

CCXAP affirms Jinan Economic Development Investment Co., Ltd.'s long-term credit rating to BBB_{g-}, with stable outlook.

Hong Kong, 18 December, 2023 – 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_{g-}, with stable outlook.

The BBB_{g-} long-term credit rating of Jinan Economic Development Investment Co., Ltd. (“JEDI” or the “Company”) reflects Jiyang District Government’s (1) relatively 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 high willingness to support, which is based on the Company’s (1) close linkage with the local government; (2) key strategic 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; and (2) moderate access to funding.

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 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 30 September 2023, the Company was wholly and directly held by JSAI, and the Finance Bureau of Jiyang District was the ultimate controlling shareholder of the Company.

Rating Rationale

Credit Strengths

Key strategic role in the infrastructure construction of Jiyang District. JEDI is a key 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 construction projects, and provided heat supply service in the region. 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. For example, in 2022, the Company received a capital injection in cash of RMB1.2 billion from its parent company, increasing its

paid-in capital to around RMB2.0 billion. 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. 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 15% of its total assets. However, we expect that the commercial business risk is manageable, as most of the self-operated projects are key projects in Jiyang District, developed under the guidance of the local government to promote industrial and social development.

Moderate access to funding. JEDI shows moderate access to funding, as it mainly relies on bank loans and non-standard financing. The Company has long-term relationships with various major domestic banks. The Company also has a moderate exposure to non-standard financing, which accounts for more than 20% of total debt. However, JEDI has actively broadened its financing channels. In 2022, it tapped into the offshore bond market for the first time through a successful issuance of EUR48 million. We expect that the Company will continue to broaden its financing channels, such as increasing its credit facilities, and issuing offshore bonds and even onshore bonds.

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 decreased government payments.

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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