

CCXAP assigns first-time long-term credit rating of BBB_g+ to Jiangyin Lingang Holding (Group) Co., Ltd., with stable outlook.

Hong Kong, 19 January 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g+ to Jiangyin Lingang Holding (Group) Co., Ltd. (“JYLG” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of JYLG reflects Jiangyin City Government’s very strong capacity to provide support, and its 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 Jiangyin City’s economic importance in Wuxi City, with strong comprehensive strength, good economic fundamentals and high fiscal self-sufficiency. Jiangyin Harbour Economic Development Zone’s (“Harbour EDZ”) comprehensive strengths ranked second among all provincial-level economic development zones in Jiangsu Province in 2021.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) position as the core entity with the largest asset scale undertaking infrastructure projects and land consolidation in Harbour EDZ; (2) good track record of government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) increasing short-term debt burden; (2) moderate asset liquidity; and (3) high level of contingent liabilities.

Corporate Profile

Established in 1993, JYLG is one of the essential entities for local infrastructures in Harbor EDZ, mainly responsible for infrastructure construction and land consolidation in the region. The Company conducts its business mainly through its subsidiary, Jiangyin Lingang New City Development and Construction Co., Ltd. (“JYNC”), 97.75% stake of which was transferred to the Company in October 2022. The Company is also engaged in commercial activities such as leasing and property management. As of 30 September 2023, the Company was wholly owned and ultimately controlled by the Centralized Treasury Collection and Payment Center of Harbour EDZ.

Rating Rationale

Credit Strengths

Core entity in the development of Harbour EDZ of Jiangyin City. JYLG is the largest company for infrastructure construction by assets as of 30 September 2023 in Harbour EDZ. JYLG undertakes the infrastructure construction and land development projects within the area through JYNC, its key subsidiary, mainly under agent construction model. JYLG undertakes primary land development mainly in the CBD area, Xiangang Street and Shengang Street in Harbour EDZ, including industrial land and commercial land, which benefit investment attraction and industrial development in the region.

Good track record of receiving government payments. JYLG has a good track record of receiving government support such as operating subsidies. During the period from 2020 to 2023Q3, the Company continuously received operating subsidies with a collective amount of RMB576.1 million. Given its important role in the construction and development of Harbour EDZ, we expect that the Company would continue to receive ongoing support from the local government.

Good access to diversified funding channels. The Company's relatively large investment needs and short-term debt pressure could be partially supported by its good access to diversified funding channels. As the main financing entity of the Company, JYNC has good access to various sources of funding, including banks and bond market. In addition, the Company has manageable exposure to non-standard financing, accounting for less than 10% of the total debt as of 30 September 2023.

Credit Challenges

Increasing short-term debt burden and moderate asset liquidity. JYLG has reached a relatively high debt leverage and showed an increasing short-term debt burden in recent years. JYLG's asset liquidity is considered as moderate with inventories and other receivables accounting for more than 70% of the total assets as of 30 September 2023, which decreases the Company's financial flexibility.

High level of contingent liabilities. JYLG's credit profile is constrained by substantial external guarantees, which could potentially increase its repayment obligations. All the external debt guarantees were provided to local state-owned companies. If a credit event occurs in Jiangyin City, it may lead to large-scale cross-default. However, we estimate most of these local SOEs are likely to be supported by the local government when necessary, so that contingent risk would be controllable.

Rating Outlook

The stable outlook on JYLG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company's characteristics such as strategic importance in Jiangyin Harbour EDZ, are expected to remain stable over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as an increase in policy importance and material decrease in contingent liabilities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's



willingness to provide support, such as material increase in risky commercial activities or significantly deteriorated access to funding.

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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