

CCXAP assigns the first-time long-term credit rating of BBB_g to Jiangsu Runcheng Urban Investment Holding Group Co., Ltd., with stable outlook.

Hong Kong, 24 May 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g to Jiangsu Runcheng Urban Investment Holding Group Co., Ltd. (“JSRC” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of Jiangsu Runcheng Urban Investment Holding Group Co., Ltd. (“JSRC” or the “Company”) reflects (1) the Pizhou City Government’s strong capacity to provide support; and (2) the local government’s extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of the Pizhou City Government’s capacity to provide support reflects Pizhou City’s status as one of the Top 100 counties in China, with ongoing economic growth over the years. However, its fiscal balance is relatively weak.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) dominant role in state-owned assets management and infrastructure construction in Pizhou City; (2) good track record of receiving government support; and (3) good access to funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities, especially in property development and financial investment; (2) increasing debt burden and moderate asset liquidity; and (3) medium contingent risk resulting from external guarantees.

Corporate Profile

Established in 2013, JSRC is an important infrastructure investment, construction, and operation entity in Pizhou City, Xuzhou City with the largest assets scale. It is mainly responsible for infrastructure construction, resettlement housing and water conservancy construction. The Company is also engaged in commercial activities such as real estate development, property leasing, property management and steel sales. As of 31 December 2023, the Company was wholly owned and ultimately controlled by the Finance Bureau of Pizhou City.

Rating Rationale

Credit Strengths

Dominant role in infrastructure construction in Pizhou City. There are two main state-owned enterprises under the control of the Pizhou City Government, JSRC and Pizhou Industrial Investment Holding Group Co., Ltd (“PZII”). JSRC is mainly responsible for urban infrastructure construction, land consolidation, area development and urban renovation in Pizhou City. Overall, given its large project reserves, JSRC has a strong capacity for business sustainability in Pizhou City. We believe that the Company will maintain its vital position in Pizhou City and will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Good track record of receiving government support. As the most important urban developer in Pizhou City, the Company has continuously received comprehensive support from the government in terms of capital injections, financial subsidies, and equity transfers. Overall, given its important position and contribution to regional economic development, we believe that JSRC will receive ongoing support from the local government.

Good access to funding channels. JSRC has good access to various sources of funding including bank loans, onshore bond financing and non-standard financing. As of 31 December 2023, the Company had obtained total bank credit of around RMB42.7 billion, and the unutilized credit amounted to around RMB21.8 billion, with sufficient standby liquidity. The Company and its subsidiaries have issued several types of debt products such as private placement notes (“PPNs”), medium-term notes (“MTNs”), and corporate bonds.

Credit Challenges

Medium risk exposure to commercial activities, especially in property development and financial investment. JSRC participates in commercial activities including real estate development, property leasing, and financial investment. While commercial activities generate supplemental income, they may pose higher business risks than public business. The Company’s risk exposure to commercial activities is considered medium, which accounted for around 20% of its total assets, based on our assessment.

Increasing debt burden and moderate asset liquidity. JSRC shows a rising debt burden over the past few years mainly due to continuous investment in construction projects, and slow settlement process and lagged payment cycle of infrastructures and resettlement housing. From 2021 to 2023, the Company’s total debt increased to RMB40.0 billion from RMB38.2 billion; while its capitalization ratio measured by total debt to total capital, slightly decreased to 52.8% from 53.4% as government support and profit accumulation. Besides, JSRC’s asset liquidity was moderate considering its high portion of inventories and other receivables with low liquidity.

Medium contingent risk resulting from external guarantees. As of 31 December 2023, the Company had a relatively large amount of outstanding external guarantees of RMB17.4 billion, accounting for 48.6% of its net assets. Among them, the Company guaranteed four private-owned companies in accordance with the requirement of the local government, with an amount of RMB309.1 million, and did not set up counter-guarantee measures. Most guarantees are provided to other state-owned enterprises within Pizhou City such as subsidiaries of PZII. We believe that the credit risk of the guarantee is moderately controllable, given the local government’s support of some local state-owned enterprises in times of need.

Rating Outlook

The stable outlook on JSRC’s rating reflects our expectation that the Company’s position in Pizhou City will remain stable, and the Company will maintain its important position in the

infrastructure construction and local industrial development of Pizhou City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Pizhou City Government's ability 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 decrease in exposure to commercial activities and reduction in exposure to external guarantees.

What could downgrade the rating?

The rating could be downgraded if (1) Pizhou City Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced policy significance, material increase in commercial activities or deteriorated refinancing ability.

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:

http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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.



Kelly Liang

Credit Analyst

+852-2860 7127

kelly_liang@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656