

# Yangzhou Economic and Technological Development Zone Development (Group) Co., Ltd.

## Surveillance Report

### Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	25 March 2024

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Yangzhou Economic and Technological Development Zone Development (Group) Co., Ltd. (“YETDG” or “the company”) to ‘A-’ from ‘BBB+’; Issuer Rating Outlook Stable.

### Summary

The Issuer Credit Rating upgrade reflects an upgrade in our internal credit assessment on Jiangsu’s Yangzhou Municipal People’s Government (“the Yangzhou government”) and the expectation of continuing of a high possibility that the Yangzhou government would provide strong support to YETDG if needed, in light of its indirect full ownership of YETDG, YETDG’s strategic position as an important development and operation entity in Jiangsu’s Yangzhou city (“Yangzhou”), especially in the Yangzhou Economic and Technological Development Zone (“the Development Zone”) and the strong linkage between the Yangzhou government and YETDG, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Yangzhou government may face significant negative impact on its reputation and financing activities should YETDG encounter any operational or financial difficulties.

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

### Rating Rationale

**The Yangzhou Government’s Full Ownership and Strong Supervision:** The Yangzhou government established Yangzhou Industrial Investment State-owned Holding (Group) Co., Ltd., (“YIIS”), and transferred 100% shares of YETDG to YIIS without compensation; the Yangzhou government remained as the company’s actual controller. It also has strong control and supervision over the company, including the appointment of senior management, the decision on major strategies, investment and financial planning. In addition, the Yangzhou government has established an assessment mechanism for YETDG and regularly appoints auditors to review its operating performance and financial position.

**High Strategic Importance and Strategic Alignment:** YETDG’s business operations and strategic planning have been aligned with Yangzhou’s economic and social development policies. As the most important primary land development and infrastructure construction entity in the Development Zone, YETDG undertakes most critical infrastructure projects mandated by the Development Zone Management Committee. The company also develops and operates industrial parks and commercial complex within the region. It plays an important role in the Development Zone’s economic development.

**Ongoing Government Support:** YETDG has received strong support from the government, including capital injections and financial subsidies. In 2022, the Yangzhou government injected cash capital of RMB3.5 billion into YETDG, enlarging the company’s paid-in capital to RMB23.1 billion from RMB19.6 billion. The company also received financial subsidies of RMB376 million and RMB200 million in 2022 and 2023, respectively, from the Yangzhou

### Key Figures of Yangzhou and YETDG

(RMB billion)

	2022	2023
<b>Yangzhou</b>		
GDP	710.5	742.3
GDP growth rate (%)	4.3	6.0
Budgetary revenue	32.5	34.8
Government fund	65.6	65.2
Transfer payment	10.6	9.1*
Budgetary expenditure	69.9	71.1
<b>YETDG</b>	<b>2022</b>	<b>2023.9</b>
Asset	75.4	86.9
Equity	27.3	27.5
Revenue	2.4	2.0

Source: Public information, YETDG and Lianhe Global’s calculations

Notes: Budget figures

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### Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

government. We expect that the Yangzhou government's support to YETDG would be strengthened given its strategic importance.

**Economy and Fiscal Condition of Yangzhou:** Yangzhou recorded a GDP of RMB742.3 billion in 2023, representing a 6.0% year-over-year growth, up from 4.3% in 2022, as tourist and manufacturing industries boosted the GDP growth. The city also adopted large-scale investment to promote the economic growth, resulting in a 10.5% year-over-year growth in fixed asset investment. Yangzhou's economic structure was largely stable, with primary, secondary and tertiary industries contributing 4.5%, 47.3% and 48.2% to aggregate GDP, respectively, in 2023.

The Yangzhou government's budgetary revenue significantly increased to RMB34.8 billion in 2023 from RMB32.5 billion in 2022, representing a year-on-year growth rate of 6.8%. The Yangzhou government also managed to stabilize its government fund income, which was mainly generated by land sales, recording RMB65.2 billion (2022:RMB65.6 billion). As a result, Yangzhou government's aggregate revenue increased slightly by 0.6% to RMB110.4 billion in 2023 from RMB109.8 billion in 2022. Yet it continued to issue substantial numbers of special debts to support local public projects, pushing up the government debt ratio to 110.2% from 100.6%.

**YETDG's Financial and Liquidity Position:** YETDG's continued its debt-driven expansion in the first nine months of 2023 to support its project development activity in the Development Zone. Its overall leverage, as measured by debt/capitalization, increased to 64.3% at end-September 2023 from 58.5% at end-2022.

YETDG's contingent liability risk remained high. The company provided financial guarantees of RMB10.5 billion to other LIDCs and SOEs in Yangzhou at end-September 2023, accounting for 38.3 % of its net asset.

YETDG's liquidity was moderately tight, as the company had RMB4.7 billion cash (including restricted cash of RMB1.1 billion) at end-September 2023, compared with its debt due within one year of RMB11.5 billion. Yet the company has access to multiple financing channels, including bank borrowings, bond issuance, and trust loans, etc. At end-September 2023, the company had a total credit line of RMB27.8 billion, of which RMB16.2 billion was unused.

## Rating Sensitivities

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

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

## Company Profile

YETDG, established in 1992, is indirect wholly owned by the Yangzhou government. The company is mainly responsible for infrastructure construction and primary land development in the Development Zone. The company also engages in the development and operation of industrial parks and commercial complex, property sales and commodity trading activities.



### Full List of Issuance Rating

A full list of issuance rating is included below. Any rating action on YETDG's rating would result in a similar rating action on the USD bonds:

- USD300 million 4.0% senior unsecured Green Bonds due 2025 upgraded to 'A-' from 'BBB+'

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