

**Lianhe Global publishes ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jiangsu Zhongyang Clean Energy Development Co., Ltd.**

HONG KONG, 1 August 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, publishes ‘BBB-’ global scale Long-term Issuer Credit Rating to Jiangsu Zhongyang Clean Energy Development Co., Ltd. (“JZCE” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yangzhong City (“the Yangzhong government”) would provide strong support to JZCE if needed, in light of its full ownership of JZCE, JZCE’s strategic importance as an important local investment and development company (“LIDC”) responsible for urban development and rural revitalization, ports and other state-owned assets operations in Yangzhong City (“Yangzhong”), and the linkage between the Yangzhong government and JZCE, 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 Yangzhong government may face significant negative impact on its reputation and financing activities if JZCE encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** The Yangzhong government holds 100% stake of JYCE through Yangzhong Urban and Rural State-owned Assets Management Center. The Yangzhong government also has strong supervision over the company, including appointment and supervision of the senior management, development strategy, major financing plan and investment decisions. In addition, the Yangzhong government has formulated a performance assessment policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** JZCE is an important LIDC responsible for urban and industrial development, as well as rural revitalization in Yangzhong. Its business operations and strategic planning have been aligned with the local government’s economic and social development policies. The Yangzhong government designates JZCE to develop and operate ports and the port-surrounding industry parks (including clean energy industrial park), a major strategy to improve the city’s connectivity, attract investment and promote industry development. In addition, the company participates in Yangtze River water conservancy projects and is diversifying into clean energy industry.

**Ongoing Government Support:** By end-2022, the Yangzhong government had injected lands totaling RMB6.3 billion, as well as Yangzhong Olympic Sports Center, a city landmark,

into JZCE. In addition, the government had allocated state-owned properties generating sizeable rental income to the company. Between 2020 and 2022, JZCE also received ongoing project funds and operation subsidies of RMB1,324 million and RMB895 million, respectively.

***Economy and Fiscal Condition of Yangzhong:*** Yangzhong is a county-level city under the jurisdiction of Zhenjiang City, with a relatively well-developed economy, mainly fueled by secondary and tertiary industries, accounting for 44.3% and 52.5% of its GDP in 2021. At the same time, it was listed in China's top 100 counties with a relatively high GDP per capita of RMB174,500 in 2021, which was higher than Zhenjiang's RMB148,200 and Jiangsu's RMB137,000. Yangzhong realized a GDP of RMB55.1 billion in 2021, representing a year-on-year growth of 11.1%. In addition, Yangzhong's fixed asset investment grew by 18.1% in 2021. Its major industries include electrical engineering, shipbuilding, car part manufacturing and clean energy.

The Yangzhong government's budgetary revenue has grown steadily between 2019 and 2021, increasing to RMB3.8 billion from RMB3.4 billion. Yet its aggregate revenue relied on the income from the government fund, contributing c. 50% to its aggregate revenue over the same period, which could make it vulnerable to the recent property market downturn. In addition, the Yangzhong government's fiscal self-sufficiency rate was moderately weak, and the government debt was moderately high.

***JZCE's Financial and Liquidity Position:*** JZCE's asset size grew steadily to RMB21,138 million at end-2022 from RMB18,080 million at end-2019 due to its active participation in Yangzhong's project construction, representing an annual compound growth rate of 8.1%. The asset expansion was primarily supported by both the government's project funds and borrowings. As a result, the company maintained its financial leverage (total debt/(total debt+equity)), at a manageable level of below 40%. In particular, JZCE received a sizeable project funds of RMB1,276 million in 2022. Also, the company shrank its debt size to RMB6,760 million from RMB7,568 million over the same period. The combined effect lowered the company's financial leverage to 35.7% at end-2022.

The liquidity of JZCE was moderately tight. The company's cash balance decreased by 54.0% to RMB480 million (including restricted cash of RMB338 million) at end-2022 from RMB1,045 million at end-2021, owing to debt repayments and its project construction activities. At the same time, the company had debt due within one year of RMB779 million. Nevertheless, JZCE has access to various financing channels, including bank borrowings and other non-traditional financings, to support its debt repayments and business operations. At end-2022, the company had unused credit lines of c. RMB2.2 billion.

***Moderately High Contingent Liability Risk:*** JZCE's contingent liability risk was moderately high. It provided financial guarantees of c. RMB6.1 billion to third parties at end-2022, accounting for 50.0% of the company's net asset. All guaranteed parties were SOEs and LIDCs in Yangzhong. JZCE also had restricted assets of RMB5.5 billion at end-2022, accounting for 25.8% of its total asset.

## Rating Sensitivities

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

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