CCXAP assigns first-time long-term credit rating of BBB_g+ to Fujian Jinshang Holding Group Co., Ltd., with stable outlook.

Hong Kong, 9 February, 2024– China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a first-time long-term credit rating of BBB_g+ to Fujian Jinshang Holding Group Co., Ltd. ("FJHG" or the "Company"), with stable outlook.

The BBB_g+ long-term credit rating of FJHG reflects Jinjiang City Government's (1) very strong capacity to provide support; and (2) high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Jinjiang City Government's capacity to provide support reflects the Jinjiang City's strong comprehensive strength, ranking 8th by comprehensive strength among the top 100 counties (including county-level cities) in China, with ongoing growth in economic and fiscal strength.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important position in industrial development and public utilities services in Jinjiang City; (2) reasonable debt leverage; and (3) track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high reliance on non-standard financing; and (3) moderate asset liquidity.

Corporate Profile

Founded in 2019, after the consolidation of other state-owned enterprises in Jinjiang City, FJHG has become one of the major local infrastructure investment and financing companies in Jinjiang City. The Company primarily engages in entrusted construction of industrial parks, and utilities businesses including sewage treatment, water supply, and pipeline construction. The Company also engages in some commercial activities such as construction of self-operated industrial parks, leasing and sale of commercial stores, as well as wholesale and property management. As of 30 September 2023, the Company was wholly owned by Fujian Jinjiang Industrial Development Investment Group Co., Ltd. ("FJID") and ultimately controlled by Jinjiang City Finance Bureau.

Rating Rationale

Credit Strengths

Important position in industrial development and public utilities services in Jinjiang City. As the core subsidiary of FJID, FJHG assumes the functions of state-owned assets operation and management, and industrial development of Jinjiang City. Given its strategic role, we believe the Company will maintain its important position in industrial development and public utilities services in Jinjiang City.

Reasonable debt leverage. Due to the injection of several subsidiaries, FJHG demonstrated a fast debt growth over the past three years, but maintained a reasonable debt leverage. The Company's total debt increased from RMB2.1 billion at end-2020 to RMB3.6 billion as of 30 September 2023, with reasonable total capitalization ratio of 24.7%.

Track record of receiving government support. FJHG has a track record of receiving payments from the Jinjiang City Government. These payments take various forms, such as government subsidies, government special funds, and equity transfers. Overall, given its important position and contribution to regional economic development, we believe that FJHG will receive ongoing government support to support its business operations.

Credit Challenges

Medium exposure to commercial activities. In addition to public activities, FJHG is also involved in various commercial activities such as the construction of self-operated industrial parks, leasing and sale of commercial stores, wholesale and property management. We consider FJHG's commercial business exposure to be medium, as its market-driven businesses accounted for less than 30% of its total assets as of 30 September 2023.

Moderate asset liquidity. Furthermore, FJHG has moderate asset liquidity, which may undermine its financial flexibility. The Company's total asset mainly consists of inventories, receivables, and investment properties, which accounted for 63.3% of its total asset as of 30 September 2023.

High reliance on non-standard financing. FJHG's access to funding is moderate. The Company has a relatively high exposure to non-standard financing, such as financial leasing. As of 30 September 2023, non-standard financing accounted for 36.7% of its total debt. In addition, the Company has not issued any bonds in the public debt capital market

Rating Outlook

The stable outlook on FJHG's rating reflects our expectation that Jinjiang City Government's capacity to provide support will remain stable, and the Company will maintain its important position in industrial development and public utilities services in Jinjiang City over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jinjiang 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 increase in market position, or decrease in exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Jinjiang 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 decrease in market position, or material decrease in 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).

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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

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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