

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub> to Renshou Urban Investment Group Co., Ltd., with stable outlook.**

Hong Kong, [ ] October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub> to Renshou Urban Investment Group Co., Ltd. (“RUIG” or the “Company”), with stable outlook.

The BBB<sub>g</sub> long-term credit rating of RUIG reflects Renshou County Government’s (1) strong capacity to provide support, and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Renshou County Government’s capacity to support reflects that Renshou County is the most populous county in Sichuan Province, with relatively rich agricultural resources.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) crucial status as the most important infrastructure construction and state-owned assets operation entity in Renshou County; (2) government funding supports for its construction projects; and (3) diversified funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities, operating performance fell short of expectations; (2) large capital expenditure pressure; and (3) fast debt growth and moderate asset liquidity.

### **Corporate Profile**

Formerly known as Renshou County Heilongtan Sunshine Cultural Tourism Development Co., Ltd., RUIG is the most important infrastructure construction and state-owned assets operation entity in Renshou County. After consolidating Renshou Development Investment Group Co., Ltd. and other local state-owned enterprises, the Company became the largest Local Infrastructure Investment and Financing Company (“LIIFC”) by asset in Renshou County. RUIG is primarily engaged in infrastructure construction, land consolidation, public transport operation, water supply, and sewage treatment in Renshou County. It also undertakes commercial activities such as self-operating projects, electronic product sales, wire and cable sales, property leasing, and inspection services. As of 30 June 2023, the Company is wholly owned and ultimately controlled by the Renshou County State-owned Assets and Financial Affairs Bureau (“Renshou SAFAB”).

### **Rating Rationale**

#### **Credit Strengths**

**The most important Infrastructure construction and state-owned assets operation entity in Renshou County.** RUIG is the most important infrastructure construction and state-owned assets operation entity in Renshou County, with a clear strategic role in regional development and the largest asset scale. The Company is mainly responsible for major public infrastructure and welfare projects construction in Renshou County, as well as land transfer and land consolidation. The Company also conducts public utilities in Renshou County, including public transport operation, water supply, and sewage treatment.

**Good track record of receiving government support.** The Company has a solid track record of receiving support from the local government in the past few years, including government subsidies, cash injections, asset injections, and equity transfers. Considering RUIG is the most important infrastructure construction and state-owned assets operation entity in Renshou County, we expect the Company to receive ongoing support from the local government in the future.

**Diversified funding channels with low exposure to non-standard financing.** As of 30 June 2023, about 72.4% of the Company's debt financing was provided by domestic banks. Around 21.1% of the Company's debt was provided by the debt capital market. Since 2022, the Company further expanded its funding channels to the offshore debt capital market. In addition, the Company has a low exposure to non-standard financing, such as financial leasing, which accounted for only 6.5% of its total debt.

### Credit Challenges

**Medium exposure to commercial activities.** RUIG is also engaged in commercial activities such as electronic product sales, wire and cable sales, self-operated projects, property leasing, and inspection services. We consider the Company's commercial business risk to be medium, because its commercial activities accounted for around 30% of its total assets.

**Fast debt growth and moderate asset liquidity.** RUIG has demonstrated a fast debt growth as a result of relatively large capital demands for the construction projects. RUIG's total debt had increased significantly from RMB14.6 billion at the end of 2020 to RMB25.1 billion as of 30 June 2023, while its capitalization ratio increased from 33.6% to 40.7% over the same period. In addition, the Company has moderate asset liquidity. The Company had a relatively large amount of restricted assets totaling RMB18.4 billion, which accounted for 28.0% of its total assets as of 30 June 2023.

### Rating Outlook

The stable outlook on RUIG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the development of Renshou County.

#### What could upgrade the rating?

The rating could be upgraded if (1) Renshou County Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as materially reduced exposure to risky commercial activities and improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Renshou County Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local

government's willingness to provide support, such as deteriorated access to fundings, or material decreased government support.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

### **Regulatory Disclosures**

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Olivia Feng  
*Senior Credit Analyst*  
+852-2860 7133  
[olivia\\_feng@ccxap.com](mailto:olivia_feng@ccxap.com)

Elle Hu  
*Executive Director of Credit Ratings*  
+852-2860 7120  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

Client Services: +852-2860 7111



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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656