

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

Hong Kong, 16 December 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g long-term credit rating to Jiangsu Ruihai Investment Holding Group Co., Ltd. (“JRIH” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of Jiangsu Ruihai Investment Holding Group Co., Ltd. (“JRIH” or the “Company”) reflects Hai’an City Government’s strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Hai’an City Government’s capacity to support reflects Hai’an City’s good economic strength as one of the largest county-level cities in Jiangsu Province, with a gross regional product (“GRP”) over RMB100 billion, while it has moderate fiscal metrics and debt profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) direct and full ownership by the Hai’an City Government; (2) high strategic role in land development and affordable housing in Hai’an City; and (3) limited exposure to commercial business risk. However, the Company’s rating is constrained by its (1) increasing debt level with large investment needs in public projects; and (2) long public project payment period, subject to the government’s decision and fiscal revenue of the year.

Corporate Profile

Established in 2013, JRIH is one of the key local infrastructure investment and financing companies (“LIIFCs”) in Hai’an City, a county-level city under the administration of Nantong City. JRIH is an important provider of affordable housing in Hai’an City and the main developer in the Hai’an Logistics Development Zone (“Logistics Zone”). It undertakes the affordable housing and land consolidation business primarily through its fully-owned subsidiaries, Hai’an City Relocation and Reconstruction Co., Ltd. (“Hai’an Reconstruction”) and undertakes the land development and infrastructure construction in the Logistics Zone primarily through Jiangsu Hai’an Trade Logistics Group Co., Ltd. (“Hai’an Trade Logistics”). JRIH also takes some commercial businesses such as property management and trading. As of 30 June 2022, JRIH was wholly-owned and controlled by the Hai’an City State-owned Asset Management Center (“Hai’an SAMC”).

Rating Rationale

Credit Strengths

High strategic role in land development and affordable housing in Hai’an City. JRIH is one of the key LIIFCs in Hai’an City under the supervision of the Hai’an City Government. It has a strong role in the construction and sales of local affordable housing in urban area of Hai’an City and land development of the Logistics Zone. As of 31 December 2021, JRIH has completed a number of key affordable housing projects, such as Ruyi Garden and Wanxing Garden, with an investment of RMB7.0 billion, and key land clearance projects with an investment of RMB1.3

billion. JRIH is also responsible for the land development and infrastructure construction of the Logistics Zone. As of 31 December 2021, JRIH has invested in key infrastructure construction projects of RMB4.9 billion, including road network and warehouses, and invested in key land consolidation projects of RMB1.6 billion in the Logistics Zone.

Limited exposure to commercial activities. JRIH engages in some commercial businesses such as property management and trading, while the exposure is limited with asset size of less than 10% of its total asset. JRIH engages in property management business by providing property management services to the owner of affordable housing. In addition, JRIH engages in commercial trading business through its subsidiary namely Hai'an Trade Logistics, which focuses the trading of aluminum ingot, Zinc ingot and cotton.

Diversified and stable sources of funding. JRIH has access to various sources of funding including bank loans and bond issuances. The Company maintains good relationships with large domestic banks such as policy banks and national joint-stock commercial banks. Two policy banks, Agricultural Development Bank of China and China Development Bank, provided long-term bank loans to the Company, accounting for the majority of its bank borrowing. The Company also has access to both onshore and offshore debt markets. During the first nine months of 2022, the Company and its subsidiaries raised RMB1.02 billion through the onshore debt market and raised USD100.0 million through the offshore debt market.

Credit Challenges

Increasing debt level with large investment needs in public projects. JRIH has moderate debt management because of ongoing investment in public activities. The total debt increased from RMB17.3 billion as of end-2019 to RMB26.4 billion as of mid-2022. It has a capitalization ratio of 64.2% as of mid-2022. The Company has a considerable ongoing investment on its public activities including land consolidation, affordable housing and infrastructure construction business. As of the 31 December 2021, there was an uninvested amount of around RMB9.7 billion in key public projects under construction. We expect JRIH will maintain an increase trend in debt level due to its sizable future investment in public activities.

Long public project payment period. The government repayments for JRIH's land consolidation business and infrastructure construction business depend on local government's decision and fiscal revenue of the year. The payment period for most of its public projects is long and project payments may be negatively affected by the moderating local land sales activities and the pressure on economic downturn.

Rating Outlook

The stable outlook on JRIH's rating reflects our expectation that the Hai'an City Government's capacity to provide support will be stable, and the Company's characteristics, such as its important role in the provision of affordable housing and the development of Logistics Zone, are expected to remain stable over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Hai'an City Government's capacity to support materially strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as a material decrease in debt level or an improvement in financing ability.

What could downgrade the rating?

The rating could be downgraded if (1) Hai'an City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as a material increase in commercial business risk, or deteriorated debt management.

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

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

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