

CCXAP assigns first-time long-term credit rating of BBB_g- to Jiangyou Chuangyuan Development and Construction Investment Co., Ltd., with stable outlook.

Hong Kong, 25 October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Jiangyou Chuangyuan Development and Construction Investment Co., Ltd. (“JCDC” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of JCDC reflects Jiangyou City Government’s relatively strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Jiangyou City Government’s capacity to support reflects Jiangyou as an important node in the Chengdu Plain urban agglomeration with transportation advantage, and increasing fiscal strength, but moderate fiscal profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) key role in the infrastructure construction of Jiangyou Industrial Park; (2) public projects with high business sustainability; and (3) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; and (2) high proportion of non-standard financing.

Corporate Profile

JCDC is the major state-owned entity responsible for infrastructure construction in Jiangyou Industrial Park, Jiangyou City. Its business scope covers infrastructure construction, self-operated project construction, commodity sales, and labor service. As of 30 June 2023, Jiangyou State-Owned Assets Supervision and Administration Office (“Jiangyou SASAO”) was the Company’s actual controller and largest shareholder, holding 67.0% of the shares.

Rating Rationale

Credit Strengths

Key role in the infrastructure construction of Jiangyou Industrial Park. JCDC is the major state-owned entity responsible for local infrastructure construction in Jiangyou Industrial Park, undertaking land acquisition and demolition, and infrastructure construction in the region. According to the Jiangyou City Finance Bureau, the Company has handed over the land acquisition and demolition project to the Sichuan Jiangyou High-tech Industrial Park Management Committee since January 2022, so the Company will no longer be responsible for land projects.

Undertaking projects with high business sustainability. As of the end of 2022, the Company’s total target investment in infrastructure construction was RMB1.5 billion while RMB1.4 billion was yet to be invested. Hence, the sustainability of this segment is high.

Solid track record of receiving government support. From 2020 to 2022, the Company received government subsidies of RMB200.0 million, RMB201.5 million, and RMB266.6 million, respectively. In 2022, the government also provided capital injections and asset injection of RMB675.4 million to the Company. In light of JCDC's important regional position in the Jiangyou Industrial Park, we expect the Company will continue to receive ongoing support from the local government over the coming 12-18 months.

Credit Challenges

Increasing exposure to commercial activities. JCDC is also involved in other commercial activities such as self-operated project construction, commodity sales, as well as labor dispatch and sales. We estimate that the Company has low commercial exposure as the proportion of commercial business assets accounts for less than 10% of its total assets. However, the expansion in the building plants and resettlement housing may lead to a higher exposure to commercial activities.

Mild debt growth with certain liquidity pressure. Project construction and asset purchases have caused the Company's total debt to continue to rise in the past few years. However, the debt growth rate is at an acceptable level given the YoY debt growth rate decreased from 17.4% in 2021 to 11.7% in 2022. As of 31 December 2022, JCDC's total capitalization ratio was 41.4%. The Company's short-term debt/total debt was 43.3% as of the end of 2022. However, the cash of JCDC was RMB0.4 billion which was insufficient to cover its short-term debt. The cash/short-term debt ratio was around 0.2x, implying a certain liquidity pressure on the Company.

The high proportion of non-standard financing. The Company has a relatively high exposure to high-cost non-standard financing as the non-standard financing accounted for 34.2% of the Company's total debt in 2022, with an average financing cost of 8.3%. As non-standard financing is less stable than bank financing, the Company faces higher financing costs and greater refinancing pressure.

Rating Outlook

The stable outlook on JCDC's rating reflects our expectation that the Jiangyou City Government's capacity to provide support will remain stable, and the Company will maintain its key role in the infrastructure construction of Jiangyou Industrial Park.

What could upgrade the rating?

The rating could be upgraded if (1) Jiangyou City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as reduced exposure to high-cost non-standard financing.

What could downgrade the rating?

The rating could be downgraded if (1) Jiangyou City 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 weakened market position or material decreased government support.

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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