

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jurong Rongfeng Construction Co., Ltd.**

HONG KONG, 12 June 2024 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Jurong Rongfeng Construction Co., Ltd. (“JRC” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jurong City, Zhenjiang City (“Jurong government”) would provide strong support to JRC if needed, in light of its full ownership of JRC, JRC’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for engineering construction in Jurong City, Zhenjiang City (“Jurong”), and the linkage between the Jurong government and JRC, 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 Jurong government may face significant negative impact on its reputation and financing activities if JRC encounters any operational and financial difficulties.

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

**Key Rating Rationales**

***Jurong Government’s Ownership and Supervision:*** The Jurong government indirectly holds the full ownership of JRC through the Finance Bureau of Jurong City’s (“Jurong FB”) fully-owned subsidiary, Jiangsu Jurong Investment Group Co., Ltd. (“JJIG”). The Jurong government is the actual controller of the company. It has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Jurong government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

***Strategic Importance to Jurong and Strategic Alignment:*** JRC, as the key LIDC in Jurong, is primarily responsible for the construction and development of infrastructure projects, industrial park projects and residential renovation projects within the city. Serving as the key entity in charge of infrastructure projects throughout the region, JRC is mainly engaged in urbanization construction, road and pipeline construction, healthcare and other infrastructure related projects with strong regional advantages. In addition, as the sole general construction contractor in Jurong, the company also plays an important role in projects related to urban renewal and real estate development in the region. JRC plays an important role in promoting the economic and social development of Jurong. Its business operation and development have been aligned with the government’s development plans.

**Ongoing Government Support:** The Jurong FB continued to inject capital, project-related assets, equities of other companies and other kinds of assets into JRC to expand its asset size and diversify its business. Besides, the Jurong government provides policy supports to JRC to ensure its business operation. Given that it is the key entity for building construction and state-owned assets operation in Jurong, JRC has an advantage in acquiring related resources and major projects. We believe JRC is likely going to receive government support to support its daily business operation.

**JRC's Financial and Liquidity Position:** JRC's total assets showed a continuous growth trend in the past few years and reached RMB12.8 billion at end-2023, as the company actively participated in construction projects in Jurong. The current assets of JRC accounted for 76.8% of the total assets at end-2023, and the overall asset liquidity was moderately weak due to large amount of inventories and receivables. JRC's financial leverage (total liabilities to total assets) increased to 71.0% and its adjusted debt increased to RMB2.7 billion at end-2023 from RMB1.0 billion at end-2022. JRC's liquidity was moderately weak. At end-2023, JRC had a cash balance of RMB716.3 million, compared with its debt due within one year of RMB1.5 billion. Having said that, JRC has established cooperative relationship with banks to obtain a certain amount of liquidity support and medium- and long-term loans, and it has maintained a normal bank loan financing ability. JRC also has other financing channels, such as non-traditional financing, to support its debt repayment and business operations.

**Economy and Fiscal Condition of Jurong:** Jurong is a county-level city directly under the jurisdiction of Jiangsu Province and administered by Zhenjiang City ("Zhenjiang"). Jurong had a land area of 1,385 square kilometers, a residential population of 0.64 million, and an urbanization rate of 66.5% at end-2023. Jurong realized a GDP of RMB79.2 billion in 2023, representing an economic growth rate of 5.5%, up from 1.0% in 2022. In addition, as the investment in manufacturing and high-tech industries decreased slightly, the city recorded a fixed asset investment growth rate of -0.4% in 2023.

The Jurong government's budgetary revenue increased slightly to RMB5.0 billion in 2023 from RMB4.9 billion in 2022, mainly due to the rapid growth of tax revenue. The Jurong government's aggregate revenue highly relied on the income from the government-managed fund, contributing 60.5% to its aggregate revenue in 2023. The Jurong government's fiscal self-sufficiency rate was moderately low, and its budget deficit widened to 65.8% in 2023 from 62.6% in 2022. In addition, its government debt ratio, as measured by total debt outstanding/aggregate revenue, was moderately high. This was mainly due to the increase in government special debt to support the development of railway projects, lifting the total debt outstanding to RMB25.3 billion at end-2023 from RMB21.6 billion at end-2022.

### **Rating Sensitivities**

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

We would consider upgrading JRC's rating if (1) there is strengthened support from the Jurong government, or (2) there is an upgrade in our internal credit assessment on the Jurong 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 JRC'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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