

CCXAP assigns first-time long-term credit rating of BBB_g- to Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd., with stable outlook.

Hong Kong, 31 October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd. (“JDBZ” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd. (“JDBZ” or the “Company”) reflects (1) the Haimen District Government’s relatively strong capacity to provide support; and (2) the local government’s high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of the Haimen District Government’s capacity to provide support reflects Haimen District’s status as the third largest district by gross regional product (“GRP”) in Nantong City for years. It has good economic fundamentals and good fiscal stability.

The rating also reflects the willingness of the local government to provide support, which is based on the Company’s (1) position as the core entity in infrastructure construction in Haimen District, particularly the Linjiang New Area; (2) solid track record of receiving government support; and (3) possession of leasing assets with high quality. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) medium level of contingent risk.

Corporate Profile

Founded in 2013, JDBZ is one of the key local infrastructure investment and financing companies (“LIIFCs”) in Haimen District, and is responsible in infrastructure construction in Linjiang New Area of Haimen District. JDBZ is also engaged in diversified commercial activities such as trading, and leasing businesses. As of 30 June 2023, the State-owned Assets Supervision and Administration Commission of Haimen District Government (“Haimen SASAC”) was the ultimate controller of the Company, indirectly holding 100% of the Company’s share through Jiangsu Haihong Investment Holding Group Co., Ltd (“JHIH”). JHIH is the second largest LIIFC in Haimen District by total assets under the direct control of Haimen SASAC and JDBZ is one of the major subsidiaries of JHIH.

Rating Rationale

Credit Strengths

Core entity in infrastructure construction in Linjiang New Area of Haimen District. JDBZ is one of the key LIIFCs of Haimen District Government. It has been mandated by the Haimen District Government as the core entity to implement the Haimen District Government’s plans in the development of Haimen District particularly the Linjiang New Area. The Company had completed several projects along with the development of Linjiang New Area, including infrastructure construction and resettlement housing, which were essential to commercial attractiveness and the daily lives of residents.

Solid track record of receiving government payments. In recognition of the strategic importance of JDBZ's businesses to Linjiang New Area, the Company has received comprehensive support from the local government and its shareholder JHH, in terms of capital injections, project repayments, and operating subsidies. For example, JDBZ received capital injection in terms of cash of RMB900 million in 2021, increasing its paid-in capital to RMB1.0 billion.

Good access to diversified funding. The Company's relatively large investment needs and short-term debt pressure could be partially supported by its good refinancing ability. JDBZ has good access to various sources of funding, including banks and bond market. It has maintained a good relationship with joint-stock commercial banks and large state-owned commercial banks. The Company also has a good track record for fund-raising activities in domestic capital market. As of 30 June 2023, the Company's exposure to non-standard financing generally controllable.

Credit Challenges

Medium exposure to commercial activities. Apart from public services, JDBZ is engaged in diversified commercial activities including trading and property leasing businesses. Although the commercial activities generate supplemental income, they may also pose higher operational and business risks than the infrastructure construction businesses. The Company's exposure to commercial businesses is considered to be moderate, accounting for less than 20% of its total assets as of end-2022, based on our estimates.

Increasing debt burden and moderate asset liquidity. JDBZ has an increasing debt level owing to its debt-driven business expansion in infrastructure construction over the past few years. Apart from that, the Company also faced short-term debt burden, with short-term debts accounting for around 43.4% of the total debts as of 30 June 2023. JDBZ's asset liquidity is considered as moderate and some assets are restricted, which decreases the Company's financial flexibility.

Medium level of contingent risk. JDBZ's credit profile is constrained by substantial external guarantees, which could potentially increase its repayment obligations. All the external debt guarantees were provided to local state-owned companies. However, if a credit event occurs in Haimen District, it may lead to large-scale cross-effects. However, we estimate most of these local SOEs are likely to be supported by the local government when necessary, so that contingent risk would be controllable.

Rating Outlook

The stable outlook on JDBZ's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the development of Linjiang New Area of Haimen District.

What could upgrade the rating?

The rating could be upgraded if (1) the Haimen District Government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local



government's willingness to provide support, such as an increase in policy importance or reduction in exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the Haimen District Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as deteriorated debt management or weakened access to funding.

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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