

CCXAP assigns first-time long-term credit rating of BBB_g to Shandong Jibei New City Urban Operation Co., Ltd., with stable outlook.

Hong Kong, 6 May, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g to Shandong Jibei New City Urban Operation Co., Ltd. (“JBNC” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of JBNC reflects Jiyang District Government’s 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 its ongoing integration into the economic development of Jinan City, and its relatively good fiscal stability.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) dominant role in urban construction projects in Jiyang District; and (2) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium and increasing exposure to commercial activities; and (2) moderate access to funding.

Corporate Profile

Founded in 2020, JBNC is the largest investment and financing platform in terms of total assets in Jiyang District after consolidation of Jiyang State-owned Assets Investment Holding Group Co., Ltd. (“JSAI”) in April 2024. The Company is mainly responsible for urban construction in Jiyang District, including infrastructure construction, primary land consolidation, and resettlement housing development. JBNC also diversified into other commercial business, including property development, self-operated project construction and operation, leasing, and trading businesses. As of 12 April 2024, the Company was wholly and directly owned by the Finance Bureau of Jiyang District.

Rating Rationale

Credit Strengths

Dominant role in urban construction projects in Jiyang District. JBNC is the largest state-owned investment and financing entity in Jiyang District to implement government blueprint of local urbanization and infrastructure development after the consolidation of JSAI in 2024. Considering the Company’s dominant role in the public policy projects in Jiyang District, we believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Solid track record of receiving government payments. JBNC has a proven track record of receiving support from the local government in terms of equity transfer, asset injection, construction project payments and subsidies. We believe that, given the dominant position of JBNC in public-policy projects in Jiyang District and its close relationship with the local government, the local government will continue to provide strong support to the Company.

Credit Challenges

Medium and increasing exposure to commercial activities. JBNC also engages in several commercial activities, mainly including construction of self-operated project, property development and trading. We consider JBNC's commercial business exposure to be medium, accounting for around 15-20% of its total assets. However, the relatively large future investment in self-operated projects may increase the Company's capital expenditure pressure. Besides, with the ongoing investment in property development, we expect its exposure to commercial activities would increase especially during the downturn of the real estate market.

Moderate access to funding. JBNC shows moderate access to funding channels, such as bank loans, bond issuance, and non-standard financing. Bank loans accounted for the majority of the Company's total debt. The Company has long-term relationships with various major domestic banks, including major policy banks and joint-stock commercial banks. The Company has a moderate exposure to non-standard financing, accounting for 20%-25% of total debt as of end-2023, mainly from financial leasing companies.

Rating Outlook

The stable outlook on JBNC's rating reflects our expectation that Jiyang District Government's capacity to provide support will be stable, and the Company's characteristics such as its dominant role in the development of Jiyang District will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jiyang District 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 lower exposure to risk commercial activities or improved financing ability.

What could downgrade the rating?

The rating could be downgraded if (1) Jiyang District 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 or decreased government payments.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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