

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

HONG KONG, 26 April 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Taizhou Zhongtian New Energy Industry Development Co., Ltd. (“TZNEID” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Hailing District, (“the Hailing District government”) would provide strong support to TZNEID if needed, in light of its direct full ownership of TZNEID, TZNEID’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for development and operation of Taizhou New Energy Industrial Park in Taizhou’s Hailing District (“Hailing District”), and the linkage between the Hailing District government and TZNEID, 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 Hailing District government may face significant negative impact on its reputation and financing activities if TZNEID encounters any operational and financial difficulties.

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

Key Rating Rationales

Hailing District Government’s Ownership and Supervision: The Hailing District government holds the full ownership of TZNEID through Hailing District State-owned Asset Supervision and Administration Office. The Hailing District government has strong control and supervision over the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Hailing District government has assessment mechanism over the company, and it appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Hailing District and Strategic Alignment: TZNEID is an important LIDC in Hailing District, mainly responsible for the development and operation of Taizhou New Energy Industrial Park. Its business operation and development have been aligned with the government’s development plans. TZNEID plays a significant role in promoting the economic and social development of the region, given that Taizhou New Energy Industrial Park is a key region of promoting Hailing District’s industrial development.

Ongoing Government Support: The Hailing District government ongoing operational and financial support to TZNEID. The company received government subsidies totaling RMB226

million from 2020 to 2022. We believe TZNEID is going to receive government support in the coming years, considering its strategic importance in Hailing District.

Economy and Fiscal Strength of Hailing District: Hailing District is an urban district under the jurisdiction of Jiangsu's Taizhou City ("Taizhou") and is located in the central urban area of Taizhou. Hailing District focused on the development of new energy, new material, high-end manufacturing, IT and modern service industry in recent years. Hailing District's GDP growth rate fluctuated between 2020 and 2022, owing to Covid's disruption, which was 3.5%, 8.6% and 3.1% in 2020, 2021 and 2022, respectively. Hailing District realized a GDP of RMB73.3 billion in 2022.

The budgetary revenue of the Hailing District government fluctuated in the past few years, dropping to RMB3.7 billion in 2022 from RMB4.0 billion in 2021, owing to value-added tax credit refund policy. As a result, the fiscal self-sufficiency of the Hailing District government deteriorated between 2020 and 2022. Its budget deficit widened to -37.2% in 2022 from -8.1% in 2020. In addition, the government fund income, mainly generated by land sales, decreased slightly to RMB5.3 billion in 2022 from RMB5.5 billion in 2021, owing to the weak property market.

The total outstanding debt of the Hailing District government increased steadily to RMB7.8 billion at end-2022 from RMB5.6 billion at end-2020, while the government debt ratio (measured by total government debt/aggregate revenue) reducing to 55.1% at end-2021 from 68.2% at end-2020, but rebounded to 71.3% at end-2022, mainly due to the fluctuation of aggregate revenue.

TZNEID's Financial Matrix and Liquidity Position: TZNEID's total asset increased moderately to RMB14.4 billion at end-September 2023 from RMB11.2 billion at end-2020, as it actively participated in local infrastructure construction activities. The company mainly relied on borrowings to fund its asset expansion. Its total debt reached RMB8.3 billion at end-September 2023, compared with RMB5.5 billion at end-2020. As a result, its financial leverage, as measured by debt/capitalization, was on an upward trend in the past few years, increasing to 61.8% from 55.2% over the same period.

The short-term debt servicing pressure of TZNEID was high. At end-September 2023, the company had unrestricted cash of RMB92 million, while it had short term debt of RMB2.7 billion. Yet we expect the company to roll over most of its short-term bank borrowings (end-September 2023: RMB828 million). In addition, the company has access to various financing channels, including bank borrowings, bond issuances and non-traditional financing tools, to support its debt repayments and business operations. At end-September 2023, the company also had unused bank facilities of RMB764 million. Nevertheless, obtaining timely government support and additional financing sources are vital to TZNEID.

Rating Sensitivities

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

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

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

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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