

## **CCXAP affirms Rizhao Xinlanshan Caijin Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g-</sub>, with stable outlook.**

Hong Kong, 30 November 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Rizhao Xinlanshan Caijin Investment Group Co., Ltd. (“RXCI” or the “Company”) at BBB<sub>g-</sub>, with stable outlook.

The BBB<sub>g-</sub> long-term credit rating of Rizhao Xinlanshan Caijin Investment Group Co., Ltd. (“RXCI” or the “Company”) reflects Lanshan District Government’s relatively strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Lanshan District Government’s capacity to provide support reflects its vital role in Rizhao City, with good fiscal balance and debt profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) essential role in infrastructure construction and public services in Lanshan District; (2) solid track record of receiving government payments; (3) low exposure to commercial activities; and (4) reasonable debt level. However, the rating is constrained by the Company’s (1) limited access to funding; and (2) moderate asset liquidity.

### **Corporate Profile**

Founded in 2017, RXCI is an important local infrastructure investment and financing company (“LIIFC”) in Lanshan District, mainly responsible for the infrastructure construction, shantytown projects and water supply in the Lanshan District. It is also engaged in commercial operations such as engineering construction and human resources service. As of 30 September 2023, the Company was wholly-owned by Rizhao Xinglan Holdings Group Co., Ltd. (“Xinglan Holdings”), and was ultimately controlled by State-owned Assets Supervision and Administration Bureau of Lanshan District, Rizhao City.

### **Rating Rationale**

#### **Credit Strengths**

**Essential role in infrastructure construction and public services in Lanshan District.** Xinglan Holdings, RXCI’s parent company, is the largest LIIFC in Lanshan District by total assets. As an important infrastructure construction subsidiary which is wholly owned by Xinglan Holdings, the Company is mainly responsible for the major infrastructure construction, shantytown projects, water supply and school bus services in the Lanshan District. Given its important role in local infrastructure construction and development, we believe that the Company is unlikely to be replaced in the foreseeable future.

**Low exposure to commercial business activities.** In addition to public activities, RXCI is also involved in other commercial businesses such as engineering construction and human resource service. RXCI also has some self-operated constructions over the past few years such as the construction of Intelligent Logistics Hub Project. It aims to develop intelligent logistics and attract

high-value companies to settle in Lanshan District, which helps support regional economic development.

**Solid track record of receiving government payments.** RXCI has a solid track record of receiving support from the local government in terms of capital injections, asset injections, and government subsidies. In addition, the Company receives repurchase payments periodically for its infrastructure construction projects. Considering the strategic role of RXCI, we expect the Company will continue to receive support from the local government in the future.

**Reasonable debt level.** RXCI has a reasonable debt level, although with the continuous investment in self-operated and entrusted construction projects, and the Company's debt scale has maintained a growth trend in recent years. As of 30 September 2023, the Company had a reasonable total capitalization ratio (total debt/ total capital) of 39.8%. Considering the large capital expenditure needs for its construction projects, we expect the Company's debt level will moderately increase in the next 12 to 18 months.

#### **Credit Challenges**

**Limited access to funding.** RXCI has limited access to funding as its refinancing channels are mainly bank loans and non-standard financing. Given the Company's limited available credit facilities amount and large outstanding investment amount on its infrastructure construction projects, we consider additional funding channel is needed to fulfil its large capital expenditure, such as onshore and offshore debt capital market.

**Moderate asset liquidity.** The Company's liquidity profile is moderate. The Company's total assets mainly consist of inventories and receivables. Inventories are mainly undeveloped lands and investment costs of infrastructure construction projects, while receivables are mainly unreceived payments for its infrastructure construction projects, all of which are considered as low liquidity.

#### **Rating Outlook**

The stable outlook on RXCI's rating reflects our expectation that the Lanshan District Government's capacity to provide support will be stable, and the Company will maintain its essential role in the development of Lanshan District over the next 12 to 18 months.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) Lanshan District Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as diversified source of funding and improved asset liquidity.

#### **What could downgrade the rating?**

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



government's willingness to provide support, such as reduced strategic significance, or increased exposure to commercial activities.

### **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**

CCXAP's Rating Symbols and Definitions are available on its website at:  
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