

CCXAP affirms Nanchang Jinkai Group 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 Nanchang Jinkai Group Co., Ltd. (“NCJK” or the “Company”) at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of NCJK reflects the local government’s (1) relatively strong capacity to provide support based on our assessment of Nanchang Economic and Technological Development Zone (“Nanchang ETDZ”); and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Nanchang ETDZ’s status as the national-level ETDZ in Nanchang City, with increasing economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) dominant role in the development of Nanchang ETDZ with sufficient public policy project reserves; (2) good track record of receiving recurring government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increased debt burden and high short-term debt repayment pressure; and (3) moderate asset liquidity.

Corporate Profile

Founded in September 2015, NCJK is a key local infrastructure investment and financing company (“LIIFC”) in Nanchang ETDZ, focusing on infrastructure construction and social housing construction. The Company plays a strategic role in the social, economic, and urban development of the region in accordance with the development blueprints of the local government, aiming to facilitate investment in and development of Nanchang ETDZ. It is also engaged in commercial activities such as supply chain trading, property leasing, and property development. As of 30 September 2023, the Management Committee of Nanchang ETDZ held 90% of the Company’s shares, and was also the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Dominant role in the development of Nanchang ETDZ with sufficient public policy project reserves. As the largest LIIFC in Nanchang ETDZ, NCJK has played a dominant role in undertaking public policy projects entrusted by the local government, including infrastructure construction, social housing construction, as well as municipal management and maintenance. In addition, the Company has sufficient public policy project reserves, indicating high business sustainability.

Good track record of receiving recurring government payments. The Company has a good track record of receiving support from the local government in terms of subsidies, special funds,

assets, and capital injections. The size and record of these government payments suggest a propensity for the government to support NCJK.

Good access to funding. NCJK has good access to funding from banks and bond market, with overall financing cost of about 5.23%. The Company has established long-term borrowing relationships with policy banks and major state-owned banks in China. In terms of direct financing, the Company continues to have good access to onshore bond market.

Credit Challenges

Medium exposure to commercial activities. NCJK is involved in commercial activities such as property leasing and management, property development, and supply chain trading. We estimate the Company's risk exposure to commercial activities to be moderate, as the majority of these commercial activities are related to the strategic development of the region.

Increased debt burden and high short-term debt repayment pressure. The Company's total debt increased from RMB22.1 billion at end-2022Q3 to RMB24.9 billion as of 30 September 2023, while its total capitalization ratio maintained at a relatively high level of 59% over the same period. In addition, the Company has high short-term debt repayment pressure as reflected by its relatively large short-term debts.

Moderate asset quality. The Company's total assets mainly consist of less liquid assets such as total receivables (mainly unreceived project payments from the local government), inventories (mainly costs from urban construction projects), and investment properties (leased industrial parks and factories, office buildings, and residential properties), totally accounting for 71.2% of the Company's total assets as of 30 September 2023.

Rating Outlook

The stable outlook on NCJK's rating reflects our expectation that the local government's capacity to provide support will remain stable and that the Company will maintain a high strategic importance in the development of Nanchang ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as reduced exposure to risky commercial activities, and improved debt management and asset liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the local 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, decrease in government payments; or increase in 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

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

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

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Peter Chong

Assistant Director of Credit Ratings

+852-2860 7124

peter_chong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656