

**Lianhe Ratings Global Limited has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Shiyuan Economic and Technological Development Zone Construction Investment Development Group Co., Ltd.**

HONG KONG, 21 September 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Shiyuan Economic and Technological Development Zone Construction Investment Development Group Co., Ltd. (“SETD” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Shiyuan City (“Shiyuan government”) would provide strong support to SETD if needed, in light of its full ownership of SETD, SETD’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset management in Shiyuan City, especially in the Shiyuan Economic and Technological Development Zone (“Shiyuan EDZ”) and the linkage between the Shiyuan government and SETD, 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 Shiyuan government may face significant negative impact on its reputation and financing activities if SETD encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** The Shiyuan government holds the full ownership of SETD through the Shiyuan Economic and Technological Development Zone State-owned Assets Management Bureau (“EDZ SAMB”). The Shiyuan government is the actual controller of the company. It 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. In addition, the Shiyuan government has assessment mechanism over the company and appoints auditor to supervise the operating performance and financial position on a periodic basis.

**Strategic Importance to Shiyuan and Strategic Alignment:** SETD, as the key LIDC in Shiyuan, is primarily responsible for infrastructure construction and state-owned asset management in Shiyuan EDZ. Serving as the sole entity in charge of infrastructure projects in Shiyuan EDZ, SETD focuses on land development, road and bridge construction and other main municipal engineering projects in the region. In addition, the company is also responsible for the industrial park projects, pipe network leasing and other state-owned

asset management and operation business within Shiyan EDZ, with strong regional advantages. SETD plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

**Ongoing Government Support:** SETD received operational and financial support from the government, mainly including operating subsidies. The Shiyan government and EDZ SAMB will inject capitals, land and other state-owned assets into SETD to expand its asset size. Besides, the EDZ SAMB will repurchase some infrastructure projects and provide policy supports to SETD to ensure its business operation. Given it is the sole entity for infrastructure construction in Shiyan EDZ, SETD has an advantage in acquiring land resources and major projects. We believe SETD is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

**SETD's Financial Matrix and Liquidity Position:** SETD's total assets showed a continuous growth trend in the past years and reached RMB31.3 billion at end-June 2023, mainly due to the increase of intangible assets. The current assets of SETD accounted for 66.5% of the total assets at end-June 2023, but the overall asset liquidity was moderately weak due to large proportion of inventories and intangible assets.

SETD's financial leverage (total liabilities to total assets) was 18.9% and its adjusted debt decreased to c. RMB3.6 billion at end-June 2023. A relatively high level of SETD's debts were related to non-traditional financings. The liquidity of SETD was sufficient. SETD had an unrestricted cash balance and unused credit facilities of RMB35.9 million and RMB2.3 billion at end-June 2023, respectively, compared with its debt due within one year of c. RMB30 million. Besides, SETD has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations.

**Economy and Fiscal Strength of Shiyan:** Shiyan is a prefecture-level city in Hubei Province ("Hubei"), with a total land area of c. 23,000 square kilometers. Owing to Covid's disruption, Shiyan's GDP growth rate fluctuated in the past three year, which was -5.1%, 11.5% and 3.6% in 2020, 2021 and 2022, respectively. Its GDP reached RMB230.5 billion in 2022, which was ranked 7th among 16 prefecture-cities under the jurisdiction of Hubei.

The aggregate fiscal revenue of the Shiyan government was mainly derived from the budgetary revenue, government fund income and transfer payment. From 2020 to 2022, the Shiyan government's budgetary revenue increased to RMB11.6 billion from RMB8.9 billion, with the tax revenue accounted for 68%-75% of its budgetary revenue. The government fund income decreased to c. RMB10.7 billion in 2022 from c. RMB14.4 billion in 2021, owing to the weak property market. The fiscal self-sufficiency rate of the Shiyan government was relatively low, and it recorded a budget deficit of 252.9% in 2022. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, was lifted to 117.6% at end-2022 from 84.7% at end-2020, mainly due to the increase in special debt.

## Rating Sensitivities

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

We would consider upgrading SETD's rating if (1) there is strengthened support from the Shiyang government, or (2) there is an upgrade in our internal credit assessment on the Shiyang 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 SETD'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  
Jack Li, CESGA  
Analyst  
(852) 3462 9585  
[jack.li@lhratingsglobal.com](mailto:jack.li@lhratingsglobal.com)

Secondary Analyst  
Toni Ho, CFA, FRM  
Director  
(852) 3462 9578  
[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

Committee Chairperson  
Joyce Huang, CFA  
Managing Director  
(852) 3462 9586  
[joyce.huang@lhratingsglobal.com](mailto:joyce.huang@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 China Lianhe Credit Rating 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.