

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Taixing Runjia Holdings Ltd.**

HONG KONG, 1 March 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Taixing Runjia Holdings Ltd. (“TRH” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Taixing City (“Taixing government”) would provide strong support to TRH if needed, in light of its indirect majority ownership of TRH, TRH’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction, area development and state-owned asset operation and management in Taixing City (“Taixing”), especially in the Taixing Economic Development Zone (“Taixing EDZ”), and the linkage between the Taixing government and TRH, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Taixing government may face significant negative impact on its reputation and financing activities if TRH encounters any operational and financial difficulties.

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

**Key Rating Rationales**

***Taixing Government’s Ownership and Supervision:*** The Taixing government indirectly holds the majority ownership of TRH through Taixing Municipal People’s Government State-owned Assets Supervision and Administration Office (“Taixing SASAO”), and is the ultimate shareholder of the company. The Taixing SASAO has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions, via the Taixing Economic Development Zone Management Committee (“TEDZMC”). In addition, the Taixing SASAO has assessment mechanism over the company and it will appoint auditor to supervise the operating performance and financial position on a periodic basis via TEDZMC.

***Strategic Importance to Taixing and Strategic Alignment:*** TRH, as an important LIDC in Taixing, especially in Taixing EDZ, is mainly responsible for infrastructure investment and construction, operation and management of state-owned assets, and public service facilities etc., with franchise advantages. In addition, TRH is also responsible for the construction of administrative and business areas in the region and related investment attraction work to promote the industrial upgrading and transformation of Taixing EDZ. TRH is the core entity for infrastructure construction and the operation of state-owned assets development, in Taixing and Taixing EDZ. It plays an important role in promoting the economic and social development

of the region. TRH's business operation and development have been aligned with the government's development plans.

**Ongoing Government Support:** TRH received operational and financial support from the government. TRH had received a total subsidy amount of c. RMB96.6 million from 2020 to 2022, mainly including daily operating subsidies. The Taixing Government, through the TEDZMC, continued to inject cash, equity and land remediation projects into TRH to expand its asset size and diversify its business. TEDZMC will repurchase some infrastructure and administrative area construction projects and provide policy supports to TRH to ensure its business operation. Given the franchise advantage in infrastructure construction and area development in Taixing EDZ, TRH has advantages to obtain land resources and major projects. We believe TRH is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

**TRH's Financial Matrix and Liquidity Position:** TRH's total assets showed a continuous growth trend in the past years and reached RMB24.3 billion at end-2022, mainly due to the increase in inventories as a result of infrastructure construction and area development. Although the current asset accounted for a large proportion in total asset, the overall assets were less liquid and under certain pressure of capital occupation. TRH's financial leverage (total liabilities to total assets) was 34.3% and its adjusted debt increased to c. RMB7.5 billion at end-2022. The liquidity of TRH was tight. TRH had a cash balance and unused credit facilities of c. RMB2 billion and RMB1.1 billion at end-2022, respectively, compared with its debt due within one year of c. RMB3.7 billion. Having said that, TRH has access to various financing channels, including bank loans, bond issuance and non-traditional financing (e.g., trust loans), to support its debt repayment and business operations.

**Economy and Fiscal Condition of Taixing:** Taixing is a county-level city in Jiangsu Province, which is an important economic link between the north and south of the Yangtze River. Taixing recorded strong economic growth in 2021, achieving a GDP of c. RMB127.3 billion, with a year-on-year growth of 9.9%.

The aggregate fiscal revenue of the Taixing government was mainly derived from the budgetary revenue and government fund income. In 2021, the budgetary revenue of the Taixing government reached c. RMB9.3 billion, with a year-on-year increase of 9.0%. At the same time, the government fund income was c. RMB13.9 billion, up 10.7% year-on-year, yet it was vulnerable to market and policy changes. However, the Taixing government's debt ratio (total outstanding debt/ aggregate fiscal revenue) was relatively high at 105.0% in 2021.

## Rating Sensitivities

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

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