

# Dongtai Huimin Urbanization Construction Group Co., Ltd.

## Surveillance Report

### Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	17 January 2025

### Key Figures of Dongtai and DTHM

(RMB billion)

Dongtai	2022	2023
GDP	105.1	111.8
GDP growth rate (%)	4.7	7.0
Budgetary revenue	6.1	6.5
Government fund	5.6	5.4
Transfer payment	4.8	5.0
Budgetary expenditure	14.0	15.0
DTHM	2023	2024.9
Asset	26.9	28.2
Equity	11.6	13.8
Revenue	4.2	1.8

Source: Public information, DTHM and Lianhe Global's calculations

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Dongtai Huimin Urbanization Construction Group Co., Ltd. (“DTHM” or “the company”); Issuer Rating Outlook Stable

### Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Dongtai City (“Dongtai government”) would provide very strong support to DTHM if needed. This mainly considers the Dongtai government’s full ownership of DTHM, DTHM’s strategic importance as an important local investment and development company (“LIDC”) responsible for infrastructure construction in Dongtai City (“Dongtai”), especially in Economic Development Zone (“Dongtai EDZ”), and the strong linkage between the Dongtai government and DTHM, including the appointment of senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the Dongtai government may face significant negative impact on its reputation and financing activities if DTHM encounters any operational and financial difficulties.

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

### Rating Rationale

**Dongtai Government’s Ownership and Supervision:** The Dongtai government holds 100% ownership of DTHM through Dongtai Kaichuang Investment Development Co., Ltd. (“DKID”), and is the actual controller of DTHM. The Dongtai government has strong control over the company, including the appointment of senior management, strategic alignment, supervision of major financing plan and investment decisions and ongoing operation and financial support. In addition, the Dongtai government formulates a performance assessment policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance to Dongtai and Strategic Alignment:** As an important LIDC in Dongtai, DTHM is mainly responsible for the infrastructure construction in Dongtai EDZ. The primary sources of operating revenue for DTHM are engineering construction, resettlement housing sales and commodity sales, while it also engages in landscape maintenance, crop sales, property leasing, etc. Its business operations and strategic planning have been aligned with the Dongtai government’s economic and social development policies.

**Ongoing Government Support:** The Dongtai government provided ongoing support to DTHM. The company has received total subsidies of RMB649 million from the Dongtai government between 2021 and the first half of 2024. Besides, the company received a series of asset injections with a total value of RMB3.3 billion from the Dongtai government in 2023. We expect DTHM to receive ongoing support from the Dongtai government in the coming years considering its strategic importance in Dongtai.

**Economy and Fiscal Condition of Dongtai:** Dongtai is a county-level city directly under the jurisdiction of Jiangsu Province and managed by Yancheng City (“Yancheng”). Dongtai

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### Applicable Criteria

China Local Investment and Development Companies Criteria  
 (31 July 2024)

has abundant tourism resources, including Xixi Area, Huanghai Forest Park, Anfeng Ancient Town, etc. It recorded a rapid economic growth in 2023, achieving a GDP of RMB111.8 billion, with a year-on-year growth of 7.0%. Its total GDP was ranked first among all districts and counties in Yancheng in 2023.

The aggregate fiscal revenue of the Dongtai government was mainly derived from the budgetary revenue and government fund income. In 2023, the budgetary revenue of the Dongtai government increased to RMB6.5 billion, and the tax revenue accounted for 78.2% of its budgetary revenue, up from 72.9% in 2022. On the other hand, the government fund income decreased to RMB5.4 billion in 2023, owing to the weak property market. Dongtai's budget deficit remained high at 130.6% in 2023. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, increased to 114.6% at end-2023 from 108.1% at end-2022, mainly due to the increase in special purpose debt.

**DTHM's Financial and Liquidity Position:** DTHM's total assets increased to RMB28,239 million at end-September 2024 from RMB26,921 million at end-2023, mainly due to the increase of inventory. The total debts of DTHM decreased to RMB12,453 million at end-September 2024 from RMB14,275 million at end-2023, and the financial leverage (total debt capitalization ratio) of DTHM declined to 47.4% at end-September 2024 from 55.3% at end-2023.

DTHM's liquidity was weak. At end-September 2024 the company had cash of RMB782 million (including restricted cash of RMB511 million), compared with debt due within one year of RMB1,604 million. Nevertheless, the company has access to various financing channels, including bank borrowings, bond issuances and other non-traditional financings, to support its debt repayments and business operations. Besides, the company had unused bank facilities of RMB2.1 billion at end-2023.

### Rating Sensitivities

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

We would consider upgrading DTHM's rating if there is an upgrade in our internal credit assessment on the Dongtai government.

### Company Profile

DTHM was established by Dongtai Investment Development Co., Ltd. in June 2010, with the actual controller of DTHM being the Dongtai government. In August 2024, the Dongtai government decided to transfer its 100% shares in DTHM to Dongtai Kaichuang Investment Development Co., Ltd. (DKID) without compensation, and the company's type was changed to a limited liability company.

After this change of shareholders, DTHM had a shareholding structure in which the DKID, as the sole shareholder, held 100% of the company's equity. The actual controller of DTHM was the Dongtai government.

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