

## Credit Opinion

17 July 2023

Ratings	
Senior Unsecured Debt Rating	BBB <sub>g</sub> -
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

### Analyst Contacts

Olivia Feng +852-2860 7133

Senior Credit Analyst

[olivia\\_feng@ccxap.com](mailto:olivia_feng@ccxap.com)

Jonathan Kwong +852-2860 7132

Credit Analyst

[Jonathan\\_kwong@ccxap.com](mailto:Jonathan_kwong@ccxap.com)

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd.

### Initial credit rating report

**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.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd. (“Jiangding” or the “Company”) 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 Jiangjin District Government’s capacity to provide support reflects that the gross regional product (“GRP”) of Jiangjin District ranked 6<sup>th</sup> 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.

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.

## Rating Drivers

- Enhancing strategic position in Jiangjin District after the consolidation of Zhenxin
- Low exposure to commercial activities
- Reasonable debt leverage and moderate asset liquidity
- High reliance on a singular funding channel

## Rating Sensitivities

### 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.

## Key Indicators

	2020FY	2021FY	2022FY
Total Asset (RMB billion)	12.2	12.8	14.4
Total Equity (RMB billion)	3.2	4.2	7.4
Total Revenue (RMB billion)	0.8	0.9	1.0
Total Debt/Total Capital (%)	32.4	33.6	27.0

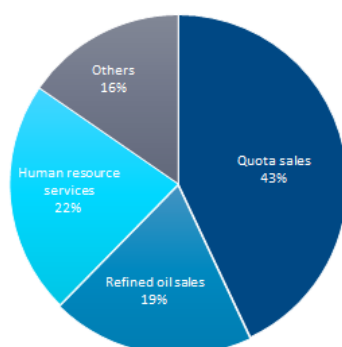
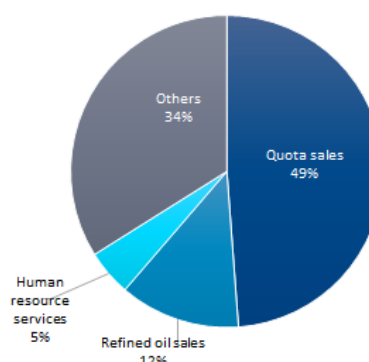
The financial statements are restated with the consolidation of Zhenxin; all ratios and figures are calculated using CCXAP's adjustments.

Source: CCXAP research

## 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.

**Exhibit 1. Revenue Structure in 2022****Exhibit 2. Gross Profit Structure in 2022**

Source: Company information, CCXAP research

**Exhibit 3. Shareholding chart as of 31 December 2022**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe the Jiangjin District Government has a good capacity to provide support to the Company, given its good industrial base and strong economic strengths.

Chongqing City is one of the four municipalities in China and the only municipality in Western China. Modern heavy machinery, chemical and pharmaceutical, as well as electronics and information technology manufacturing are the three major industries in Chongqing City. Thanks to the vigorous development of the industrial sector, Chongqing City's economy has demonstrated steady growth. In 2022, Chongqing recorded a GRP of RMB2.9 trillion, surpassing Guangzhou and ranking 4<sup>th</sup> among municipalities and prefecture-level cities in China, with a GRP growth rate of 2.6% year on year ("YoY"). Affected by the pandemic and tax refund, the general public budget revenue of Chongqing slightly increased from RMB209.5 billion in 2020 to RMB210.3 billion in 2022. The direct government debt balance of Chongqing amounted to RMB1,007.1 billion in 2022, accounting for 34.6% of its GRP for that year. We expect that Chongqing City will continue to serve as an important strategic city for the development of Western China, as well as a connecting point between the "Belt and Road" and the Yangtze River Economic Belt, and will play a unique and important role in China's regional development and opening-up policy

**Exhibit 4. Key Economic and Fiscal Indicators of Chongqing City**

	2020FY	2021FY	2022FY
GRP (RMB billion)	2500.3	2789.4	2912.9
GRP Growth (%)	3.9	8.3	2.6
General Budgetary Revenue (RMB billion)	209.5	228.5	210.3
General Budgetary Expenditure (RMB billion)	489.4	483.5	489.3
Local Government Debt (RMB billion)	679.9	861.0	1,007.1

Source: Statistic Bureau of Chongqing City, CCXAP research

Jiangjin District is located in the southwest part of Chongqing City, with a total area of 3,200 square kilometers. In 2020, Jiangjin District has been included in the metropolitan area of the core district. Jiangjin District is planned as one of the 6 major regional centers in Chongqing City, as well as an important shipping hub and material distribution center in the upper reaches of the Yangtze River. Relying on its pillar industries such as consumer goods, equipment manufacturing, automobile, materials, and electronic information manufacturing, Jiangjin District has continued to grow and develop in recent years. The GRP of Jiangjin District increased from RMB110.9 billion in 2020 to RMB133.0 billion in 2022, ranked 6<sup>th</sup> among 38 districts/counties in Chongqing City. The general budgetary revenue of Jiangjin District amounted to RMB6.8 billion in 2022, of which tax revenue accounted for 50.3%. Jiangjin District has moderate fiscal self-sufficiency. It recorded an average general budgetary revenue/general budgetary expenditure ratio of 53.9% over the past three years. Jiangjin District Government's direct debt has shown an increasing trend, with an outstanding debt of RMB24.7 billion at end-2022, accounting for 18.6% of Jiangjin District's GRP.

**Exhibit 5. Key Economic and Fiscal Indicators of Jiangjin District**

	2020FY	2021FY	2022FY
GRP (RMB billion)	110.9	125.8	133.0
GRP Growth (%)	3.9	8.4	3.2
General Budgetary Revenue (RMB billion)	6.1	6.2	6.8
General Budgetary Expenditure (RMB billion)	12.7	11.3	11.6
Local Government Debt (RMB billion)	16.6	22.3	24.7

Source: Statistic Bureau of Jiangjin District, CCXAP research

**Government's Willingness to Provide Support****Enhancing strategic position in Jiangjin District after the consolidation of Zhenxin**

There are three major construction and operation entities in Jiangjin District, namely JHAM, Western (Chongqing) Science City Jiangjin Park Development and Construction Group Co., Ltd. ("WSJP"), and Chongqing Simian Mountain Tourism Investment Co., Ltd. ("SMTI"). WSJP is mainly responsible for the infrastructure construction of Jiangjin District of Western (Chongqing) Science City, while SMTI is mainly responsible for the tourism infrastructure construction of Simian Mountain. JHAM is positioned as the core urban development entity in Jiangjin District.

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.

Jiangding has a track record of receiving support from the Jiangjin District Government. These supports take

various forms, such as government subsidies and equity transfers. From 2020 to 2022, the local government has provided total subsidies of RMB13 million to the Company. Approved by the local government, JHAM transferred 11 companies into the Company in 2022, as well as transferred Zhenxin into the Company in 2023, enhancing its capital strength and broadening its business mix. Given Jiangding's important strategic role, we expect the Company will continue to receive support from the Jiangjin District Government in the future.

### **Undertaking major local projects and services**

The quota sales business is mainly undertaken by Jiangding itself. The Company obtains newly cultivated land quotas following several procedures, such as reporting, surveying, planning, evaluating, warehousing, constructing, supervising, acceptance, etc., and then adopts a business model of bidding and auction sales. When selling the quotas, the Company will auction the corresponding quotas at the designated trading places in Jiangjin District or other regions in a market-oriented manner. After reaching the transaction intention, the bidding partner signs an agreement with the Company to purchase quotas and transfer the relevant funds to the company. However, the sales of quotas are subject to the overall market needs, and the sales income is unstable.

In addition, Jiangding is one of the major sewage treatment providers in Jiangjin District. The Company owns the operation right of 31 sewage treatment plants with a daily sewage treatment capacity of 51,300 tons. It is expected that the Company will expand its business scope and increase its sewage treatment capabilities in the future.

### **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.

Jiangding is engaged in the sales of refined oil, which involves procuring refined oil from oil companies, and then selling it at the local gas stations. The settlement method is mainly immediate payment. Although the downstream refined oil selling business is relatively diversified, the upstream is subject to certain concentration risks. As of 31 December 2022, the top 5 suppliers accounted for about 82.3% of the procurement. In addition, the business is subject to the fluctuation of refined oil prices, which is influenced by various factors such as the global economy and global oil supply and demand. The profit margin of the business was about 11%, indicating relatively good profitability.

Human resource service is one of the major sources of income for the Company, which accounted for 22% of its total revenue in 2022. The Company provides labor dispatch personnel to the client company based on their employment needs. The Company also engages in state-owned property leasing business, such as residential properties and parking lots. Affected by the pandemic, the Company recorded a low occupancy of approximately 30% in 2022. The small operating scale and low occupancy rate limit its contribution to the Company's overall income and cash flow.

In addition, the Company participates in the construction of self-operating projects, such as an entrepreneurship center, logistics distribution center, and sewage treatment plant. The Company constructs self-operating projects with self-raised funds, and achieves capital balance mainly through rental, sales, and operating income. As of 31 December 2022, the Company had 12 self-operating projects under construction or planning, with a

total investment amount of RMB1.9 billion, exerting certain capital expenditure pressure. Given the relatively large amount of self-operating projects under construction, we expected the Company's exposure to commercial activities will increase in the future.

### **Reasonable debt leverage and moderate asset liquidity**

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. As of 31 December 2022, the Company had 25 major projects under construction or planning, with an expected total investment of RMB2.1 billion and an outstanding amount of RMB1.7 billion. Given the Company's relatively large capital expenditure pressure, we expect the Company will have fast debt growth and relatively high debt leverage for the next 12-18 months.

Furthermore, 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. Receivables are mainly unreceived payments from the agencies of the government or other state-owned companies. Inventories are mainly investment costs for its construction projects, all of which are considered low liquidity.

### **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. The Company has a sufficient liquidity buffer given its large amount of available credit facilities. As of 31 December 2022, it held an available credit facility of RMB4.2 billion. However, around RMB4.1 billion are provided by China Development Bank, indicating a relatively concentrated funding source. The Company has an average financing cost of 4.93%. As of end-2022, the Company has not issued any bond in the public debt capital market, and it plans to issue offshore bonds to broaden its financing channel.

## **ESG Considerations**

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the national governmental authorities. Jiangding assumes environmental risks for its local projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

Jiangding is also exposed to social risks as it implements public-policy initiatives by building public projects in Jiangjin District. Demographic changes, public awareness and social priorities shape government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. Jiangding believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates.

## Structural considerations

Jiangding's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its key roles in the development of Jiangjin District, thereby mitigating any differences in an expected loss that could result from structural subordination.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP’s publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP’s publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656