

CCXAP affirms Jining High Tech Urban Construction Investment Co., Ltd.'s long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 7 November 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Jining High Tech Urban Construction Investment Co., Ltd. (“JHUC” or the “Company”) at BBB_{g-}, with stable outlook.

The BBB_{g-} long-term credit rating of JHUC reflects Jining High-tech Zone Government’s strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Jining High-tech Zone Government’s capacity to provide support reflects its status as a national-level high-tech industrial development zone, as well as the local government’s good economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in infrastructure construction in Jining High-tech Zone; (2) good track record of receiving government payments; and (3) good access to funding from banks and the bond market. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) moderate debt growth and weak asset liquidity; and (3) high contingent liability risk.

Corporate Profile

Jointly founded by Jining High-tech Zone Land Reserve Management Center and Jining High-tech Industrial Development Zone Property Management Center in 2008, JHUC is an important local infrastructure investment and financing company (“LIIFC”) in Jining High-tech Zone, mainly responsible for undertaking major infrastructure construction and shantytown renovation projects in the Zone. It is also involved in commercial businesses including property development and leasing. After the share transfer in 2009, the Company has become a wholly-owned subsidiary of Jining High-tech Holding Group Co., Ltd. (“JHHG”). As of 30 June 2023, its ultimate controlling shareholder was the State-owned Capital Management Office of Jining High-tech Zone (“Jining High-tech Zone SCMO”).

Rating Rationale

Credit Strengths

Important role in infrastructure construction in Jining High-tech Zone. JHHG, JHUC’s parent company, is the largest and most important LIIFC in Jining High-tech Zone, responsible for the development and operation of Jining High-tech Zone such as infrastructure construction and heat provision. As an important infrastructure construction arm of JHHG, the Company is mainly responsible for the infrastructure construction in Jining High-tech Zone, including the construction or upgrade of educational buildings, hospitals, road reconstructions, and shantytown renovations in the Zone.

Good track record of receiving government payments. JHUC has a proven track record of receiving government payments in the form of capital injections, asset transfers, project payments, and subsidies. We expect the local government will continue to provide support to the Company, given its strong public policy role in Jining High-tech Zone and the large number of public projects under construction.

Good access to funding from banks and the bond market. JHUC has access to multiple financing channels, including bank loans and bond issuances. The Company 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 capital market. In addition, the Company's reliance on non-standard financing is low, accounting for less than 5% of its total debt.

Credit Challenges

Medium exposure to commercial activities. JHUC's main commercial activities include property leasing and property development businesses. The Company's exposure to commercial activities accounted for more than 30% of its total assets. However, according to our assessment, the Company's risk exposure to commercial activities is considered medium, as the leasing business can provide stable supplemental income to the Company, while the scale of the property development business is small.

Moderate debt growth and weak asset liquidity. Due to the continuous investment in infrastructure construction projects, JHUC has shown moderate debt growth over the past three years. Given the substantial funding requirements of the leasing and the shantytown renovation projects, we expect its debt growth to remain moderate. In addition, JHUC's asset liquidity is weak. The Company has a large number of restricted assets such as land, office buildings, and industrial plants, accounting for around 55.8% of net assets.

High contingent liability risk. JHUC's credit profile is constrained by substantial external guarantees, which could potentially increase its repayment obligations. Although all of the guaranteed companies are state-owned enterprises in Jining High-tech Zone with stable operations, the Company may face considerable contingent liability risk should a default event occurs, which could negatively impact its credit quality.

Rating Outlook

The stable outlook on JHUC's rating reflects our expectation that the Jining High-tech Zone government's capacity to provide support will be stable, and that the Company will maintain its important role in Jining High-tech Zone's infrastructure construction and shantytown renovation projects over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jining High-tech Zone Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the

local government's willingness to provide support, such as improved debt management and asset quality and reduction in exposure to external guarantees.

What could downgrade the rating?

The rating could be downgraded if (1) Jining High-tech Zone 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 weakened financing capabilities.

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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http://www.ccxap.com/en/rating_services/category/6/

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