

CCXAP assigns first-time long-term credit rating of BBB_g- to Xixian New Area Jinghe New City Industrial Development Group Co., Ltd., with stable outlook.

Hong Kong, 9 February, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Xixian New Area Jinghe New City Industrial Development Group Co., Ltd. (“JHID” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of Xixian New Area Jinghe New City Industrial Development Group Co., Ltd. (“JHID” or the “Company”) reflects (1) Xixian New Area Government’s very strong capacity to provide support; and (2) the local government’s relatively 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 Xixian New Area’s status as one of 19 state-level new areas with sound fundamentals, but is constrained by its high debt burden of government and local state-owned enterprises.

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 and industry development of Jinghe New City; (2) solid track record of receiving government supports. However, the rating is constrained by the Company’s (1) high exposure to commercial activities with large capital expenditure; (2) increasing debt burden driven by construction projects; and (3) moderate asset liquidity.

Corporate Profile

Founded in 2019, JHID is one of the key state-owned enterprises of Xixian New Area and plays important role in the local urban development and operation. The Company mainly engages in public infrastructure projects, including infrastructure construction, land consolidation, and affordable housing construction. It also engaged in commercial businesses such industrial parks construction and operation, real estate development, trading, and leasing. As of 31 January 2024, the Management Committee of Jinghe New City in Xixian New Area of Shaanxi Province (“Management Committee of Jinghe New City”) directly owned and controlled the Company by holding 89.22% of its shares. The rest of shares are owned by Shaanxi Xixian New Area Capital Operation Group Co., Ltd.

Rating Rationale

Credit Strengths

Important role in infrastructure construction and industry development of Jinghe New City. As an important urban operator in Jinghe New City, JHID plays a vital role in infrastructure construction and industry development of Jinghe New City. The Company focuses on public infrastructure and welfare projects, including infrastructure construction, land consolidation, and affordable housing construction. Considering the JHID’s important position in undertaking

public-policy projects in Jinghe New City, we believe the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

Solid track record of receiving government support. In recognition of the importance of JHID's businesses to Jinghe New City, the Company has received comprehensive supports from the government, in terms capital injections, project repayments, and operating subsidies. we expect JHID to receive ongoing government support in the next 12-18 months given its important role in the development of Jinghe New City.

Credit Challenges

High exposure to commercial activities with large capital expenditure. Apart from public-policy projects, JHID also engages in commercial activities including industrial parks construction and operation, real estate development, trading, and leasing. While the commercial activities generate supplemental income, they may also pose higher operational and business risks than infrastructure construction business under agency construction model. Moreover, the large amount of future investments in industrial parks would bring large capital expenditure pressure to the Company.

Increasing debt burden driven by construction projects. JHID shows a rising debt burden owing to its expansion in the construction of public-policy projects and investment in commercial activities over the past few years. As of 30 September 2023, the Company has planned to invest more than RMB50.0 billion in key projects including industrial parks, infrastructure construction, affordable housing, and property development projects. We expect the Company may rely on external financing and its debt leverage will be maintained at a high level in the next 12 to 18 months.

Moderate asset liquidity. JHID's asset liquidity was relatively weak. As of 30 September 2023, the Company's inventories, other non-current assets, other receivables, and investment properties accounted for more than 80% of the total assets. The Company's inventories mainly include the cost of construction works, while other receivables are mainly receivables from the local government, which are considered low liquidity.

Rating Outlook

The stable outlook on JHID's rating reflects our expectation that Xixian New Area Government's capacity to provide support will remain stable, and the Company will maintain its significant strategic position in the development of Jinghe New City.

What could upgrade the rating?

The rating could be upgraded if (1) Xixian New Area 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 improved debt management or reduced exposure to commercial activities.

What could downgrade the rating?



The rating could be downgraded if (1) Xixian New Area 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 reduced regional significance or deteriorated financing ability.

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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