

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Huangshi Yimin Investment Co., Ltd.**

HONG KONG, 21 December 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Huangshi Yimin Investment Co., Ltd. (“HYI” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Huangshi City (“Huangshi government”) would provide moderately strong support to HYI if needed, in light of its indirectly majority ownership of HYI, HYI’s strategic importance as the important Local Investment and Development Company (“LIDC”) for affordable housing construction in Huangshi Economic and Technological Development Zone (“Huangshi EDZ”), and the linkage between the Huangshi government and HYI, including supervision over the management, strategic alignment, as well as policies support and assets injection. In addition, the Huangshi government may face negative impact on its reputation, business and financing activities if HYI encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** The Huangshi government through the LIDC of the State-owned Assets Supervision and Administration Commission of Huangshi (“Huangshi SASAC”), Huangshi Urban Development Investment Group Co., Ltd. (“UDIG”), holds majority equity of HYI. Through the shareholder of HYI, the Huangshi government has strong supervision over the company, including supervision of the management, development strategy and investment plan decisions, major financing plans and daily operations. In addition, the Huangshi government has formulated a performance appraisal policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** As an important LIDC in Huangshi, HYI is mainly responsible for the construction of affordable housing projects in Huangshi EDZ. In order to ensure the further development of the company along with the development planning of the Huangshi EDZ and its business development needs, the Management Committee of Huangshi EDZ (“Huangshi EDZMC”) has given a series of support and preferential policies in the construction of affordable housing projects, and the company’s regional monopoly advantage is relatively strong. HYI’s strategic planning and development have been aligned with the local government’s economic and social policies. Huangshi EDZ is a key development area for the local government in the future, and the company will continue undertaking the construction of affordable housing projects and urban renewal in the region.

**Ongoing Government Support:** HYI has been supported by the Huangshi government and the Huangshi EDZMC in terms of policy, land and project resources since its establishment. The government support it has received was mainly in the form of assets injection. The amount of asset injected by the local government and shareholder was approximately RMB2.1 billion, RMB543 million and RMB260 million in 2020, 2021 and the first nine months of 2022, respectively. The main assets include the agent construction project, underground garage and low-rent housing, etc. In addition, the company receives certain operating subsidies from the local government from time to time.

**HYI's Financial and Liquidity Position:** HYI is one of the important state-owned entities in Huangshi, with total asset of c. RMB18.8 billion at end-September 2022. The company's financial leverage as measured by total liabilities/total assets decreased from 69.0% at end-2019 to 53.4% at end-September 2022, mainly due to the increase in the size of the company's assets and projects transferred by the Huangshi EDZMC and the shareholder, as well as the decrease in liabilities. The company primarily relies on bank borrowings to fund its capital expenditures, followed by non-traditional financing. The company's total debt was c. RMB7.09 billion, of which short-term and long-term debt accounted for 35.4% and 64.6% of its total debt, respectively, at end-September 2022. Meanwhile, HYI had a cash balance of c. RMB680 million (among which the restricted cash was RMB620 million) and unused credit facilities of c. RMB4.45 billion, compared with its debt due within one year of c. RMB2.51 billion. Considering that the company currently has a number of projects under construction and proposed projects, we expect the company to have certain capital expenditure needs in the future.

**Economy and Fiscal Condition of Huangshi:** Huangshi is a prefecture-level city in the southeast of Hubei Province. In 2021, the GDP of Huangshi was c. RMB186.6 billion, with a year-over-year growth rate of 13.0%. The Huangshi government's fiscal revenue fluctuated in the past few years due to the impact of COVID-19. The budgetary revenue of the Huangshi government grew rapidly in 2021, reaching c. RMB12.6 billion, with a year-over-year growth rate of 42.5%, in which tax revenue accounted for 73.0% of its budgetary revenue. The fiscal self-sufficiency rate of the Huangshi government was insufficient that it continued to receive subsidies from higher governments. In addition, the government-managed funds income was also an important part of the aggregate fiscal revenue of the local government, but it was vulnerable to market and policy changes. The outstanding debt of local government continuously increased in the past three years, mainly due to the increase of special debt. The Huangshi government had an outstanding debt of RMB34.1 billion at end-2021.

### **Rating Sensitivities**

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

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