

## **CCXAP affirms Jining High-tech Holding Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 13 March, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Jining High-tech Holding Group Co., Ltd.’s (“JHHG” or the “Company”) long-term credit rating at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of JHHG reflects Jining High-tech Zone Government’s strong capacity to provide support and very high willingness to support, based on our assessment of the Company’s characteristics. Our assessment of Jining High-tech Zone Government’s capacity to provide support reflects Jining High-tech Zone’s status as a national-level high-tech industrial development zone, as well as the local government’s sound economic fundamentals and moderate fiscal profile.

The rating also reflects the local government’s very high willingness to provide support, which is based on the Company’s (1) full and direct ownership by the Jining High-tech Zone Government; (2) high strategic importance in infrastructure construction and provision of public services in Jining High-tech Zone; and (3) proven track record of receiving government support. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; (2) rapid debt growth and moderate asset liquidity; and (3) contingent risks arising from relatively large scale of external guarantees.

### **Corporate Profile**

Founded in 2009, JHHG is a key local infrastructure investment and financing company (“LIIFC”) in Jining High-tech Zone, and the most of its businesses are undertaken through Jining High Tech Urban Construction Investment Co., Ltd. (“JHUC”). As the main operator and developer, the Company is responsible for infrastructure construction, shantytown renovation projects, and heating supply in Jining High-tech Zone. In addition, the Company also undertakes commercial activities such as system integration and technology development, property development and leasing, commodity trading, as well as industrial investment. As of 30 September 2023, the Company was directly and wholly owned by the Jining High-tech Zone State-owned Capital Management Office (“Jining High-tech Zone SOCMO”).

### **Rating Rationale**

#### **Credit Strengths**

**High strategic importance in infrastructure construction and provision of public services in Jining High-tech Zone.** As the largest and most important LIIFC in Jining High-tech Zone, JHHG is engaged in infrastructure construction, shantytown renovation projects, and heating supply in the region. Given its important role in local infrastructure construction, we believe that the Company is unlikely to be replaced in the foreseeable future.

**Proven track record of receiving government support.** JHHG has a proven track record of receiving government support in form of capital injections, asset transfers, project payments,

and subsidies. We expect the Company will continue to receive government support over the next 12 to 18 months, given its strong public policy role and the large number of public projects under construction.

### Credit Challenges

**Increasing exposure to commercial activities.** JHHG's commercial activities mainly include system integration and technology development, commodity trading, property development and leasing, as well as industrial investment, generating stable operating income. We believe JHHG will increase its exposure to commercial activities in the future as the Company plans to develop several self-operated projects. The increase of investment in self-operated projects and reduction in revenue of its system integration and technology development business may increase the Company's debt burden and bring more uncertainty to the Company's future income.

**Rapid debt growth and moderate asset liquidity.** JHHG recorded rapid debt growth due to its debt-driven business expansion in infrastructure and self-operated construction projects over the past few years. Meanwhile, the Company's cash to short-term debt ratio and short-term debt to total debt ratio indicates a relatively weak liquidity profile and an unbalanced debt structure. In addition, JHHG's asset liquidity is moderate, which may also undermine the Company's financing flexibility.

**Contingent risks arising from relatively large scale of external guarantees.** JHHG's credit profile is undermined by a relatively large number of external guarantees, which could increase its repayment obligations. All the external guarantees are provided to Shandong Haida Development and Construction Co., Ltd., and its subsidiaries, which are local state-owned enterprises supervised by the local government.

### Rating Outlook

The stable outlook on JHHG's rating reflects our expectation that Jining High-tech Zone Government's capacity to provide support will be stable, and that the Company will maintain its important role in local infrastructure construction, shantytown renovation projects, and heating supply in Jining High-tech Zone over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Jining High-tech Zone Government's capacity to 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, improved debt management and asset quality and reduced exposure to external guarantees.

#### What could downgrade the rating?

The rating could be downgraded if (1) Jining High-tech Zone Government's capacity to 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, decreased government payments or increased exposure to risky 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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