

## **CCXAP assigns first time long-term credit rating of BBB<sub>g</sub>- to Jining Taibai Lake Holdings Group Co., Ltd., with stable outlook.**

Hong Kong, 23 February, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub>- to Jining Taibai Lake Holdings Group Co., Ltd. (“JTLH” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of JTLH reflects Taibai Lake New Area Government’s relatively strong capacity and 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 the status of Taibai Lake New Area’s important position as the administrative and business center, scientific and educational cultural base, leisure and vacation destination, and eco-friendly livable area of Jining City.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) essential role in the social and industrial development of Taibai Lake New Area; and (2) solid track record of receiving government supports. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with relatively large capital expenditure pressure; and (2) moderate access to funding with high concentration on bank loans.

### **Corporate Profile**

Founded in 2020, JTLH is the most important local infrastructure investment and financing company (“LIIFC”) in Taibai Lake New Area after consolidation of local state-owned enterprises. As the key investment and operational entity in infrastructure construction, comprehensive urban operation services, cultural tourism industry, and intelligent manufacturing industry construction, the Company plays an irreplaceable role in the regional economic development. It is mainly responsible for infrastructure construction and resettlement housing development in Taibai Lake New Area. The Company diversified its business into self-owned projects construction and operation, property sales, cultural tourism, leasing, financial investment, and property management. As of 30 September 2023, Jining North Lake Provincial Tourism Resort District Finance Bureau directly had 100% ownership of JTLH, the Management Committee of Jining Taibai Lake New Area (“the Management Committee of JTLNA”) was the ultimate controller of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**Essential role in social and industrial development of Taibai Lake New Area.** There were originally more than 20 state-owned enterprises in the Taibai Lake New Area. After the consolidation of 19 state-owned enterprises in 2020, the Company became the most important LIIFC in Taibai Lake New Area. JTLH shoulders the responsibilities of infrastructure construction and resettlement housing development in Taibai Lake New Area. It has completed several projects since its establishment including kindergarten construction, subsidence zone

management, shantytown renovation and road construction. These projects are all closely linked to the welfare of the local residents.

**Solid track record of receiving government support.** JTLH has received ongoing support from the local government, including project payments, operating subsidies, and capital injections. Due to its important position in the infrastructure construction of the Taibai Lake New Area, the Company also continues to receive project repayments from the government. Given its important role in the Taibai Lake New Area, we expect the Company to continue to receive support from the local government in the next 12 to 18 months.

### Credit Challenges

**Medium exposure to commercial activities with relatively large capital expenditure pressure.** JTLH engages in various commercial activities including self-owned projects construction and operation, property sales, cultural tourism, leasing, financial investment, and property management. These commercial activities may also entail higher operational and business risks compared to public policy activities. At the same time, large capital expenditures will be incurred, which will exert financing pressure on the Company. The Company's commercial activities account for more than 30% of its total assets, while projects that involve self-operated industrial parks and cultural, tourism and healthcare are closely linked to local industrial development. They are likely to receive favorable policy support from the government.

**Moderate access to funding with high concentration on bank loans.** JTLH has moderate access to funding, relying heavily on bank loans. The limited financial resources would bring higher refinancing pressure. The policy bank credit facilities accounted for majority of the total bank facilities. The loans from policy banks generally have relatively low financing cost and long loan-term, which could partially mitigate JTLH's refinancing pressure and reduce its financing costs. The Company has manageable exposure to non-standard financing products. Most of this non-standard financing comes from local village loans and commercial factoring.

### Rating Outlook

The stable outlook on JTLH's rating reflects our expectation that the Taibai Lake New Area Government's capacity to provide support will be stable, and the Company's characteristics such as its essential role in the social and industrial development of Taibai Lake New Area will remain unchanged over the next 12 to 18 months.

#### 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 strengthens the local government's willingness to provide support, such as reduced exposure to commercial activities and improved financing ability.

#### 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, deteriorated debt management, or significantly increased 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**

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