

CCXAP assigns first-time long-term credit rating of BBB_g- to Nanchang Jinkai Group Co., Ltd., with stable outlook.

Hong Kong, 21 December 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Nanchang Jinkai Group Co., Ltd. (“NCJK” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of NCJK reflects local government’s (1) relatively strong capacity to provide support based on our assessment of Nanchang Economic and Technological Development Zone (“Nanchang ETDZ”); and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Nanchang ETDZ’s status as the national-level ETDZ in Nanchang City, with increasing economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) strategic position as evidenced by the majority stake held by the Management Committee of Nanchang ETDZ on behalf of the local government; (2) dominant role in the development of Nanchang ETDZ by undertaking public policy projects; (3) good track record of receiving recurring government payments; and (4) relatively high acceptance by bank and bond market financing channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increased debt burden to support the development of Nanchang ETDZ; and (3) moderate asset liquidity.

Corporate Profile

Founded in September 2015, NCJK is a key local infrastructure investment and financing company (“LIIFC”) in Nanchang ETDZ, focusing on infrastructure construction and social housing construction. The Company plays a strategic role in the social, economic, and urban development of the region in accordance with the development blueprints of the local government, aiming to facilitate investment in and development of Nanchang ETDZ. It is also engaged in commercial activities such as supply chain trading, property leasing and property development, design, as well as loan provision. As of 30 September 2022, the Management Committee of Nanchang ETDZ held the majority shares of NCJK directly and indirectly, and was also the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Dominant role in the development of Nanchang ETDZ by undertaking public policy projects. NCJK has played a dominant role in undertaking public policy projects entrusted by the local government, including infrastructure construction, social housing construction, as well as municipal management and maintenance. That being the case, it has made significant contributions to the municipal development and continuous urbanization of Nanchang ETDZ. NCJK is currently the largest LIIFC in Nanchang ETDZ.

Good track record of receiving recurring government payments. The Company has a good track record of receiving support from the local government in terms of subsidies, special funds, assets, and capital injections. The size and record of these government payments suggest a propensity for the government to support NCJK.

Relatively high acceptance by bank and bond market financing channels. NCJK has good access to funding, of which bank loans and bonds are the main financing channels. The overall financing cost for the Company is about 5.5%, which is relatively reasonable. Given the Company's important position as the irreplaceable platform for social and economic development in Nanchang ETDZ, we expect NCJK to maintain good access to domestic bank loans and bond markets.

Credit Challenges

Medium exposure to commercial activities. NCJK is involved in commercial activities such as industrial park and factory construction, property leasing, and supply chain trading. We estimate the Company's risk exposure to commercial activities to be moderate, as the majority of these commercial activities are related to the strategic development of the region. However, the increasing investments in commercial activities will further increase the Company's capital pressure and brings higher business and financial risks.

Increased debt burden to support the development of Nanchang ETDZ. The Company's total debt has been growing rapidly over the past three years due to continuous financing of construction projects. Meanwhile, in terms of debt structure, the Company previously relied on short-term working capital loans, resulting in relatively large short-term debts, showing certain short-term debt repayment pressure.

Moderate asset liquidity. Less liquid assets such as accounts receivables (including other receivables) and inventory (mainly urban construction projects) accounted for large proportion of the Company's total assets. The large amount of inventory and account receivables may undermine the Company's financing flexibility, which will have a negative impact on its rating.

Rating Outlook

The stable outlook on NCJK's rating reflects our expectation that the local government's capacity to provide support will remain stable and that the Company will maintain a high strategic importance in the development of Nanchang ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to support, such as reduced exposure to risky commercial activities, and improved debt management and asset liquidity.

What could downgrade the rating?



The rating could be downgraded if (1) the local 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 reduced strategic significance, decrease in government payments; or increase in 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.

George Wang

Credit Analyst

+852-2860 7134

george_wang@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