

## **CCXAP affirms Jinan Economic Development Investment Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

Hong Kong, 27 December 2024 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Jinan Economic Development Investment Co., Ltd.'s ("JEDI" or the "Company") long-term credit rating at BBB<sub>g</sub>-, with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of JEDI reflects Jiyang District Government's (1) strong capacity to provide support, and (2) very high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of Jiyang District Government's capacity to provide support reflects its ongoing integration into the economic development of Jinan City, and its relatively good fiscal stability.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) close linkage with the local government; (2) important role in the infrastructure construction of Jiyang District; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden driven by large investment needs; and (3) moderate asset liquidity.

### **Corporate Profile**

Founded in 2012, JEDI is one of the major investment and financing platforms in Jiyang District, Jinan City. As a wholly-owned subsidiary of Jiyang State-owned Assets Investment Holding Group Co., Ltd. ("JSAI"), the Company is mainly engaged in infrastructure construction and resettlement housing development in Jiyang District. It is also involved in commercial businesses including self-operated projects and trading. In April 2024, the Jiyang Municipal Government transferred 100% of JSAI's equity to Shandong Jibei Investment Holding Group Co., Ltd. ("JBIH"), making it the largest infrastructure investment and financing entity in Jiyang District. As of 30 September 2023, the Finance Bureau of Jiyang District remained the ultimate controlling shareholder of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**Close linkage with the local government.** JEDI is an important state-owned investment and financing entity in Jiyang District to implement government blueprint of local urbanization and infrastructure development. The Company has undertaken a number of municipal infrastructure construction, land consolidation, resettlement housing projects, and provided heat supply service in the region.

**Important role in the infrastructure construction of Jiyang District.** Commissioned by the Finance Bureau of Jiyang District, JEDI undertakes infrastructure construction projects including resettlement housing and road construction in Jiyang District under the agency construction model. We believe that the Company will maintain an important position in the

public policy projects in Jiyang District and will not be easily replaced by other local state-owned enterprises in the foreseeable future.

**Solid track record of receiving government payments.** JEDI has a proven track record of receiving support from the local government and its parent company in terms of capital injections, construction project payments and subsidies. Since 2021, JSAI has injected capital and transferred the equity interests of several state-owned enterprises to the Company, which enhanced its capital strength and broadened its business mix. Furthermore, the Company has signed agreements for its public policy projects with the local government, which ensures the predictability of the project payments. We believe that, given the important position of JEDI and its close relationship with the local government, the local government will provide strong support to the Company in times of need.

### Credit Challenges

**Medium exposure to commercial activities.** Apart from public-related activities, JEDI also engages in several commercial activities, mainly including construction of self-operated projects and trading. We consider JEDI's commercial business exposure to be medium, accounting for around 30% of its total assets. We expect that the commercial business risk is manageable, as most of the self-operated projects are key projects developed under the guidance of the local government to promote industrial and social development. However, the relatively large future investment on self-constructed industrial park and property development projects may put certain capital expenditure and subsequent fund balancing pressure to the Company.

**Increasing debt burden driven by large investment needs.** Due to the ongoing investments for the infrastructure construction and self-operated projects, JEDI's total debt has continued to increase in recent years. As of 30 September 2024, the Company's total debt increased to RMB10.1 billion from RMB6.6 billion as of end-2022. Considering the Company may continue to rely on external financing for its investment needs for public policy projects and commercial activities projects under construction, its total debt burden is expected to further increase over the next 12-18 months.

**Moderate asset liquidity.** JEDI's asset liquidity was moderate as it includes a significant allocation to receivables, investment properties and inventories with limited profitability. The Company's receivables are mainly project settlement with local state-owned enterprises, trading business and transactions with related parties. As of 30 September 2024, the Company had restricted assets of RMB6.2 billion, representing 17.7% of total assets, primarily including cash and inventories pledged for borrowings.

### Rating Outlook

The stable outlook on JEDI's rating reflects our expectation that Jiyang District Government's capacity to provide support will be stable, and the Company's characteristics such as its business profile and financial management will remain unchanged over the next 12 to 18 months.

**What could upgrade the rating?**

The rating could be upgraded if (1) Jiyang District Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially lowering exposure to risk commercial activities or improved financing ability.

**What could downgrade the rating?**

The rating could be downgraded if (1) Jiyang District Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance or deteriorated debt management.

**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**

CCXAP's Rating Symbols and Definitions are available on its website at:

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