

CCXAP assigns first time long-term credit rating of A_g- to Jinan Hi-tech Holding Group Co., Ltd., with stable outlook.

Hong Kong, 30 June 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of A_g- to Jinan Hi-tech Holding Group Co., Ltd. (“JNHT” or the “Company”), with stable outlook.

The A_g- long-term credit rating of JNHT reflects Jinan Innovation Zone Government’s very strong capacity to provide support, and extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Jinan Innovation Zone Government’s capacity to provide support reflects Jinan Innovation Zone’s vital role as one of the first batch of national high-tech zones, with good economic fundamentals and rapid development potential.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strategic importance in the social and economic development of Jinan Innovation Zone; (2) solid track record of receiving government support; and (3) high acceptance in the debt capital market and relatively low financing costs. However, the rating is constrained by the Company’s (1) medium operational risks from market-driven commercial activities; and (2) high debt management pressure arising from ongoing investment.

Corporate Profile

Founded in 2001, JNHT is the most important local infrastructure investment and financing company (“LIIFC”) in Jinan Innovation Zone and acts as the key facilitator of Jinan Innovation Zone Committee’s plan for infrastructure construction. The Company operates and manages diversified business segments and focusing on the investment and operation of industrial parks. It helps attract investments and provides facilities for industrial, scientific research and commercial purposes including office buildings, factories and industrial bases in industrial parks. It is also responsible for the construction of public infrastructure projects such as water supply and sewage treatment facilities, primary land development, and shantytown renovation. Apart from that, the Company is also engaged in commercial activities such as residential property development, IT hardware and services, and financial services. As of 31 March 2023, JNHT is ultimately owned and controlled by the State-owned Assets Supervision and Administration Commission of the Jinan Hi-tech Industrial Development Zone (“Jinan Innovation Zone SASAC”).

Rating Rationale

Credit Strengths

Strategical importance in the social and economic development of Jinan Innovation Zone. JNHT is the most important entity in regional development and aligns with the local government’s strategic objectives and development blueprint for Jinan Innovation Zone. The Company is strategically important to the Jinan Innovation Zone Government, given its dominant role in the investment and operation of industrial parks in the region. Considering

JNHT's policy role in social and economic development and its close links with the local government's development blueprint, we believe that potential substitution is low and that government support is likely in the near future.

Solid track record of receiving government support. JNHT has a solid track record of receiving various forms of government support such as financial subsidies, special funds, and asset injections. As the most important LIIFC in the area, the Jinan Innovation Zone Government had increased the Company's capital base by direct cash injections or asset injections. As of 31 March 2023, the Company's paid-in capital and capital reserve were RMB4.0 billion and RMB18.4 billion, respectively.

High acceptance in the debt capital market and relatively low financing costs. JNHT has good access to funding sources, including bank loans and onshore and offshore bond issuance, which could partially relieve its short-term refinancing pressure. JNHT has established good long-term relationships with a number of banks and financial institutions. The Company is also an active issuer in the debt capital market, and its debt mainly comes from direct issuance of bonds (including perpetual bonds). The Company's weighted average financing cost was at a relatively low level of less than 5%.

Credit Challenges

Medium operational risks form market-driven commercial activities. JNHT has a relatively high proportion of commercial activities, mainly in commercial property leasing, property development, and financial services. Although these activities are related to the Company's core business of industrial park development, they have high commercial components and are subject to higher operational risks.

High debt management pressure arising from ongoing investments. JNHT demonstrated rapid debt growth and high debt burden. The Company's total debt (including perpetual bonds) increased from RMB49.7 billion as of 31 December 2020 to RMB66.5 billion as of 31 March 2023, mainly due to continued investment in construction projects and commercial activities. Meanwhile, its total capitalization ratio increased from 67.6% to 70.3%. We expect JNHT's debt burden will remain at a relatively high level, as the Company has large investment plans in industrial park development and residential property development, with approximately RMB26.2 billion of projects under construction and planning.

Rating Outlook

The stable outlook on JNHT's rating reflects our expectation that Jinan Innovation Zone Government's capacity to provide support will be stable; and the Company's characteristics such as its essential role in regional development will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jinan Innovation 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 increased public-policy projects, significant reduction in risky commercial activities, and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Jinan Innovation 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, deteriorated access to fundings, or significant increase in external guarantees.

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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