

## **CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd., with stable outlook.**

Hong Kong, 17 July 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub>- to Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd. (“Jiangding” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of Jiangding reflects Jiangding’s strategic importance in Jiangjin District as well as Jiangjin District Government’s strong capacity to provide support and high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Jiangjin District Government’s capacity to provide support reflects that the gross regional product (“GRP”) of Jiangjin District ranked 6th among 38 districts/counties in Chongqing City in 2022, with good industrial base and strong economic strength.

The rating also reflects our assessment of the Company’s characteristics, which is based on the Company’s (1) enhancing strategic position in Jiangjin District after the consolidation of Zhenxin; and (2) reasonable debt leverage. However, the rating is constrained by the Company’s (1) moderate assets liquidity; and (2) high reliance on a singular funding channel.

### **Corporate Profile**

Founded in 2018, formerly known as Chongqing Jiangjin Huaxin Industrial Development Co., Ltd. After the consolidation of Chongqing Jiangjin District Zhenxin Industrial Development Group Co., Ltd. (“Zhenxin”), the Company became one of the major construction and operation entity in Jiangjin District. The Company is primarily responsible for the operation of sewage treatment and the sales of land quotas in Jiangjin District. Apart from public development projects, the Company also undertakes various commercial activities, such as refined oil sales, human resource services, property leasing, and self-operating projects.

Jiangding is an important subsidiary of Chongqing Jiangjin Huaxin Asset Management Group Co., Ltd. (“JHAM”). As of today, JHAM held 92% of the Company’s shares, and Chongqing Jiangjin Comprehensive Bonded Zone Development Group Co., Ltd. held the remaining 8%. The State-owned Assets Supervision and Administration Commission of Jiangjin District, Chongqing City (“Jiangjin SASAC”) is the ultimate controller of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**Enhancing strategic position in Jiangjin District after the consolidation of Zhenxin.** In June 2023, after the consolidation of Zhenxin, the Company’s business strength significantly increased. Zhenxin is responsible for the operation of sewage treatment in Jiangjin District. In addition, the Company also engages land quota sales in Jiangjin District. As an important



subsidiary of JHAM, the Company will maintain its important position in local projects and services in Jiangjin District.

**Undertaking major local projects and services.** Jiangding is responsible for the land quota sales in Jiangjin District. In addition, Jiangding is one of the major sewage treatment providers in Jiangjin District.

**Reasonable debt leverage.** Jiangding's total debt had increased from RMB1.5 billion at end-2020 to RMB2.7 billion at end-2022, with a reasonable capitalization ratio of 27.0%. The Company's debt structure is sound, with short-term debt only accounting for 2.2% of its total debt.

### Credit Challenges

**Low but increasing exposure to commercial activities.** In addition to public activities, Jiangding is also involved in various commercial activities such as refined oil sales, human resource services, property leasing, and self-operating projects. We consider Jiangding's commercial business exposure to be low, as its market-driven businesses account for lower than 15% of its total assets.

**Moderate asset liquidity.** Jiangding has moderate asset liquidity. The Company's total asset mainly consists of receivables and inventories, which accounted for 78.4% of its total asset as of 31 December 2022.

**High reliance on a singular funding channel.** We consider the Company has a limited funding channel as its debt financing was only provided by domestic banks, and it mainly originated from one bank.

### Rating Outlook

The stable outlook on Jiangding's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic position in the development of Jiangjin District.

#### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance local government's willingness to provide support, such as increasing strategic importance and improved asset liquidity.

#### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as reduced regional significance or 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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