

Lianhe Global has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Tianjin Binhai New Area Construction and Investment Group Co., Ltd.

HONG KONG, 27 June 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A-’ global scale Long-term Issuer Credit Rating to Tianjin Binhai New Area Construction and Investment Group Co., Ltd. (“TBCIG”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the Tianjin Municipal People’s Government (“Tianjin government”) would provide strong support to TBCIG if needed, in light of its 100% ownership of TBCIG, TBCIG’s strategic position as the major development and operation entity of Tianjin Binhai New Area (“Binhai New Area”) and the strong linkage between the Tianjin government and TBCIG including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Tianjin government may face a significant negative impact on its reputation and business and financing activities should TBCIG encounter any operational or financial difficulties.

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

Key Rating Rationales

Tianjin Government’s Full Ownership: The Tianjin government has 100% ownership of TBCIG via the State-owned Assets Supervision and Administration Commission of the Tianjin government (“Tianjin SASAC”), which is appointed by the Tianjin government to supervise state-owned entities. TBCIG was established with an initial registered capital of RMB100 million in 2006. After several capital injections and equity transfers, both the registered capital and paid-in capital of TBCIG were enlarged to RMB30 billion at end-March 2022.

High Strategic Importance to Binhai New Area: TBCIG is the largest LGFV in Binhai New Area in terms of asset size at end-2021. It is responsible for various businesses including infrastructure construction, highway toll, affordable housing, finance leasing, as well as environmental protection to support the economic and urban development in Binhai New Area.

In addition, Binhai New Area was the largest district in Tianjin, accounting for c. 40% of the municipality’s GDP in 2021. In the future planning of the Tianjin government, TBCIG will continue to play a significant role as an integrated city operator in Binhai New Area.

Government Supervision and Strategic Alignment: The Tianjin government has strong control and supervision over TBCIG, including the control of the board of directors, senior management appointments, and major strategic, investment and financing planning. TBCIG’s

business operation and development have been aligned with the government's economic and social policies in Binhai New Area.

Ongoing Government Support: TBCIG has received strong support from the government such as government subsidies, capital injections and financial supports. The Tianjin government purchased a considerable amount of the completed infrastructure projects from TBCIG in the past, but the overall cash collection from the government is slower than expected with a significant size of outstanding receivables. Thus, TBCIG is expected to continue receiving repayments from the government in the future for the completed projects. We believe TBCIG is likely going to receive timely government support in the form of operational and/or financial subsidies.

Moderately Weak Financials: TBCIG's earnings generation capability has been moderately weak given its large portion of revenue from the low-margin material trading business. Besides, TBCIG's financial leverage (total liabilities to assets) was c. 65% at end-2021. Apart from the financial support from the government, TBCIG has access to multiple financing channels including bank borrowings, bond issuance and other financing channels to support its debt repayment and business operation. TBCIG's liquidity was moderately tight with total cash of c. RMB8.8 billion, of which c. RMB4.5 billion was unrestricted, and a total credit line of RMB117.0 billion, of which RMB51.3 billion was available, as compared with the debt to be due within one year of c. RMB38.9 billion at end-March 2021.

Moderate Economic and Fiscal Strength of Tianjin: In 2021, Tianjin realized RMB1,569.5 billion GDP, representing a year-over-year growth rate of 6.6%. While this marked the sixth consecutive year of slower growth than the national rate, the gap is narrowing. Fixed-asset investment and large-scale industrial output followed the same trend and expanded by 4.8% and 8.2%, respectively, in 2021. Tianjin's economic growth was mainly fueled by the secondary and tertiary industries in the past few years, with a stable industrial structure. In addition, Tianjin's whole-year GDP amount was ranked 11th among all cities in China in 2021 with GDP per capita of c. RMB114,312.

With a relatively high base of fiscal revenue, Tianjin's budgetary revenue increased to RMB214.1 billion in 2021, representing a year-over-year growth rate of 11.3%. As the major contribution to the budgetary revenue, Tianjin's tax revenue maintained at c. 68%-78% of its budgetary revenue in the past few years. However, Tianjin's government-managed fund revenue had relatively volatile growth rates of 23.3%, -36.3% and 23.5% in 2019, 2020 and 2021, respectively. The fiscal deficit of Tianjin improved slightly in 2021, due to the stabilized budgetary expenditure along with the growth of budgetary revenue. Despite the relatively high fiscal revenue, Tianjin's debt level increased to RMB788.2 billion at end-2021 from RMB636.8 billion at end-2020, which led to a rising fiscal debt ratio, as measured by total government debt outstanding over aggregate revenue, to 189.7% at end-2021 from 112.5% at end-2019.

Rating Sensitivities

We would consider downgrading TBCIG's rating if (1) there is perceived weakening in support from the Tianjin government, particularly due to its reduced strategic importance with

diminished government functions, or (2) there is a significant reduction in the Tianjin government's ownership of TBCIG, or (3) there is a downgrade in our internal credit assessment on the Tianjin government.

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

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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