

**Lianhe Global has assigned ‘BBB’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jiangsu Runxin City Investment Group Co., Ltd.**

HONG KONG, 11 December 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB’ global scale Long-term Issuer Credit Rating to Jiangsu Runxin City Investment Group Co., Ltd. (“JRCI” or “the company”). The Outlook is Stable.

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

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

**Key Rating Rationales**

***Suining Government’s Ownership and Supervision:*** The Suining government indirectly holds 100% ownership of JRCI through the Suining Extra-Budgetary Funds Management Bureau (“SEFMB”), and is the actual controller of the company. The Suining government has the final decision-making authority and supervision over the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Suining government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financials on a periodic basis.

***Strategic Importance to Suining and Strategic Alignment:*** JRCI, as the most important LIDC in Suining, is mainly responsible for the infrastructure construction in Suining. Besides, the company also engages in land development, affordable housing construction, projects construction, grain and commodity sales and other businesses. JRCI plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government’s development plans.

***Ongoing Government Support:*** JRCI continued to receive financial subsidies, funding and asset/capital injections from the local government to support its business operations. We believe that the government support will remain intact given the company’s strategic role in

the economic development of Suining. In 2020-1H2023, JRCI received subsidies totaling around RMB1,468 million. Meanwhile, JRCI received asset and capital injections in the form of cash and equity transfer during the same period.

**JRCI's Financial and Liquidity Position:** JRCI's total assets showed a continuous growth in the past few years, with a growth rate of 18.2%, 6.1% and 4.8% in 2021, 2022 and 1H2023, respectively, and reached RMB70.8 billion at end-June 2023. The increase of JRCI's total assets was largely due to inventories. Although JRCI had large proportion of current assets (84.5% at end-June 2023), its assets were illiquid, primarily due to the significant proportion of development and construction cost, land to be developed and receivables. The financial leverage (total liabilities to assets) of JRCI increased slightly to 55.5% at end-June 2023 from 53.1% at end-2020. JRCI's total debts surged to RMB23,698 million at end-June 2023, increased by 17.1% compared to that at end-2022.

The liquidity of JRCI was moderate. At end-June 2023, JRCI had unrestricted cash balance and unused credit facilities of RMB4.7 billion and RMB10.2 billion, respectively, compared with its debt due within one year of RMB6.4 billion. JRCI has access to various financing channels, including bank loans, and non-traditional financing, to support its debt repayments and business operations.

**Economy and Fiscal Condition of Suining:** Suining is a district of Xuzhou City, Jiangsu Province, and is located in the southeast of Xuzhou. Suining's GDP reached RMB68.3 billion in 2022, representing a year-on-year growth rate of 0.4%, and its GDP amount was ranked 6<sup>th</sup> among all jurisdictions in Xuzhou. The Suining government's budgetary revenue decreased to RMB4.2 billion in 2022 from RMB4.3 billion in 2021, due to the large-scale value-added tax refund policy to support the economy. Moreover, the contribution of the tax revenue decreased to 69.4% from 83.1% over the same period. The fiscal self-sufficiency rate of the Suining government was relatively low, and its budget deficit widened to 156.9% in 2022 from 142.5% in 2021. Suining's government fund income, which is mainly generated by land-use right transfers, decreased to RMB7.7 billion in 2022 from RMB8.9 billion in 2021. Transfer payments from higher government fluctuated in the past three years, and reached RMB6.1 billion in 2022. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, had increased to 82.0% at end-2022 from 74.3% at end-2020, mainly due to the increase in special purpose debt.

### **Rating Sensitivities**

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

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

## **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

## **Rating Methodology**

The principal methodology used in this JRCI's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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