

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Jinan Economic Development Investment Co., Ltd., with stable outlook**

Hong Kong, 24 December 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub>- long-term credit rating to Jinan Economic Development Investment Co., Ltd. (“JEDI” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of JEDI is underpinned by the Company’s (1) important position in infrastructure construction in Jiyang District, Jinan; (2) sound development momentum from trading business; and (3) relatively low debt leverages.

However, the rating is constrained by the Company’s (1) capital expenditure pressure resulting from large construction pipelines; and (2) weak asset liquidity.

The rating also incorporates our expectation that JEDI has a high likelihood of receiving extraordinary support from the Jiyang District Government in times of need, given (1) JEDI’s key strategic role in the infrastructure construction of Jiyang District; (2) the local government’s ultimate control over the Company; and (3) increasing government support, such as asset transfers and operating subsidies.

### **Corporate Profile**

Founded in 2012, JEDI is one of the major investment and financing platforms in Jiyang District, Jinan. As a wholly-owned subsidiary of Jiyang State-owned Assets Investment Holding Group Co., Ltd. (“JSAI”), the largest infrastructure investment and financing entity in Jiyang District, the Company is mainly engaged in infrastructure construction, primary land consolidation, resettlement housing development, and commodity trading in Jiyang District. As of 31 August 2021, JSAI held 100% of the Company’s shares, and the Finance Bureau of Jiyang District was the ultimate controlling shareholder of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**High likelihood of receiving extraordinary support from the local government.** As a core subsidiary of JSAI, JEDI is positioned as the major investment and financing entity for infrastructure construction in Jiyang District. The Company is ultimately controlled by the Finance Bureau of Jiyang District and receives increasing support from the local government, such as asset transfers and operating subsidies.

**Important position in infrastructure construction in Jiyang District.** Thanks to the asset transfers from its parent company in 2021, JEDI has become an important infrastructure constructor in Jiyang District, and is mainly responsible for policy-driven projects including infrastructure construction, resettlement housing development, and primary land consolidation in the district.

**Lowering debt leverage due to asset transfers.** From 2018 to 2020, JEDI had a high debt leverage, with a total capitalization ratio ranging from 45% to 65%. Fortunately, benefiting from the shareholder's capital injections and asset transfers in 2021, its total capitalization ratio had dropped significantly to 24.3% as of 31 August 2021.

### Credit Challenges

**Capital expenditure pressure resulting from large construction pipelines.** The Company had capital expenditure pressure resulting from large construction pipelines, including infrastructure and self-owned projects. As of 31 August 2021, the Company had 6 infrastructure projects under construction, with an estimated total investment of RMB10.5 billion and uninvested amount of RMB3.4 billion.

**Weak asset liquidity.** JEDI's asset liquidity is relatively weak. As of 31 August 2021, its total assets were mainly inventories and receivables, accounting for 72.6% of total assets. The inventories are mainly investment costs of its construction projects, while the receivables are mainly internal funds allocated to its affiliates, both of which have low liquidity.

### Rating Outlook

The stable outlook on JEDI's rating reflects our expectation that the Company will maintain its vital position in the infrastructure construction of Jiyang District. We also expect that the Company will continue to receive ongoing support from the government.

#### What could upgrade the rating?

The rating could be upgraded if (1) the economic and fiscal strength of Jiyang District and Jinan City noticeably improves; (2) the likelihood of government support provided to JEDI increases; and (3) the Company's stand-alone credit profile improves, such as improvements on business sustainability and asset quality.

#### What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal strength of Jiyang District and Jinan City significantly deteriorates; (2) the likelihood of government support provided to JEDI declines; or (3) the Company's stand-alone credit profile weakens, such as material deterioration in its business and financial profile or unexpected increase in refinancing risk.

### Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

### Regulatory Disclosures

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[http://www.ccxap.com/en/rating\\_services/category/6/](http://www.ccxap.com/en/rating_services/category/6/)



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