

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

HONG KONG, 8 March 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Taizhou Xinbinjiang Development Co., Ltd. (“TXDC” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Taizhou City (“Taizhou government”) would provide moderately strong support to TXDC if needed, in light of its full ownership of TXDC, TXDC’s strategic importance as an important local investment and development company (“LIDC”) responsible for infrastructure construction and state-owned assets operation in Binjiang Industrial Park (“Industrial Park”) of Taizhou Medical High-tech Industrial Development Zone (“Medical High-tech Zone”) of Taizhou City, and the linkage between the Taizhou government and TXDC, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support. In addition, the Taizhou government may face negative impact on its reputation and financing activities if TXDC encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** TXDC was established with an initial registered capital of RMB20 million in August 2000. At end-September 2022, the Taizhou government via the State-owned Assets Supervision and Administration Committee of Taizhou government (“Taizhou SASAC”) holds 100% ownership of TXDC. Taizhou SASAC is the sole shareholder and actual controller of TXDC. The Taizhou government has strong supervision over the company, including appointment and supervision of the senior management, development strategy, major investment and financing plan decisions and ongoing government support. In addition, the Taizhou 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:** TXDC is an important and sole entity for infrastructure construction in the Industrial Park of the Medical High-tech Zone of Taizhou. The company intends to promote the integration of production, services and development in the Industrial Park through investment. The company’s business strategy has been aligned with the government development plan. It will adhere to the goal of the “14<sup>th</sup> Five-Year-Plan”

of Taizhou, seize the business opportunities, play its leading role in infrastructure construction in the Industrial Park and provide full services to enterprises entering the Industrial Park.

**Ongoing Government Support:** TXDC has been supported by the local government since its establishment. The government support was mainly in the form of capital and assets injection and operational subsidies. The registered capital of the company increased from RMB20 million to RMB4.33 billion at end-September 2022. In 2020, the company received a capital injection of RMB3 billion from the local government. The subsidies amount received from the government was c. RMB370 million, RMB400 million and RMB483 million and RMB302 million in 2019, 2020, 2021 and the first nine months of 2022, respectively. Considering the function and strategic importance of the company, we believe that the company is likely going to receive timely government support in the form of operational and/or financial subsidies in the future.

**TXDC's Financial and Liquidity Position:** TXDC's total assets increased rapidly from c. RMB28.4 billion at end-2019 to c. RMB43.8 billion at end-September 2022. TXDC's financial leverage (total liabilities/total assets) was moderately high and it maintained at c. 65%-70% in the past few years, which reached 69.1% at end-September 2022. The company's total adjusted debt was c. RMB26.9 billion at end-September 2022, of which short-term and long-term debt accounted for 61.3% and 38.7% of its total adjusted debt, respectively. Meanwhile, TXDC had a cash balance of c. RMB4.3 billion (among which the restricted cash was c. RMB3.7 billion) and unused credit facilities of c. RMB2.0 billion. TXDC mainly relies on external financing and it has access to various financing channels, including bank loans, onshore and offshore bond issuance and other non-traditional financing, to support its debt repayment and business operations.

**Economy and Fiscal Condition of Taizhou:** Taizhou is a prefecture-level city in Jiangsu and it is an important trading port city in China's Yangtze River Delta Region. Taizhou realized GDP of c. RMB640.2 billion, representing a year-on-year growth rate of 4.4% in 2022. In 2022, the government's fiscal revenue was affected by the value-added tax (VAT) credit refund policy. The Taizhou government's fiscal revenue was c. RMB41.7 billion. It recorded a growth rate of 7.4% in 2022, excluding the impact from the VAT credit refund. The financial self-sufficiency rate of Taizhou was insufficient and it recorded budget deficit of 67.3% in 2022. Taizhou continuously received substantial subsidies from higher government. The government fund income was another important part of its aggregate fiscal revenue. However, it was vulnerable to market and policy changes. In 2022, the government fund income of the Taizhou was c. RMB52.3 billion, downed 23.2% year-on-year. At end-2022, the Taizhou government's outstanding debt was c. RMB100.1 billion, including RMB44.6 billion of general obligations and RMB55.5 billion of special debt.

### Rating Sensitivities

We would consider downgrading TXDC's rating if (1) there is perceived weakening in support from the Taizhou government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Taizhou

government's ownership of TXDC, or (3) there is a downgrade in our internal credit assessment on the Taizhou government.

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

### **Contact Information**

Primary Analyst

Toni Ho

Director

(852) 3462 9578

[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

Committee Chairperson

Ben Yau

Senior Director

(852) 3462 9586

[ben.yau@lhratingsglobal.com](mailto:ben.yau@lhratingsglobal.com)

Business Development Contact

Joyce Chi

Managing Director

(852) 3462 9569

[joyce.chi@lhratingsglobal.com](mailto:joyce.chi@lhratingsglobal.com)

## Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the company’s website: [www.lhratingsglobal.com](http://www.lhratingsglobal.com)

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2023.