

Haikou Rural Revitalization Investment and Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Haikou Rural Revitalization Investment and Development Group Co., Ltd. (“HRRID” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the Haikou Municipal Government (“Haikou government”) would provide strong support to HRRID if needed. This mainly considers the Haikou government’s majority ownership of HRRID, HRRID’s strategic importance as a major local investment and development company (“LIDC”) responsible for rural and urban revitalization and infrastructure construction and investment in Haikou City (“Haikou”). In addition, the linkage between the Haikou government and HRRID is strong, including management supervision, strategic alignment and ongoing operational and financial support. Moreover, the Haikou government may face significant negative impact on its reputation and financing activities if HRRID encounters any operational and financial difficulties.

Haikou is the capital city of Hainan Province. In 2024, Haikou’s GDP grew by 4.0% to RMB247.1 billion.

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

Rating Rationale

Government’s Ownership and Supervision: The Haikou government holds 78.93% stake of HRRID via the State-owned Assets Supervision and Administration Commission of Haikou City (“Haikou SASAC”). Haikou SASAC is the actual controller of the company. The Haikou government has the final decision-making authority and strong supervision over HRRID, including the appointment of senior management and decisions on its major investment and financing plan. In addition, the Haikou government has an assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Strategic Alignment: HRRID is an important LIDC responsible for rural and urban revitalization, as well as infrastructure construction and investment including municipal infrastructure and public service facilities in Haikou. The company is mainly responsible for the urban and rural infrastructure construction and integrated development, land management, agricultural industry development (including modern planting, agricultural services, agricultural product trading, food reserves and processing) and marine economy. Its business operation and strategic planning have been aligned with the Haikou government’s social and economic development plans.

Ongoing Government Support: HRRID continues to receive ongoing support from the Haikou government, which includes operational subsidies, capital/asset injections and other operational support. The company received a total operational subsidy of RMB436 million from 2022 to 19 June 2025. Also, the company received a capital injection of RMB343 million

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	22 September 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

in 2024. Given HRRID's strategic significance in Haikou, we believe that HRRID is likely going to receive government support in the future.

HRRID's Financial and Liquidity Position: HRRID's total assets decreased steadily to RMB39.1 billion at end-2024 from RMB47.6 billion at end-2022. Having said that, it was mainly due to the decrease of the long-term receivables arising from the shantytown renovation projects. HRRID's asset liquidity was weak. Receivables (including long-term receivables and other receivables) consisted of 72.2% of its total assets at end-2024. It was followed by investment properties, which accounted for 16.7% of its total assets at end-2024. These assets may take a long time to monetize.

On the other hand, its total debts also decreased to RMB21.5 billion from RMB27.9 billion during the same period. The company's financial leverage, as measured by the debt to capitalization ratio, decreased to 54.8% at end-2024 from 58.7% and 59.7% at end-2022 and end-2023, respectively.

HRRID's short-term debt servicing pressure was high. At end-2024, the company had an unrestricted cash balance of RMB112 million and unused credit facilities of RMB510 million, compared with its debt due within one year of RMB3.2 billion, which was mainly guaranteed by the Haikou government through the inclusion in its municipal fiscal budget. Most of its debt is bank loan and we expect the company to be able to repay most of its short-term borrowings upon maturity. Also, the company has access to financing channels (mainly bank borrowings and non-traditional financing options) to support its debt repayments and business operations.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Haikou

Haikou is the capital city of Hainan Province, and located in the northern part of Hainan Island. Haikou is the transportation hub of the entire island, connecting the island with China's mainland. At end-2024, Haikou had a residential population of 3.0 million.

Haikou's GDP increased to RMB247.1 billion in 2024 from RMB235.8 billion in 2023, with its economic growth rate normalizing to 4.0% from 9.3% over the same period. The GDP per capita of Haikou also improved to RMB82,000 in 2024. Haikou's economic growth is mainly driven by the tertiary industry, which accounted for 78.4% of its GDP in 2024. In recent years, Haikou focused on the development of new energy vehicles, pharmaceutical manufacturing, tourism, modern service, tropical fruit and other industries.

Haikou's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	213.5	235.8	247.1
-Primary industry (%)	4.6	4.4	4.6
-Secondary industry (%)	19.0	18.4	17.0
-Tertiary industry (%)	76.4	77.2	78.4
GDP growth rate (%)	1.3	9.3	4.0
Fixed asset investment growth rate (%)	-12.7	4.7	1.5
Population (million)	2.9	3.0	3.0

Source: Financial Bureau of Haikou, statistical bureau of Haikou and Lianhe Global's calculations

Fiscal Condition of Haikou

The budgetary revenue of Haikou government decreased to RMB25.8 billion in 2024 from RMB26.7 in 2023, with the contribution of tax revenue to the budgetary revenue reducing to 80.9% from 84% over the same period. Together with the increase in budget expenditure, the fiscal deficit of Haikou government widened to 44.1% in 2024 from 38.5% in 2023. The Haikou government relies on both government fund income and transfer payment to support its aggregate revenue.

At end-2024, Haikou's outstanding government debt increased by 28.4% year-on-year to RMB114.2 billion. Its government debt ratio, as measured by the total government debt to aggregate revenue ratio, increased to 202.8% at end-2024 from 149.8% at end-2023, which was mainly due to the increase in special purpose debts.

Haikou's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	20.5	26.7	25.8
Budgetary revenue growth rate (%)	-1.7	30.3	-3.2
Tax revenue	17.8	22.4	20.9
Tax revenue (% of budgetary revenue)	86.9	84.0	80.9
Government fund income	19.2	14.0	12.0
Transfer payment	18.3	18.2	*18.2
Aggregate revenue	58.1	59.4	56.3
Budgetary expenditure	33.3	37.0	37.2
Budget balance ¹ (%)	-62.4	-38.5	-44.1

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

* Estimated data

Source: Financial Bureau of Haikou, statistical bureau of Haikou and Lianhe Global's calculations

Company Profile

Ownership Structure

HRRID was established in July 2013 with an initial registered capital of RMB1 billion and was wholly owned by Haikou Municipal Finance Bureau ("Haikou FB"). After an array of capital injections and equity transfers, the company's paid-in capital was enlarged to RMB2.1 billion at end-2024. In January 2024, Haikou FB transferred its stake in HRRID to Haikou SASAC. At end-2024, Haikou SASAC held 78.93% stake of HRRID and was the actual controller of the company.

Revenue Breakdown

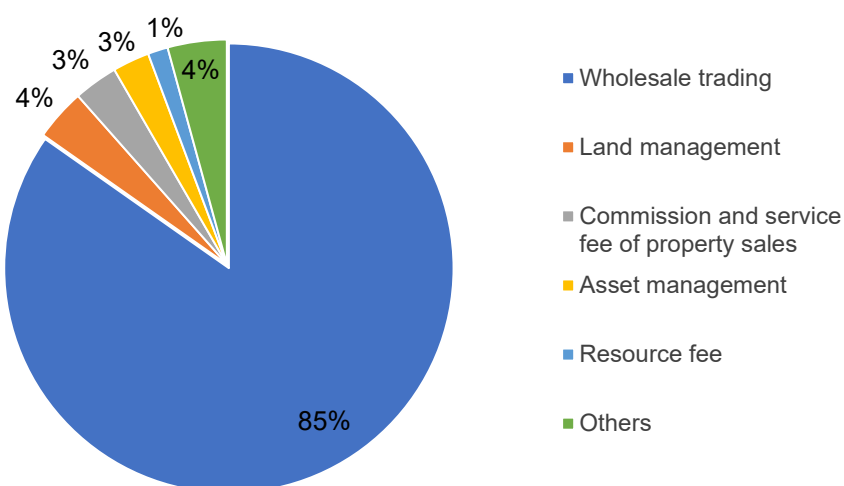
HRRID is mainly responsible for the urban and rural infrastructure construction and integrated development, land management, agricultural industry development (including modern planting, agricultural services, agricultural product trading, food reserves and

processing) and marine economy. HRRID recorded a total revenue of RMB703 million, 741 million and 704 million in 2022-2024, respectively. Its gross margin decreased slightly to 8.7% in 2024 from 9.1% in 2023.

HRRID undertakes major development projects in Haikou, including urban and rural infrastructure, public facilities, land management and shantytown renovation. The company is generally responsible for the planning, construction and financing of these projects. The company generates incomes from agent-construction management fees, government purchases and the service fee of the arrangement of resettlement housing sales.

HRRID also diversify its revenue sources by involving in agricultural product sales, water supply, property management and leasing, asset management, etc.

Total revenue: RMB704 million in 2024



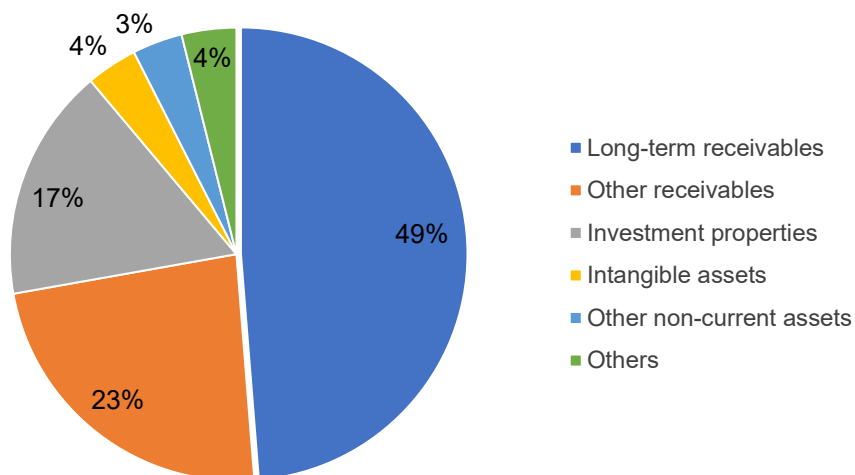
Source: The company's financial reports and Lianhe Global's calculations

Assets Breakdown

HRRID's asset liquidity was weak. At end-2024, the company's asset was mainly consisted of receivables (including long-term receivables and other receivables), which accounted of 72.2% of its total assets. The long-term receivables were mainly due from shantytown renovation projects, while other receivables were mainly due from local government agencies, with a high concentration rate and long payment periods. These project-related assets face extended monetization timeframes due to protracted development cycles and cash collection periods.

Also, investment properties accounted for 16.7% of its total assets at end-2024. These assets may also take a long time to monetize.

Total assets: RMB39.1 billion at end-2024



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2022	2023	2024
Total Assets	47,603	45,061	39,149
Equity	19,657	18,159	17,683
Debt	27,947	26,902	21,466
Debt / (Debt + Equity) (%)	58.7	59.7	54.8
Unrestricted cash/ST Debts (x)	0.1	0.1	0.0
Debt/EBITDA (x)	109.4	113.1	267.4
Revenue	703	741	704
Operation Profit	179	158	6
Gross Margin (%)	10.5	9.1	8.7
Cash from sales or services/ Revenue (%)	83.1	229.7	768.2

Source: The company and Lianhe Global's calculations

(Note: The report is published for the purpose of the change of company name, which was formerly known as Haikou City Coordinates Urban and Rural Development (Group) Co., Ltd. Please refer to the original report published on 4 July 2025.)

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