

# Jiangsu Zhongwu Urban Rural Investment Development Group Co., Ltd.

## Surveillance Issuer Report

### Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	21 May 2024

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Jiangsu Zhongwu Urban Rural Investment Development Group Co., Ltd. (“JZURID” or “the company”); Issuer Rating Outlook Stable

### Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Xinyi (“the Xinyi government”) would provide very strong support to JZURID if needed, in light of its direct full ownership of JZURID, JZURID’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for comprehensive urban operation, project construction, area development and state-owned asset management in Xinyi, Suzhou City (“Xinyi”), and the linkage between the Xinyi government and JZURID, 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 Xinyi government may face significant negative impact on its reputation and financing activities if JZURID encounters any operational and financial difficulties.

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

### Rating Rationale

**Xinyi Government’s Full Ownership:** The Xinyi government (with delegation from Jiangsu Xuzhou government) holds 100% shares of JZURID directly. The local government also has strong control over the company, including the appointment of senior management and supervision of development strategy, major financing plan and investment decisions. In addition, the local government has formulated a performance assessment policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** JZURID remains as the most important LIDC in Xinyi. It is primarily responsible for land consolidation, infrastructure construction and affordable housing construction, as well as investment and construction of infrastructure and industrial facilities within the Xinyi economic development zone, with regional advantages. The company undertakes investment, financing, construction and management of major projects entrusted by local governments. As the core platform designated by the Xinyi government and Xinyi economic development zone to implement its infrastructure construction plans, the company plays an important role in the rapid urbanization process and promoted the local economic development. Its business operation and development are in line with the development plans of the local government.

### Key Figures of Xinyi and JZURID (RMB billion)

Xinyi	2022	2023
GDP	82.6	90.5
GDP growth rate (%)	4.7	10.1
Budgetary revenue	4.6	4.9
Government fund	6.3	5.7
Transfer payment	5.1	5.0
Budgetary expenditure	10.4	11.3
JZURID	2022	2023.9
Asset	100.6	112.5
Equity	40.9	39.5
Revenue	5.6	4.6

Source: Public information, JZURID and Lianhe Global’s calculations

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### Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

**Ongoing Government Support:** As the most important state-owned entity for infrastructure construction, land consolidation and state-owned asset operating in Xinyi, JZURID continuously received government support, including equity transfer, capital injection and government subsidies, etc. The company received a total of RMB2.3 billion in government subsidies from the local government between 2021 and 2023. Considering the company's function and strategic importance in Xinyi, we expect the company to continue receiving government support in the future.

**Economy and Fiscal Condition of Xinyi:** Xinyi is a county-level city under the jurisdiction of Xuzhou City ("Xuzhou"), Jiangsu Province, and located in the eastern part of Xuzhou, bordering Shandong Province on the north. Xinyi's GDP growth rate was strong in the past three years, which reached 10.1%, 4.7% and 10.1% in 2021, 2022 and 2023, respectively. Xinyi's GDP amount reached RMB90.5 billion in 2023. The consolidation of the Xinyi EDZ was completed in 2023. Apart from the core development zone, Xinyi EDZ includes several functional parks areas, such as Xiyi Hi-tech Zone, Xinyi Bonded Logistic Center (Type B) and Xinyi Chemical Industry Cluster Area.

Xinyi government's budgetary revenue increased steadily to RMB4.9 billion in 2023 from RMB4.4 billion in 2021, with the contribution of the tax revenue ranged between 70% and 85% over the same period. The fiscal self-sufficiency rate of the Xinyi government was weak and it recorded a budget deficit of 130.9% in 2023. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, increased to 114.5% at end-2023 from 95.7% at end-2021, which was mainly due to the increase in special purpose debt.

**JZURID's Financial and Liquidity Position:** JZURID's total assets decreased moderately to RMB100.6 billion at end-2023 from RMB112.5 billion at end-2022, mainly due to the company transferring the 100% equity of Xinyi Economic Development Zone Construction and Development Co., Ltd. to Xinyi High-tech Construction and Development Group Co., Ltd. for free. Its total debt also declined to RMB49.9 billion at end-2023 compared with that at end-2022 (RMB63.9 billion). At end-2023, the short-term debt and long-term debt accounted for 36.6% and 63.4% of the total debt, respectively. The company's financial leverage, as measured by total liability/total asset, fell from 64.9% at end-2022 to 59.3% at end-2023.

JZURID's asset liquidity was moderately weak. The company's project construction activities accumulated sizeable inventories (mainly construction costs and raw materials) and investment properties, together accounting for 60% of total assets at end-2023. These assets usually take a long time to monetize due to the protracted construction and payment collection period. In addition, The short-term liquidity of JZURID was tight. At end-2023, JZURID had cash assets of RMB11.9 billion (including RMB7.7 billion restricted cash assets), compared with its non-current debt due within one year of RMB10.4 billion. However, JZURID may use bank borrowings, bond issuance and other external funding to support its debt repayments and business operations.

## Rating Sensitivities

We would consider downgrading JZURID's rating if (1) there is perceived weakening in support from the Xinyi government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a



significant reduction of the Xinyi government's ownership of JZURID, or (3) there is a downgrade in our internal credit assessment on the Xinyi government.

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

### Company Profile

JZURID was established in July 2010 with an initial registered capital of RMB209 million, funded by the Xinyi government with the delegation from the Jiangsu Xuzhou government. In July 2022, the Xinyi government injected RMB800 million into the company in the form of cash, and the paid-in capital of the company increased to RMB1.01 billion.

JZURID is primarily responsible for land consolidation, infrastructure construction and affordable housing construction, as well as investment and construction of infrastructure and industrial facilities within the Xinyi economic development zone, with regional advantages.

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