

CCXAP assigns first-time long-term credit rating of BBB_g to Jining High-tech Holding Group Co., Ltd., with stable outlook.

Hong Kong, 10 March 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g long-term credit rating to Jining High-tech Holding Group Co., Ltd. (“JHHG” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of JHHG reflects Jining High-tech Zone Government’s strong capacity to provide support and extremely high willingness to support, based on our assessment of the Company’s characteristics. Our assessment of Jining High-tech Zone Government’s capacity to provide support reflects its status as a national-level high-tech industrial development zone, as well as the local government’s sound economic fundamentals and moderate fiscal profile.

The rating also reflects the local government’s extremely high willingness to provide support, which is based on the Company’s (1) full and direct ownership by the Jining High-tech Zone Government; (2) high strategic importance in infrastructure construction and provision of public services in Jining High-tech Zone; (3) proven track record of receiving government support; and (4) good access to diversified financing channels. However, the Company’s rating is constrained by its (1) increasing exposure to operating risk of investment properties; (2) rapid debt growth and moderate asset liquidity; and (3) contingent risks arising from relatively large scale of external guarantees.

Corporate Profile

Founded in 2009, JHHG is a key local infrastructure investment and financing company (“LIIFC”) in Jining High-tech Zone, and the most of its businesses are undertaken through Jining High Tech Urban Construction Investment Co., Ltd. (“JHUC”). As the main operator and developer, the Company is responsible for infrastructure construction, shantytown renovation projects, and heating supply in Jining High-tech Zone. In addition, the Company also undertakes commercial activities such as system integration and technology development, property development and leasing, commodity trading, as well as industrial investment. As of 30 September 2022, the Company was 100% directly and wholly owned by the Jining High-tech Zone State-owned Capital Management Office (“Jining High-tech Zone SOCMO”).

Rating Rationale

Credit Strengths

High strategic importance in infrastructure construction and provision of public services.

As the largest and most important LIIFC in Jining High-tech Zone, JHHG is engaged in infrastructure construction, shantytown renovation projects, and heating supply in the region. Given its important role in local infrastructure construction, we believe that the Company is unlikely to be replaced in the foreseeable future. We also believe that because its heating supply business is essential for local residents and enterprises, the replacement cost for the Company’s role is high.



Proven track record of receiving government support. JHHG has a proven track record of receiving government support in form of capital injections, asset transfers, project payments, and subsidies. From 2019 to 2022Q3, the Company received government subsidies of approximately RMB1.1 billion. At the same time, the Company has received government payments of RMB3.4 billion, which were mainly for the completed infrastructure projects under the agency construction model.

Good access to diversified financing channels. JHHG and JHUC have diversified financing sources including bank loans, onshore and offshore bond issuances. As of 30 September 2022, it had obtained total bank credit facilities of RMB13.5 billion, with an unused portion of RMB6.9 billion, indicating a relatively sufficient liquidity buffer. In addition, the Company had a reasonable exposure to non-standard products, with amount accounting for less than 15% of its total debt.

Credit Challenges

Increasing exposure to operating risk of investment properties. JHHG's commercial activities mainly include system integration and technology development, commodity trading, property development and leasing, as well as industrial investment, generating stable operating income. We believe JHHG will increase its exposure to commercial activities in the future. The Company plans to develop several self-operated projects and enlarge its investment in technology innovation companies in terms of industrial funds or direct equity investment.

Rapid debt growth and moderate asset liquidity. JHHG recorded rapid debt growth due to its debt-driven business expansion over the past few years. The Company's total debt has increased from RMB8.8 billion at end-2019 to RMB15.1 billion as of 30 September 2022. In addition, JHHG's asset liquidity is moderate because inventories and total receivables (account receivables and other receivables) accounted for the majority of its total assets, which may undermine the Company's financing flexibility, in our view.

Contingent risks arising from relatively large scale of external guarantees. JHHG's credit profile is undermined by a relatively large number of external guarantees, which could increase its repayment obligations. As of 30 September 2022, the total amount of external guarantees was RMB3.4 billion, accounting for 27.1% of its net assets.

Rating Outlook

The stable outlook on JHHG's rating reflects our expectation that Jining High-tech Zone Government's capacity to provide support will be stable, and that the Company will maintain its important role in local infrastructure construction, shantytown renovation projects, and heating supply in Jining High-tech Zone over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jining High-tech Zone Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local

government's willingness to provide support, such as improved debt management and asset quality and reduced exposure to external guarantees.

What could downgrade the rating?

The rating could be downgraded if (1) Jining High-tech Zone Government's capacity to 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 strategic significance, decreased government payments or increased exposure to risky 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

CCXAP's Rating Symbols and Definitions are available on its website at:

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

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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