

CCXAP assigns first-time long-term credit rating of A_g- to Nanjing Jiangning Economic and Technological Development Group Corporation Limited, with stable outlook.

Hong Kong, 21 September 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time A_g- long-term credit rating to Nanjing Jiangning Economic and Technological Development Group Corporation Limited (“JETD” or the “Company”), with stable outlook.

The A_g- long-term credit rating of JETD reflects Jiangning District Government’s very strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Jiangning District Government’s capacity to provide support reflects its sound economic fundamentals and fiscal strength. In 2021, Jiangning District ranked among the top in all districts in Nanjing City by gross regional product (“GRP”) and general public budget revenue.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) high strategic importance to the infrastructure construction and development of Jiangning Economic Technology Development Zone (the “Jiangning ETDZ”); (2) good track record of receiving government payments; and (3) good access to diverse funding channels. However, the Company’s rating is constrained by the Company’s (1) medium commercial business risk associated with industrial and commercial properties; (2) moderate debt growth and medium contingent liability risk.

Corporate Profile

Established by the Jiangning District Government in December 1992, JETD is a leading state-owned enterprise in the Jiangning District. It has played an important role in the implementation of the Jiangning District Government’s blueprint for urban planning and municipal construction within the Jiangning ETDZ, the Airport Economic Development Zone Jiangning Area (“AEDZ Jiangning Area”) and the Jiangsu Software Park (“Software Park”). JETD is the primary enterprise focusing on the development of the Jiangning ETDZ. The Company is engaged in three major business segments, namely (1) infrastructure construction, (2) urban landscaping and facility management, and (3) leasing and property management.

JETD is under the direct management and supervision of the Management Committee of the Jiangning ETDZ. As of 31 March 2022, the Management Committee of the Jiangning ETDZ and the Jiangning District Government owned approximately 93.9% and 2.2% of the Company’s shares, respectively; and the remaining shares were held by ICBC Financial Assets Investment Co., Ltd.

Rating Rationale

Credit Strengths

High strategic importance to the Jiangning ETDZ's infrastructure construction development. JETD is the largest local infrastructure investment and financing company ("LIIFC") in the Jiangning ETDZ and even in Jiangning District. It has a high public-policy role in the development of Jiangning District and holds most of the public assets for local infrastructure projects such as roads, bridges, water facilities, relocation housing and other public facilities within the Jiangning ETDZ, the AEDZ Jiangning Area and the Software Park. As of 31 March 2022, the Company had 24 infrastructure construction projects under construction or planning, with a total investment of RMB15.0 billion.

Good track record of receiving government payments. JETD has received strong support from both the Management Committee of Jiangning ETDZ and the Jiangning District Government, including subsidies, capital injections, asset injections and government payments for construction projects. The Company's paid-in capital increased from RMB1.5 billion at end-2019 to RMB3.4 billion at end-2021. From 2019 to 2021, the Company received different types of government subsidies of approximately RMB819 million, including rental subsidies and other operating subsidies.

Good access to different funding channels. The Company has maintained a good relationship with large domestic banks and has good access to both the onshore and offshore debt capital markets. As of 31 March 2022, it held total credit facilities of RMB124.0 billion and available credit facilities of RMB39.8 billion. From 2021 to July 2022, the Company raised around RMB11.9 billion from the onshore market with coupon rates ranging from 2.48% to 4.58%. In 2021, it has issued USD210 million of bonds with a coupon rate of 2.9%.

Credit Challenges

Medium commercial business risk related to industrial and commercial properties. JETD has medium commercial business risk with the ongoing business diversification in property leasing and equity investments, which are subject to the volatility of the local economic and industrial development. As of 31 December 2021, it recorded investment properties of approximately RMB21.3 billion and equity investments of around RMB5.8 billion. We also expect the Company's commercial business to grow because of its increasing project pipeline in leasing property. As of 31 March 2022, there were 12 property projects under construction or planning, with an outstanding investment amount of RMB9.4 billion.

Moderate debt growth and medium contingent liability risk. The total debt increased from RMB42.9 billion at end-2019 to RMB77.0 billion at end-2021, mainly driven by the fast-growing infrastructure construction and property projects. The Company still has a large investment and construction pipeline, including infrastructure construction and leasing property projects that are either under construction or in planning, with an outstanding investment of RMB18.8 billion as of 31 March 2022. In addition, the Company's external guarantee balance was RMB10.3 billion, accounting for 32.4% of its net assets. Large external guarantees bring contingent

liability risks to the Company.

Rating Outlook

The stable outlook on JETD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic position as the largest investment and operation entity in the Jiangning ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) Jiangning District Government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as lowered debt growth and reduced exposure to contingent risk.

What could downgrade the rating?

The rating could be downgraded if (1) Jiangning District Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced government payments or materially increased exposure to commercial activities.

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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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Vincent Tong

Assistant Director of Credit Rating

+852-2860 7125

vincent_tong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656