

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Jinyun County State-owned Assets Investment Operation Co., Ltd., with stable outlook.**

Hong Kong, 27 October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub>- to Jinyun County State-owned Assets Investment Operation Co., Ltd. (“JCSA” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of JCSA reflects Jinyun County Government’s (1) relatively strong capacity to provide support, and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the Jinyun County Government’s capacity to support reflects Jinyun as a highly developed industrial county in Zhejiang Province with growing economic and fiscal strength.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) monopoly role in the development of Jinyun County; (2) good access to funding from banks and bond markets; and (3) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) high capital expenditure pressure associated with large project reserves; (2) rapid debt growth; and (3) moderate asset liquidity.

### **Corporate Profile**

Founded in 2000, JCSA is the most important entity for infrastructure construction and state-owned assets operation in Jinyun County. JCSA is mainly responsible for infrastructure construction, land consolidation, resettlement housing construction, and water business in Jinyun County. The Company also engages in commercial businesses such as trading, tourism, and leasing business. As of 30 June 2023, Jinyun County Finance Bureau was the Company’s actual controller and largest shareholder, holding 90% of the shares; Zhejiang Financial Development Co., Ltd. held another 10% of the shares.

### **Rating Rationale**

#### **Credit Strengths**

**Monopoly role in the development of Jinyun County.** JCSA is the only Local Infrastructure Investment and Financing Company (“LIIFC”) in Jinyun County, with the largest asset scale. Its major businesses include infrastructure construction, land consolidation, and water business. As the most important state-owned assets management and infrastructure construction entity, the Company has a clear positioning and a prominent regional position, we expect that it will not be easily replaced by other state-owned entities in the foreseeable future.

**Public utilities contribute significantly to local development.** JCSA is also in charge of the water supply and hydropower generation business in Jinyun County. The Company’s water supply area covers the entire Jinyun County and has a regional monopoly.

**Solid track record of receiving government support.** As the most crucial state-owned entity in Jinyun County, JCSA maintains a close relationship with the local government. Since its establishment, the Company has received various support from the government, including financial subsidies, and equity transfers.

**Good access to funding from banks and bond markets.** The Company has good access to funding from banks and bond markets. Bank borrowing accounted for 65.1% of its total debt while bond financing accounted for 33.9% as of the end of 2022. Non-standard financing only accounts for less than 1.0% of its total debt at the same time.

### Credit Challenges

**High capital expenditure pressure associated with large project reserves.** As of 31 December 2022, the Company had 8 infrastructure construction projects under construction, with a total investment amount of RMB4.4 billion and an outstanding amount of RMB1.0 billion. Given the sufficient amount of infrastructure projects in the pipeline, we expect this business will have good sustainability but cause relatively large capital expenditure pressure on the Company at the same time.

**Rapid debt growth and moderate asset liquidity.** Due to the continuing investment in infrastructure construction and relatively long repayment period, the Company's total debt has increased to RMB8.8 billion in 2022 from RMB4.3 billion in 2020, with a debt growth rate of 106.7%. In terms of asset liquidity, over 70% of the Company's total assets are inventory, fixed assets, and construction in progress in 2022, implying a relatively illiquid asset.

### Rating Outlook

The stable outlook on JCSA's rating reflects our expectation that the Jinyun County Government's capacity to provide support will remain stable, and the Company will maintain its monopoly role in the infrastructure construction of Jinyun County.

#### What could upgrade the rating?

The rating could be upgraded if (1) Jinyun County 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 improved debt growth management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Jinyun County 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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