

# Mudanjiang City Investment Group Company Limited Credit Report

## Ratings

### Issuer Rating

LT Issuer Credit Rating BB+

**Outlook** Stable

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## Overview

- CSPI Ratings has affirmed the global scale long-term issuer credit rating (LTICR) of 'BB+' for Mudanjiang City Investment Group Company Limited (MDJCIG). The outlook is stable. MDJCIG's issuer credit rating is based on a standalone credit profile of 'b-' and our assessment that its parent, Mudanjiang State-owned Assets Investment Holdings Company Limited (MDJSAI), has an almost certain willingness to provide extraordinary support in the event of financial distress.
- MDJCIG is the primary entity responsible for infrastructure and affordable housing construction in Mudanjiang. It undertakes the city's major municipal infrastructure, shantytown renovation, and affordable housing projects. MDJSAI is the controlling shareholder of MDJCIG, holding 86.65% equity of the company. China Development Bank's Development Fund Co., Ltd. and China Agricultural Development Fund Co., Ltd. hold 6.88% and 6.46% stakes, respectively. Mudanjiang State-owned Assets Supervision and Administration Office (MDJSASAO) is the actual controller of the company.

## Rating Outlook

- The stable outlook for MDJCIG reflects our expectation that the credit profile of the Mudanjiang municipal government and MDJSAI will remain stable, and MDJCIG is able to maintain its strategic role in the development of Mudanjiang going forward.
- We would consider a rating downgrade if 1) MDJCIG's ties with its parent MDJSAI loosen from the current level; 2) the fiscal strengths of the Mudanjiang municipal government weaken substantially or its debt burden exacerbates tremendously; and/or 3) MDJCIG's business connection with Mudanjiang municipal government weakens, and its market position in the construction sector in the Mudanjiang city declines significantly.

We would consider a rating upgrade if 1) the Mudanjiang municipal government's economic and fiscal revenue scale improves on a sustained basis; and/or 2) MDJSAI's importance to the Mudanjiang municipal government increases significantly.

## Financial Summary

**Table 1: Financial Ratios**

	2022A	2023A	2024F	2025F	2026F
Debt/EBITDA	52.9x	29.0x	30.0x	28.9x	28.3x
EBITDA Interest Coverage	0.6x	0.8x	0.8x	0.8x	0.8x
Gross Debt/Capitalisation	33.3%	30.9%	30.9%	31.0%	31.0%
FFO/Debt	2.0%	3.3%	3.1%	3.2%	3.3%
OCF/Debt	1.8%	7.7%	-8.2%	-1.1%	-3.1%
FCF/Debt	4.6%	10.5%	-4.9%	2.3%	0.3%
EBITDA Margin	7.6%	13.2%	12.2%	12.1%	12.0%
ROIC	0.5%	0.6%	0.9%	0.9%	0.9%

Sources: Company, CSPI Ratings estimates

## Key Rating Drivers

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### Credit Strengths

- **Executor of Mudanjiang's urban development and construction blueprint.** MDJCIG is the primary entity responsible for the city's urban infrastructure construction, undertaking numerous municipal infrastructure and affordable housing projects, accounting for over 80% of the local affordable housing construction market share. It also takes on key projects like shantytown renovation, mining restoration, and parking lot construction, which help enhance the city's overall functionality. We believe the company is deeply involved in the city's economic development and urbanisation, with its core businesses demonstrating stable and sustainable growth prospects. Given MDJCIG's continued importance in Mudanjiang's urban construction, MDJSAI and the Mudanjiang municipal government are willing to take necessary measures to ensure the company's sustainable development in the event of financial distress, in order to ensure the regional economic development is not impacted.
- **Long-standing track record of government support to the company.** As the core subsidiary of MDJSAI and the primary operator of the infrastructure construction segment, MDJCIG maintains close ties with the Mudanjiang municipal government through its parent company. Over the long term, the company has received strong support from the Mudanjiang government in terms of capital injections, asset allocations, and financial subsidies. In 2021, 2022, and 2023, MDJCIG received government subsidies of various types, amounting to RMB961 million, RMB0.17 million and RMB60 million, respectively. Moreover, MDJCIG also received capital injections and land asset allocations from the Mudanjiang government to strengthen its asset strength. Considering the company's irreplaceable role in Mudanjiang's infrastructure construction, we believe that the Mudanjiang government will continue to support MDJCIG, through MDJSAI, to facilitate the city's land development and urbanisation progress.
- **Mudanjiang's stable creditworthiness with higher-level government support.** Located in the southeast of Heilongjiang Province, Mudanjiang sits at the heart of the 'Golden Triangle' region shared by China, Russia, and South Korea, serving as an important regional centre in northeast China. Owing to its advantageous geographical position, Mudanjiang's economy has achieved rapid growth. In 2023, Mudanjiang's GDP growth rate was 4.2%, the fastest among cities in Heilongjiang Province. This is primarily due to the rebound in the tourism industry, and the city's promotion of new businesses such as e-commerce and digital economy. As a result, we expect Mudanjiang's future economic growth to remain at a relatively high level. In addition, higher-level governments have been giving consistent and strong fiscal support to Mudanjiang and this significantly augments the city's revenue scope and sustains a balanced fiscal budget. As Mudanjiang's economy continues to grow, its budgetary revenue growth is expected to remain robust in the future.

### Credit Weaknesses

- **Relatively high financial leverage.** As of the end of 2023, MDJCIG had an interest-bearing debt of around RMB6.5 billion. We assessed the company's gross debt-to-total capitalisation ratio to be 30.9% in 2023, and we expect this ratio to remain around 30% in the next few years. In addition, the company's EBITDA is relatively weak compared to the debt scale. We estimate that the company's average debt-to-EBITDA ratio and EBITDA interest coverage ratio will be 31.5x and 0.8x respectively between 2022 and 2026. Considering that MDJCIG continues to undertake the major infrastructure construction projects in Mudanjiang, the company will still have significant capital requirements in the next few years to support its project investments. We believe that the company's leverage ratio will remain at a relatively high level in the next few years, which will put certain pressure on the company's cash flow and debt servicing ability.
- **Low profitability and tight liquidity.** As MDJCIG is mainly engaged in infrastructure construction and engineering business, its profitability level is not high and its turnover efficiency is relatively low due to the industry and business model. After considering government subsidies, we estimate that the company's EBITDA profit margin was 13.2% in 2023. Besides, the company's inventory consists of a large amount of investment costs from infrastructure projects, and the collection period of such businesses is generally long, resulting in low operating efficiency of the company. Based on our calculations, MDJCIG's cash conversion cycle was approximately 2,722 days in 2023, leading to weak cash flows from operation for the company. We assess MDJCIG's short-term liquidity to be tight, with its 12-month forward cash flow liquidity ratio of 0.5x.

**Table 2: Key Credit Metrics (RMB million)**

	2022A	2023A	2024F	2025F	2026F
<b>Financials and Profitability</b>					
Revenue	1,717.5	1,721.4	1,867.2	1,960.1	2,057.7
EBITDA*	130.4	227.8	227.3	237.2	247.4
EBITDA Margin*	7.6%	13.2%	12.2%	12.1%	12.0%
Return on assets (ROA)	0.5%	0.5%	0.7%	0.7%	0.8%
Return on invested capital (ROIC)	0.5%	0.6%	0.9%	0.9%	0.9%
<b>Cash Flow Measures</b>					
Funds from operations (FFO)	138.9	217.2	212.7	216.8	229.5
Operating cash flows (OCF)	121.7	511.4	-562.8	-77.0	-215.3
Free cash flow (FCF)	317.6	695.3	-334.1	155.9	21.9
Discretionary cash flow (DCF)	315.2	695.3	-334.1	155.9	21.9
<b>Balance Sheet Measures</b>					
Cash and liquid investments	78.9	300.3	184.5	264.1	206.5
Excess cash	31.4	150.8	30.8	107.8	47.6
Total debt	6,924.7	6,758.0	6,858.0	6,958.0	7,058.0
Adjusted debt	6,893.3	6,607.2	6,827.2	6,850.1	7,010.4
Total capitalisation	20,814.8	21,888.4	22,177.6	22,468.7	22,770.7
<b>Leverage Measures</b>					
Debt/EBITDA	52.9x	29.0x	30.0x	28.9x	28.3x
EBITDA/Interest expense	0.6x	0.8x	0.8x	0.8x	0.8x
Gross debt/Capitalisation	33.3%	30.9%	30.9%	31.0%	31.0%
FFO/Debt	2.0%	3.3%	3.1%	3.2%	3.3%
OCF/Debt	1.8%	7.7%	-8.2%	-1.1%	-3.1%
FCF/Debt	4.6%	10.5%	-4.9%	2.3%	0.3%
DCF/Debt	4.6%	10.5%	-4.9%	2.3%	0.3%
Debt/Equity	49.6%	43.7%	44.6%	44.2%	44.6%
FFO/Cash interest expense	0.6x	0.7x	0.7x	0.7x	0.8x

\* EBITDA and EBITDA margin include government operational subsidies  
Source: Company, CSPI Ratings estimates

## Parent and Government Support

### Almost certain parent incentive to support its strategically important subsidiary

We believe that MDJSAI has almost certain willingness to support MDJCIG in the event of financial distress, given the company's strategic importance to its parent. MDJSAI, wholly owned by MDJSASAO, owns 86.7% of MDJCIG as of the end of 2023. In 2023, MDJCIG accounted for 56.5% of MDJSAI's total assets and 79.2% of total revenue.

### Strong business connection with the Mudanjiang government

MDJCIG's operations and prospects are significantly affected by the Mudanjiang city government's budgets and policies, in particular those relate to public infrastructure construction as well as land development, which represent almost all of the company's business. Being the second largest LGFV ultimately controlled by MDJSASAO (with its parent being the largest) with a focus on urban construction and land development in Mudanjiang, MDJCIG is designated to carry out the Mudanjiang government's directions, plans and policies for the municipal development. At present, MDJCIG has over 80% market share in Mudanjiang's affordable housing development projects. As such, the business connection between MDJCIG and the Mudanjiang government is strong, in our view.

### Senior management appointment and decision involvement signify strong ties with the Mudanjiang government

As MDJCIG's actual controller, MDJSASAO, together with other entities in the Mudanjiang municipal government, are closely involved in key investment and operation decisions of the company. For instance, MDJCIG's board of directors and senior management are appointed and supervised by the MDJSASAO. Besides, the company's major investment projects, financing projects or guarantees, development strategies and financing risk control measures need to be approved by the Mudanjiang municipal government. All in all, we see a high degree of direct and indirect government control over the company's operations, which are highly interwoven with key government functions.

### Continuous asset injections and financial subsidies from the Mudanjiang government

We believe that MDJSAI and MDJSASAO will continue to support MDJCIG's operation using financial subsidies and asset injections. From 2021 to 2023, MDJCIG received government subsidies of RMB961 million, RMB0.17 million and RMB60 million, respectively. In addition, MDJCIG also received capital injections, road, bridge, park, and land asset allocations from the Mudanjiang government to strengthen its asset strength.

## Credit Profile of Heilongjiang Provincial Government and Mudanjiang Municipal Government

### Heilongjiang: Reasonable liquidity conditions but sluggish economic progress and exacerbating debt pressure

Heilongjiang is the northernmost and easternmost province of China (AA, Stable). The province is bordered by the Jilin province to the south and Inner Mongolia to the west and shares a border with Russia to the north and east. Among Chinese provincial-level administrative divisions, Heilongjiang is the sixth-largest by total area of 473,000 square kilometres. It has a population of 31.0 million in 2022. Heilongjiang has significant agricultural production and natural resources such as timber, oil and coal.

The province's budgetary performance has improved in terms of the budgetary balance-to-revenue ratio and revenue growth, mainly due to a stable fund budgetary revenue in 2023. As a result, its budgetary balance-to-revenue ratio improved to a more favourable position of -2.8%. In addition, Heilongjiang benefits from strong and stable transfer payments provided by the central government, which significantly contribute to the province's budgetary revenue and display a steady upward trajectory.

The liquidity conditions of the Heilongjiang provincial government remain reasonable. With the substantial fiscal grants from the central government, the province's fiscal deposit has incrementally grown to RMB138.6 billion at the end of 2023, which was a considerable amount compared to its interest obligations. Besides, Heilongjiang's average liquidity coverage ratio is estimated at 258% over the next two years, indicating that the government has accumulated sufficient liquid resources to meet potential liquidity challenges.

In terms of economic growth, Heilongjiang has been a relatively mediocre performer in recent years, hindered by population contraction, resource exhaustion and economic structure defects. With several years of sluggish economic growth, the province registered a relatively low GDP per capita of RMB51,487 at the end of 2023. Although the government has strived to revive the local economy through a variety of measures, the revitalisation process has appeared to be ineffective so far.

Debt pressure is weighing on the province's slow-growing economy. To cushion the impact of the coronavirus pandemic and support the local economy restoration, Heilongjiang has piled up its debts since 2020. Compared to the province's thin GDP scope, the government's debt burden is relatively heavy with a direct debt of RMB849.7 billion by the end of 2023, an increase of RMB120.6 billion compared to last year. The broad debt totalled to RMB938.5 billion. Heilongjiang's debt-to-GDP ratio was 59.1% at the end of 2023 and is expected to rise further in the next few years.

### Mudanjiang: Robust economic growth with a modest fiscal deficit

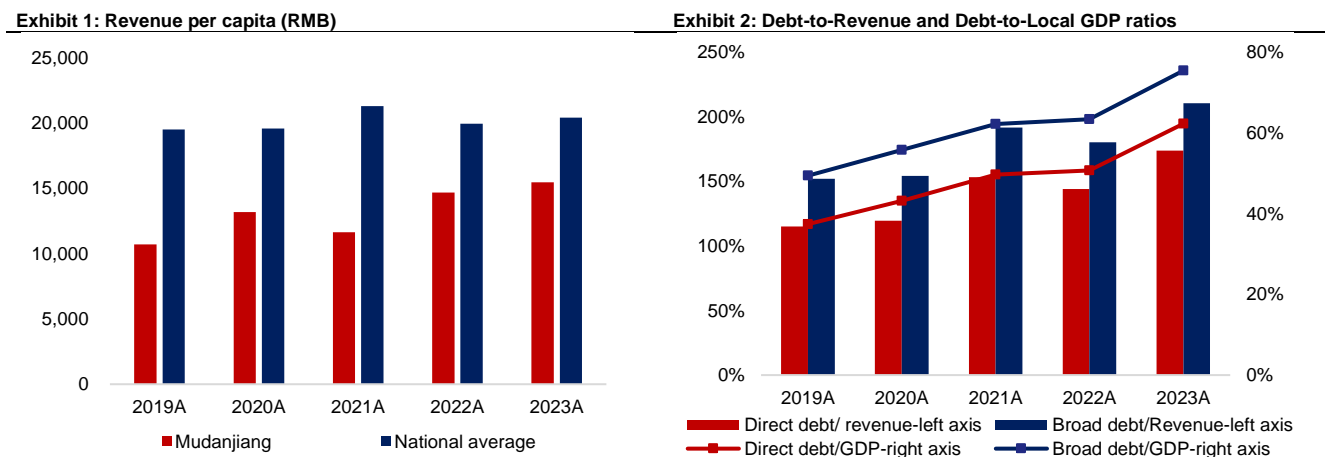
Mudanjiang is a prefecture-level city under the jurisdiction of Heilongjiang province and is also an important central city and scenic tourism city in the southeast of Heilongjiang province approved by the State Council. The city is in the centre of the northeast Asian economic circle, adjacent to Russia. Mudanjiang is an important strategic pivotal of the 'China Mongolia Russia economic corridor' and the Longjiang Silk Road belt, and a bridgehead and hub for China's opening up to Russia along the border. The city manages over four municipal districts, five county-level cities and one county, with a total area of 40,600 square kilometres. By the end of 2022, the residential population of Mudanjiang was 2.2 million.

Mudanjiang, as many of its peers in Heilongjiang province, has been afflicted by the obsolete economic structure, outflowing population, exhausting resources and lack of incremental investment and businesses over the past few years. The city's GDP per capita amounted to RMB42,988 by the end of 2023, indicating a relatively weak economic foundation. However, despite these challenges, Mudanjiang's economy expanded by 4.2% in 2023, making it the fastest-growing city in Heilongjiang Province. This growth can be attributed to the recovery of consumption in local and national markets, as well as the city's focus on developing new economic and business forms through the cross-border e-commerce comprehensive pilot zone (CBEC pilot zone). By the end of 2023, Mudanjiang's online retail sales reached RMB5.79 billion, a year-on-year growth of 27.8%, providing significant support for local economic stability and development. In addition, as the only 'China-Russia Regional Cooperation Demonstration City' in China, Mudanjiang has actively promoted the transformation and upgrading of foreign trade industries. In 2023, the city's total volume of exports and imports increased by 21.1% compared to the previous year, with export volume growing by 41.8%. As of the end of March 2024, the volume of trade between border residents

reached RMB256 million, accounting for three-quarters of the total volume in Heilongjiang. Furthermore, Mudanjiang experienced remarkable growth in tourism revenue in 2023, with a year-on-year increase of 164% and a 173% increase compared to 2019, suggesting that the tourism industry will continue to thrive in 2024. Overall, we expect Mudanjiang's economy to remain resilient this year.

The Mudanjiang government has benefited from strong fiscal support from the higher-level government, which has helped maintain a modest deficit level and supported the city's budgetary revenue. From 2021 to 2023, refunds and transfers from the higher-level government accounted for 72% of the city's budgetary revenue, enabling an increase of 14.7% and 4.8% in fiscal revenue in 2022 and 2023, respectively, despite the continuous decline in land transfer fees. With the ongoing economic recovery and sustained financial support, the city's revenue is projected to continue growing at a relatively fast pace. In 2022, the government's budgetary balance improved significantly due to substantial fiscal transfer payments. However, in 2023, while general public revenue experienced moderate growth, general public expenditure increased significantly, and fund revenue declined while fund expenditure rose, resulting in an increased deficit for the city. In general, the city's budgetary balance has been in a relatively healthy state and is likely to continue in the next few years.

Mudanjiang's debt has been growing rapidly since 2017, and its debt level is relatively large compared to its fiscal revenue and economic size. Over the past few years, the government has been ramping up its debts in a bid to fuel its infrastructure investment and other fiscal expenditures. The debt-to-GDP ratio is calculated to be 75%, and the debt-to-revenue ratio is 210%, which is relatively high for a local government in China. However, due to Heilongjiang's efforts in seeking debt relief measures proposed by the central government, we expect Mudanjiang's debt growth to slow down in 2024, gradually alleviating the debt burden. Although Mudanjiang's fiscal deposits of RMB2.4 billion may seem small compared to its significant debt scale, the increasing debt ceiling provides additional borrowing leeway for the city. In addition, the fiscal gaps between the city's revenue and expenditure are expected to stabilise, which means that the liquidity needs should remain relatively moderate in the next few years. In general, we believe Mudanjiang's liquidity coverage capacity is sufficient.



Source: Local government Bureau, CSPI Ratings estimates

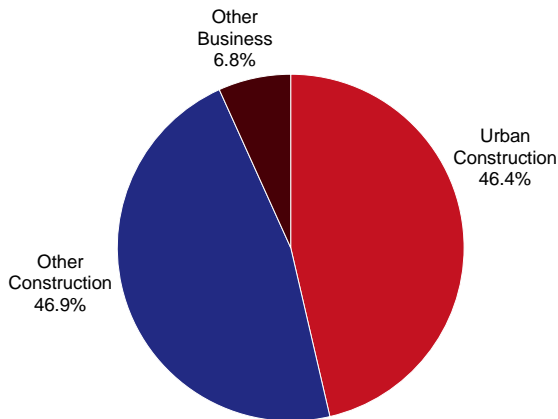
Source: Local government Bureau, CSPI Ratings estimates

## Business Profile

MDJCIG engages in Mudanjiang's economic development by being the city's most important platform for urban construction, including affordable housing and infrastructure, land development and municipal asset operations. The Company has over 80% market share in Mudanjiang's affordable housing development projects. At the moment, MDJCIG primarily focuses on three business segments, namely (i) urban construction, (ii) other construction and (iii) other businesses.

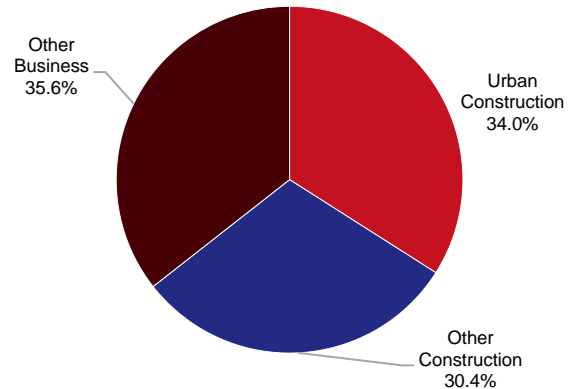
In 2021-2023, the company generated total revenues of RMB1.6 billion, RMB1.7 billion, and RMB1.7 billion, respectively. During the same period, the company's net profits were RMB1,035.8 million, RMB107.0 million, and RMB100.4 million, respectively. In terms of revenue and gross profit structure in 2023, urban construction and other construction revenue accounted for 46.4% and 46.9% of the company's total revenue, as well as 34.0% and 30.4% of the gross profit, respectively. While other businesses provided supplements to the company's revenue and gross profit.

**Exhibit 3: MDJCIG's revenue mix (2023)**



Source: Company

**Exhibit 4: MDJCIG's gross profit mix (2023)**



Source: Company

- (i) **Urban Construction:** MDJCIG's urban construction business is divided into two sub-segments, namely urban infrastructure construction and affordable housing development. As the primary urban construction platform authorised by the Mudanjiang government, the company undertakes various urban infrastructure construction projects in the city, such as roads, bridges, buildings, parks, intelligent bus systems, wastewater pumping storage power stations and electrification projects. Regarding MDJCIG's affordable housing development projects, the company is typically assigned or awarded these projects by the Mudanjiang government under a repurchase agreement and is responsible for obtaining financing and approvals, organising relocation and resettlement of shanty areas, and managing overall project and finance tasks. The completed affordable housing projects are mainly in the forms of resettlement housing and public rental housing, which are sold and transferred to the Mudanjiang government or its designated state-owned or controlled enterprises.

In 2021-2023, the company's urban construction revenue was RMB1.3 billion, RMB1.3 billion and RMB0.8 billion, respectively, accounting for 78.2%, 73.9% and 46.4% of total revenue for that year.

**Exhibit 5: MDJCIG's construction projects as of 2023 (RMB million)**

Project names	Planned total investment amount	Invested amount
Million Square-Metre Affordable Housing Project – Yuejiang City (百万平米安置房项目-阅江城)	1,000	771
Million Square-Metre Affordable Housing Project – Yinlong Bay (百万平米安置房项目-银龙湾)	376	363
Million Square-Metre Affordable Housing Project – Xichenglvdu (百万平米安置房项目-西城绿都)	192	152
Yipinshangcheng Shanty Town Remake Project (逸品尚城棚户区改造项目)	719	610
Yixin Garden District Public Rental Housing Project (怡馨园小区公租房项目)	830	976
Fenghuang City Group A Phase Two (凤凰城 A 组团二期)	1,449	821
Fenghuang City Phase Three (凤凰城三期)	854	565
Beiyue City Phase Two (北悦城二期)	374	304
Natural Gas Project (燃气项目)	55	20
2022 Drainage Project (2022 排水项目)	309	202
2023 Drainage Project (2023 排水项目)	408	4
<b>Total</b>	<b>6,566</b>	<b>4,788</b>

Sources: Company, CSPI Ratings

- (ii) **Other Construction:** MDJCIG offers construction and engineering services for external clients and partially provides support to the infrastructure projects which the Company undertakes. Major projects of MDJCIG's construction business include the construction of the Jiangnan Campus of Lixin Primary School of No. 4 Middle School (四中立新小学江南校区工程), the Phase II renovation project at the shanty areas of Beiyue City (北悦城棚户区改造建设专案(二期)工程), the revocation project at Human Resources Industrial Park (人力产业园装修项目) and the style and

environment improvement project at Feilongtan (飞龙潭风貌环境提升专案), among others. Other construction business is mainly operated by MDJCIG's subsidiary, namely Mudanjiang City Investment Construction and Engineering Co., Ltd., which has the second-level qualification of general contracting of engineering construction, municipal engineering construction and highway engineering construction. The company is awarded construction and engineering projects, either on a construction-only basis or a complete engineering-procurement-construction (EPC) basis, through bidding and recognising revenue based on contract prices.

In 2021-2023, the company's other construction revenue was RMB320.1 million, RMB407.7 million and RMB806.9 million, respectively, accounting for 20.0%, 23.7% and 46.9% of total revenue for that year.

- (iii) **Other Businesses:** MDJCIG's Other businesses include its housing-related business and property leasing business. For the housing-related businesses, the company participates in the first- and second-hand housing sales, distribution and exhibition business. MDGCIG also provides operation services to those municipal assets that it has constructed.

In 2021-2023, the company's other business revenue was RMB29.2 million, RMB40.3 million and RMB116.3 million, respectively, accounting for 1.8%, 2.3% and 6.8% of total revenue for that year.

## Financial Profile

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### Relatively high financial leverage

MDJCIG had a total interest-bearing debt of RMB6.5 billion by the end of 2023. The company's EBITDA is relatively weak compared to its total debt scale, in our view. We assess its debt-to-EBITDA ratio and EBITDA interest coverage ratio to be 29.0x and 0.8x in 2023, respectively, indicating that it is difficult for the company to repay its debt and interest solely by EBITDA. On the other hand, MDJCIG's debt level is not stretched versus its asset level, with its gross debt-to-total capitalisation ratio at 30.9% in 2023. While we believe that MDJCIG's financial leverage will remain at a relatively high level in the coming years as it continues to put in capital on construction projects, we do not expect immediate worsening of leverage risk.

We assess MDJCIG's debt structure as 'Neutral', as the company's short-term debt exposure is limited to less than 20% of the total debt outstanding. The company's debt is mainly long-term debt from bank loans and bond financing, which is consistent with the long duration of the company's infrastructure construction projects. In addition, the interest rate risk of the company's bank loans mainly comes from floating interest rates, but we believe that this will not create significant interest rate risk for the company because the debt involving floating interest rates is based on the prime lending rate floating.

### Low efficiency and weak profitability

MDJCIG engages in Mudanjiang's economic development by being the city's most important platform for urban construction, including affordable housing and infrastructure, land development and municipal asset operations. The low operating efficiency is primarily due to the company's industry and business model, as evidenced by its 820.7 days of accounts receivable turnover and 2,001.8 days of inventory turnover in 2023. The prolonged cash conversion cycle of 2,722.0 days (approximately 7 years) indicates the overall low turnover efficiency of MDJCIG, and it also weakens the company's cash flows from the operation. Moreover, we believe that the profitability of the industries in which MDJCIG is largely exposed is generally low. This is because most of the industries in which the company operates, i.e. land development and infrastructure construction, are closely tied to the Mudanjiang municipal government. The government has played a pivotal role in controlling and determine the profitability of these industries. Given a slow turnover rate, i.e. high invested capital, we expect MDJCIG's return on invested capital will remain low at about 0.9% over the next three years.

## Liquidity

We evaluate MDJCIG's liquidity as vulnerable in the near term considering both the quick ratio and the cash flow liquidity ratio. The Company's 12-month forward-looking cash flow liquidity ratio is estimated at 0.5x (in 2024), deemed marginally inadequate to handle the cash outflow in the next 12 months. MDJCIG's cash outlay in 2024 is estimated to be RMB1.2 billion, mainly generated by short-term debt repayment and capital investment.

Nevertheless, MDJCIG's liquidity should be supported by MDJSAI and the Mudanjiang city government. Besides, banks and other financial institutions should be willing to offer the company concrete loan facilities than other normal commercial companies. These supports will jointly beef up the actual liquidity state of MDJCIG. To elaborate, the company had total credit facilities of RMB6.3 billion as of the end of 2023, of which RMB1.4 billion had not been utilised, according to the management.

We made the following key assumptions when assessing MDJCIG's liquidity:

- Estimated cash and short-term investments of RMB300.3 million/RMB184.5 million in 2024/25;
- Estimated funds from operations inflow of RMB212.7 million/RMB216.8 million in 2024/25;
- Estimated working capital outflow of RMB760.9 million/RMB279.1 million in 2024/25;
- Estimated short-term debt repayments of RMB852.9 million/RMB902.9 million in 2024/25.

## Company Background

In 2000, Mudanjiang New Light City Construction Investment Co. Ltd., the predecessor of MDJCIG, was established and designated to carry out the Mudanjiang municipal government's blueprint for urban construction and municipal development in the city, including the transformation of urban shanty areas and provision of affordable housing in the investment, construction and operational phases. At present, MDJCIG has over 80% market share of Mudanjiang's affordable housing development projects.

## Rating Scores Summary

<b>Business Profile</b>	<b>Fairly Weak</b>
Industry and Operation Risk Profile	Fairly Weak
Macroenvironment Risk	Low
<b>Financial Profile</b>	<b>bb-</b>
Preliminary Leverage Profile	bb
Cash Flow Variations	Neutral
Debt Structure and Financial Policy	Neutral
Financial Volatility	Neutral
Investment	Neutral
Final Leverage Profile	bb
Profitability	Weak
<b>Indicative Credit Score (ICS)</b>	<b>b+</b>
<b>Adjustment Factors</b>	
Corporate Structure and Governance	Neutral
Liquidity	Vulnerable
Supplementary Analysis	Neutral
<b>Standalone Credit Profile (SACP)</b>	<b>b-</b>
<b>External Support</b>	
Parental Support	Almost Certain
Government Support	NA
<b>Issuer Credit Rating (ICR)</b>	<b>BB+</b>



## Related Criteria

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[General Corporate Rating Criteria \(15 March 2018\)](#)

[Government-Related Entities Rating Criteria \(31 August 2018\)](#)

[Corporate Financial Adjustments and Ratio Definitions \(7 May 2018\)](#)

### Criteria Deviation

In this rating assignment, the committee adopted different weightings when assessing the leverage profile of the rated entity, which is a deviation from the weightings set by our General Corporate Rating Criteria (31 August 2018). The committee believes the leverage ratios set by our general corporate criteria are mostly cash flow leverage focused and do not properly reflect the true financial leverage risk of the local government financing vehicles in China which should be assessed from a balance-sheet leverage perspective, the initial weightings of '30%, 30%, 20%, 20%' for 'Debt/EBITDA, EBITDA Interest Coverage, Gross Debt to Capitalisation, FFO/Debt' were modified to '25%, 25%, 50%, 0%' for 'Debt/EBITDA, EBITDA Interest Coverage, Gross Debt to Capitalisation, FFO/Debt'.

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