 88.6%</li> <li>Overseas: 11.4%</li> </ul>	<ul style="list-style-type: none"> <li>Others: 46.8%</li> <li>Beijing: 22.0%</li> <li>Shanghai: 12.0%</li> <li>Guangdong: 10.0%</li> <li>Others: 6.2%</li> </ul>
2021	<ul style="list-style-type: none"> <li>Invested: 68.8%</li> <li>Uninvested: 31.2%</li> </ul>	<ul style="list-style-type: none"> <li>Medium: 7.0%</li> <li>Long: 6.0%</li> <li>Short: 87.0%</li> </ul>	<ul style="list-style-type: none"> <li>Local: 88.6%</li> <li>Overseas: 11.4%</li> </ul>	<ul style="list-style-type: none"> <li>Others: 46.8%</li> <li>Beijing: 22.0%</li> <li>Shanghai: 12.0%</li> <li>Guangdong: 10.0%</li> <li>Others: 6.2%</li> </ul>

Mr. Jiping Ding firstly shared the rating framework of Lianhe Ratings for local government financing vehicles (“LGFVs”). He observed that even when the economic growth slowed down under the influence of the COVID-19 pandemic, no strong stimulus for infrastructure was applied by the government. As local governments have chosen to issue bonds by themselves instead of through their LGFVs in the recent years, the role of LGFVs has gradually weakened. When it comes to the outlook of the LGFV sector, in the long run, LGFV issuers will deleverage further in order to achieve economic transformation and resolve major financial risks. He believed that the credit profile differentiation among LGFV issuers will become more significant over time, resulting in a greater tail-end risk. In the near term, we can expect an increasing importance of LGFVs and a marginal risk reduction on LGFV issuers.

After that, Mr. Ben Yau introduced the rating methodology of Lianhe Global for LGFVs and its difference with that of the other international rating agencies. He shared that the LGFV offshore bond issuance in 2021 and 2022Q1 grew significantly YoY as compared to 2020. It

was due to the significant size of LGFV offshore bonds maturing in 2021-24, which leads to a strong refinancing need by the LGFV issuers. The tightening policies for onshore financing also gave grounds for those LGFV issuers with weaker credit profiles to issue bonds with standby letters of credit (“SBLC”) in the offshore market. In the foreseeable future, he expected a tightening policy for LGFV offshore market and a series of rate hikes initiated by the U.S. Federal Reserve. But the strong refinancing needs by the LGFV issuers would support the LGFV offshore bond issuance this year. On the other hand, he believed the credit polarization among LGFV issuers would worsen. In addition, he shared that the sustainability of the LGFV businesses had become a key consideration. He reminded that it is essential to have an in-depth understanding of whether the business is profit-oriented or for the general public goods, and the financial position and liquidity of the LGFV issuers.

### **About Lianhe Global**

Lianhe Global is a Type 10 license holder approved by the Hong Kong Securities and Futures Commission to provide credit rating services. Lianhe Global has assigned international issuer ratings (all solicited) to over 30 corporate and LGFV issuers and has rated 87 deals worth USD 21 billion of Chinese offshore bonds, making it the largest Chinese offshore credit rating agency.

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