

CCXAP affirms Nanjing Jiangning Economic and Technological Development Group Corporation Limited's long-term credit rating at A_g-, with stable outlook.

Hong Kong, 30 August 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Nanjing Jiangning Economic and Technological Development Group Corporation Limited (“JETD” or the “Company”) at A_g-, with stable outlook.

The A_g- long-term credit rating of the Company reflects Jiangning District Government's very strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of the Jiangning District Government's capacity to provide support reflects its sound economic fundamentals and fiscal strength. Jiangning District has ranked top among all districts in Nanjing City by gross regional product (“GRP”) and general budgetary revenue over the past years.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) high strategic importance to the infrastructure construction and development of Jiangning Economic Technology Development Zone (“Jiangning ETDZ”); (2) good track record of receiving government payments; and (3) good access to diverse funding channels. However, the rating is constrained by the Company's (1) medium commercial activities risk associated with industrial and commercial properties; (2) increasing debt burden and moderate asset liquidity.

Corporate Profile

Established by the Jiangning District Government in December 1992, JETD is a leading state-owned enterprise in the Jiangning District. It has played an important role in the implementation of the Jiangning District Government's blueprint for urban planning and municipal construction within the Jiangning ETDZ, the Airport Economic Development Zone Jiangning Area (“AEDZ Jiangning Area”) and the Jiangsu Software Park (“Software Park”). JETD is the primary enterprise focusing on the development of the Jiangning ETDZ. The Company is engaged in three major business segments, including infrastructure construction, urban landscaping and facility management, and leasing and property management.

As of 31 March 2023, the Management Committee of Jiangning ETDZ is the ultimate owner of JETD, directly holding 93.88% shares of the Company. The State-owned Assets Supervision and Administration Office of Jiangning District Government of Nanjing City and ICBC Financial Assets Investment Co., Ltd. directly owned the remaining 2.19% and 3.93% of the Company's shares, respectively.

Rating Rationale

Credit Strengths

High strategic importance to the infrastructure construction and development of Jiangning ETDZ. JETD is the largest local infrastructure investment and financing company (“LIIFC”) in the Jiangning ETDZ and even in Jiangning District. It has a high public-policy role in the development of Jiangning District and is responsible for the construction of local infrastructure projects such as roads, bridges, water facilities, relocation housing and other public facilities within the Jiangning ETDZ, the AEDZ Jiangning Area and the Software Park. It is mandated by the local government with entrusted construction agreements to undertake the construction of municipal infrastructure and primary land development.

Good track record of receiving government payments. JETD has received strong support from both the Management Committee of Jiangning ETDZ, including subsidies, capital injections, asset injections and payments for construction projects. For example, The Company continuously received government capital injections and the paid-in capital reached to RMB3.4 billion at end-2022 from RMB1.5 billion at end-2019. We believe the Company will continue to receive strong government payments in the near future, given the government’s active response to local implicit debts.

Good access to diverse funding channels. JETD’s good access to different funding channels including banks and debt capital market could help it refinance and meet capital expenditure needs. As of 31 March 2023, it obtained total credit facilities of RMB130.4 billion and available credit facilities of RMB36.1 billion. In 2022, it issued two tranches of offshore bonds, raising USD213.5 million.

Credit Challenges

Medium commercial activities risk associated with industrial and commercial properties. JETD has medium commercial activities risk with ongoing business diversification in property leasing and equity investments, which are subject to the volatility of local economic and industrial development. We also expect the Company’s commercial business to grow due to its increasing pipeline of projects in property leasing.

Increasing debt burden and moderate asset liquidity. JETD had a high financing leverage and high debt growth owing to its debt-driven business expansion. As of 31 March 2023, the adjusted total debt (including perpetual debt) of the Company increased to RMB93.3 billion, mainly driven by the fast-growing infrastructure construction and property projects. Moreover, JETD’s ability to repay may be impaired by its large number of inventories, other receivables and investment properties.

Rating Outlook

The stable outlook on JETD’s rating reflects our expectation that the local government’s capacity to provide support will remain stable, and the Company will maintain its strategic position as the largest investment and operation entity in the Jiangning ETDZ.



What could upgrade the rating?

The rating could be upgraded if (1) Jiangning District Government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Jiangning District Government's ability 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 regional significance or materially increased exposure to commercial activities.

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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