

CCXAP affirms Jiangshan Urban Construction Investment Co., Ltd.'s BBB_g- long-term credit rating, with stable outlook

Hong Kong, 20 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Jiangshan Urban Construction Investment Co., Ltd. (“JUCI” or the “Company”) at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of JUCI reflects Jiangshan City Government’s (1) relatively strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Jiangshan City Government’s capacity to provide support reflects Jiangshan City’s status as the second largest district/county by gross regional product (“GRP”) in Quzhou City, with ongoing economic growth and good fiscal stability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important policy role in provision of public activities in Jiangshan City; and (2) good track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate exposure to commercial business activities; and (2) fast debt growth and moderate asset liquidity.

Corporate Profile

Established in 2018, JUCI is one of the key local infrastructure investment and financing companies (“LIIFC”) in Jiangshan City, Quzhou City. As the main operator and developer in Jiangshan City, the Company engages in diversified businesses, including public businesses such as infrastructure construction, land consolidation, resettlement housing, and utilities businesses including water, electricity and gas supply, as well as commercial businesses such as mining, and property leasing. As of 30 September 2023, the Company was directly and wholly owned by Jiangshan State-owned Assets Management Co., Ltd., which in turn was ultimately controlled by Finance Bureau of Jiangshan City.

Rating Rationale

Credit Strengths

Important policy role in provision of public activities in Jiangshan City. As the major LIIFC in Jiangshan City, JUCI’s main businesses are closely related to the economic and social development of the region, ranging from infrastructure construction, land consolidation, resettlement housing to utility services such as the provision of water, electricity and gas. It plays an important role in the urban planning and municipal construction works of the Jiangshan City Government.

Good track record of receiving government payments. JUCI has a good track record of receiving payments from the local government in terms of capital injections, asset injections, financial subsidies and project proceeds for infrastructure construction and land consolidation projects. Considering JUCI’s important position and tight relationship with the local government,

we expect the local government will continue to support JUCI by providing payments over the next 12 to 18 months.

Low reliance on non-standard financing. JUCI's funding sources are mainly bank loans and bond issuance and government bond funding can fulfil the investment needs for its public and commercial activities. Its reliance on non-standard financing is low, accounting for less than 10% of total debts as of 30 September 2023.

Credit Challenges

Moderate exposure to commercial business activities. JUCI also engages in commercial business activities, including mining, property leasing and photovoltaic ("PV") power generation, which generate supplementary revenue to the Company. We estimate that JUCI had moderate commercial exposure, with the assets of commercial businesses accounting for around 10% of its total assets. Given the Company's plan to develop different kinds of commercial business, the exposure to commercial business is expected to increase gradually.

Fast debt growth and moderate asset liquidity. JUCI has moderate debt management with fast debt growth mainly because of ongoing investment in public activities. The Company's total debts increased from RMB5.6 billion at mid-2022 to RMB8.6 billion as of 30 September 2023, while its total capitalization ratio increased from 50.9% to 53.4% over the same period. In addition, JUCI has moderate asset liquidity, which may undermine its financial flexibility.

Moderate exposure to contingent liabilities. SYSC has moderate exposure to contingent liabilities as reflected by its large amount of external guarantees. As of 30 June 2023, the Company's external guarantees amounted to RMB17.9 billion, 25.1% relative to total equity.

Rating Outlook

The stable outlook on JUCI's rating reflects our expectation that Jiangshan City Government's capacity to provide support will remain stable, and the Company will maintain its vital position in Jiangshan City.

What could upgrade the rating?

The rating could be upgraded if (1) Jiangshan City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as a substantial reduction in commercial activities or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Jiangshan City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as a reduction in the importance of its policy role, a substantial reduction in government payments, 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

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