

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

Hong Kong, 22 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Jiangsu Ruihai Investment Holding Group Co., Ltd. (“JRIH” or the “Company”) at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of JRIH reflects Hai’an City Government’s strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Hai’an City Government’s capacity to support reflects Hai’an City’s good economic strength as one of the largest county-level cities in Jiangsu Province, with a gross regional product (“GRP”) over RMB100 billion, while it has moderate fiscal metrics and debt profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) direct and full ownership by the Hai’an City Government; (2) high strategic role in land development and affordable housing in Hai’an City; and (3) limited exposure to commercial business. However, the rating is constrained by the Company’s (1) increasing debt level with large investment needs in public projects; and (2) long public project payment period, subject to the government’s decision and fiscal revenue of the year.

### **Corporate Profile**

Established in 2013, JRIH is one of the key local infrastructure investment and financing companies (“LIIFCs”) in Hai’an City, a county-level city under the administration of Nantong City. JRIH is an important provider of affordable housing in Hai’an City and the main developer in Hai’an Logistics Development Zone (“Logistics Zone”). It undertakes the affordable housing and land consolidation business primarily through its fully-owned subsidiaries, Hai’an City Relocation and Reconstruction Co., Ltd. (“Hai’an Reconstruction”) and undertakes the land development and infrastructure construction in the Logistics Zone primarily through Jiangsu Hai’an Trade Logistics Group Co., Ltd. (“Hai’an Trade Logistics”). JRIH also takes some commercial businesses such as property management and trading. As of 30 June 2023, JRIH was wholly-owned and controlled by the Hai’an City State-owned Asset Management Center (“Hai’an SAMC”).

### **Rating Rationale**

#### **Credit Strengths**

**High strategic role in land development and affordable housing in Hai’an City.** JRIH is one of the key LIIFCs in Hai’an City under the supervision of the Hai’an City Government. It has a strong role in the construction and sales of local affordable housing in the urban area of Hai’an City and the development of the Logistics Zone. JRIH is also responsible for the land development and infrastructure construction of the Logistics Zone. Over years of development, JRIH has developed competitive advantages in the affordable housing business and became



the sole entity under the supervision of Hai'an City Government to conduct such business in the urban areas of Hai'an City.

**Limited exposure to commercial activities.** JRIH also engages in some commercial businesses such as property management and trading that expose the Company to certain business risks. Nevertheless, such exposure is limited with asset size accounting for less than 10% of its total assets. JRIH engages in the property management business by providing property management services to the owner of affordable housing. In addition, Hai'an Trade Logistics also plans to engage in service business in the Logistics Zone such as warehousing service, which still is in the construction period and its exposure remains small.

#### Credit Challenges

**Increasing debt level with large investment needs in public projects.** JRIH has moderate debt management because of ongoing investment in public activities. The Company has a considerable ongoing investment in its public activities including land consolidation, affordable housing and infrastructure construction. We expect that JRIH will maintain an increasing trend in debt level due to its sizable future investment in public activities.

**Long public project payment period.** The government repayments for JRIH's land consolidation business and infrastructure construction business depend on local government's decision and fiscal revenue of the year. The payment period for most of its public projects is long and project payments may be negatively affected by the moderating local land sales activities and the pressure on economic downturn.

#### Rating Outlook

The stable outlook on JRIH's rating reflects our expectation that the Hai'an City Government's capacity to provide support will be stable, and the Company's characteristics, such as its important role in the provision of affordable housing and the development of Logistics Zone, are expected to remain stable over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Hai'an City Government's capacity to support materially strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as a material improvement in debt management or financing ability.

#### What could downgrade the rating?

The rating could be downgraded if (1) Hai'an City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as a material increase in commercial business risk, or deteriorated debt management.



## 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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