

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

HONG KONG, 5 September 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Tongcheng Economic Development Zone Construction Investment Group Co., Ltd. (“TEDZ” or “the company”). The Outlook is Stable.

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

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** The Tongcheng government holds the full ownership of TEDZ through the Tongcheng Economic and Technological Development Zone Management Committee (“EDZ MC”). The Tongcheng 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 Tongcheng 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 Tongcheng and Strategic Alignment:** TEDZ, as the key LIDC in Tongcheng, is primarily responsible for infrastructure construction and state-owned asset management in Tongcheng EDZ. Serving as the sole entity in charge of infrastructure projects in Tongcheng EDZ, TEDZ focuses on constructing industrial parks, sewage treatment plants and other main municipal engineering projects in the region. In addition, the company is also responsible for the resettlement housing construction projects, office spaces and parking spaces operation, pipe network leasing and other state-owned asset management and

operation business within Tongcheng EDZ, with strong regional advantages. TEDZ 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:** TEDZ received operational and financial support from the government. TEDZ received a total subsidy amount of c. RMB33.3 million from 2020 to the first three months of 2023, mainly including operating subsidies. The Tongcheng government continued to inject capitals, equities, land and other assets into TEDZ to expand its asset size. Besides, the EDZ MC will repurchase some infrastructure projects and provide policy supports to TEDZ to ensure its business operation. Given it is the sole entity for infrastructure construction and resettlement housing construction in Tongcheng EDZ, TEDZ has an advantage in acquiring land resources and major projects. We believe TEDZ is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

**TEDZ's Financial Matrix and Liquidity Position:** TEDZ's total assets showed a continuous growth trend in the past years and reached RMB11.0 billion at end-March 2023, mainly due to the increase of inventories, which have steadily increased in tandem with the company's infrastructure construction projects. The current assets of TEDZ accounted for c. 75% of the total assets at end-March 2023, but the overall asset liquidity was moderately weak due to large proportion of inventories and receivables.

TEDZ's financial leverage (total liabilities to total assets) was 53.8% and its adjusted debt increased to c. RMB4.7 billion at end-March 2023. The liquidity of TEDZ was sufficient. TEDZ had a cash balance and unused credit facilities of c. RMB974 million and RMB4.3 billion at end-March 2023, respectively, compared with its debt due within one year of c. RMB484 billion. Besides, TEDZ 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 Tongcheng:** Tongcheng is a county-level city in Anhui Province and managed by Anqing City ("Anqing"), with a total land area of c. 1,571 square kilometers. Tongcheng's GDP growth rate fluctuated in the past three years, which was 3.0%, 6.2% and 4.5% in 2020, 2021 and 2022, respectively. Its GDP reached RMB45.2 billion in 2022, which was ranked 1st out of all jurisdictions of Anqing. The aggregate fiscal revenue of the Tongcheng government was mainly derived from the budgetary revenue and government fund income. The Tongcheng government's budgetary revenue increased to c. RMB2.2 billion in 2022 from c. RMB1.8 billion in 2020. At the same time, the government fund income increased to c. RMB3.3 billion in 2022 from c. RMB1.0 billion in 2021. The budget deficit of the Tongcheng government was c. 173.3% at end-2022, while the debt ratio (total outstanding debt/ aggregate fiscal revenue) of the Tongcheng government increased to 138.6% at end-2022 from 90% at end-2020.

## Rating Sensitivities

We would consider downgrading TEDZ's rating if (1) there is perceived weakening in support from the Tongcheng government, particularly due to its reduced strategic importance with

diminished government functions, or (2) there is a significant reduction of the Tongcheng government's ownership of TEDZ, or (3) there is a downgrade in our internal credit assessment on the Tongcheng government.

We would consider upgrading TEDZ's rating if there is an upgrade in our internal credit assessment on the Tongcheng 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 TEDZ'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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