

CCXAP affirms Jinan Hi-tech Holding Group Co., Ltd.'s long-term credit rating at A_{g-}, with stable outlook.

Hong Kong, 21 June 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Jinan Hi-tech Holding Group Co., Ltd. (“JNHT” or the “Company”)’s long-term credit rating at A_{g-}, with stable outlook.

The A_{g-} long-term credit rating of JNHT reflects Jinan Innovation Zone Government’s very strong capacity to provide support, and very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Jinan Innovation Zone Government’s capacity to provide support reflects Jinan Innovation Zone’s vital role as one of the first batch of national high-tech zones, with good economic fundamentals and rapid development potential.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strategic importance in the social and economic development of Jinan Innovation Zone; (2) solid track record of receiving government support; and (3) high acceptance in the debt capital market and relatively low financing costs. However, the rating is constrained by the Company’s (1) increasing exposure to market-driven commercial activities; and (2) high debt management pressure arising from ongoing investment.

Corporate Profile

Founded in 2001, JNHT is the most important local infrastructure investment and financing company (“LIIFC”) in Jinan Innovation Zone and acts as the key facilitator of Jinan Innovation Zone Committee’s plan for infrastructure construction. The Company operates and manages diversified business segments and focusing on the investment and operation of industrial parks. It helps attract investments and provides facilities for industrial, scientific research and commercial purposes including office buildings, factories and industrial bases in industrial parks. It is also responsible for the construction of public infrastructure projects such as water supply and sewage treatment facilities, primary land development, and shantytown renovation. Apart from that, the Company is also engaged in commercial activities such as residential property development, IT hardware and services, and financial services. As of 31 March 2024, JNHT is ultimately owned and controlled by the State-owned Assets Supervision and Administration Commission of the Jinan Hi-tech Industrial Development Zone (“Jinan Innovation Zone SASAC”).

Rating Rationale

Credit Strengths

Strategic importance in the social and economic development of Jinan Innovation Zone.

JNHT is the most important entity in regional development and aligns with the local government’s strategic objectives and development blueprint for Jinan Innovation Zone. The Company is strategically important to the Jinan Innovation Zone Government, given its dominant role in the investment and operation of industrial parks in the region. Considering



JNHT's policy role in social and economic development and its close links with the local government's development blueprint, we believe that potential substitution is low and that government support is likely in the near future.

Solid track record of receiving government support. JNHT has a solid track record of receiving various forms of government support such as financial subsidies, special funds, and asset injections. As the most important LIIFC in the area, the Jinan Innovation Zone Government continued to increase the Company's capital base by direct cash injections and asset injections. We believe that, considering the important position of JNHT and its close relationship with the local government, the local government will provide strong support to the Company in times of need, which will remain good over the next 12 to 18 months.

High acceptance in the debt capital market and relatively low financing costs. JNHT has good access to funding sources, including bank loans and onshore and offshore bond issuance, which could partially relieve its short-term refinancing pressure. JNHT has established good long-term relationships with a number of banks and financial institutions. The Company is also an active issuer in the debt capital market, and its debt mainly comes from direct issuance of bonds (including perpetual bonds). The Company's weighted average financing cost was at a relatively low level of less than 5%.

Credit Challenges

Increasing exposure to market-driven commercial activities. JNHT has a relatively high proportion of commercial activities, mainly in commercial property leasing, property development, and financial services. Although these activities are related to the Company's core business of industrial park development, they have high commercial components and are subject to higher operational risks. Considering the ongoing investment in property development, we expect the Company's exposure to commercial activities to be increasing.

High debt management pressure arising from ongoing investments. JNHT demonstrated rapid debt growth and high debt burden. Moreover, the Company's short-term debt pressure is relatively high. We expect JNHT's debt burden to remain at a relatively high level as the Company has large investment plans in industrial park development and residential property development, with a large proportion of projects under construction and in the pipeline. JNHT also exhibits moderate asset liquidity, which may undermine its financial flexibility.

Rating Outlook

The stable outlook on JNHT's rating reflects our expectation that Jinan Innovation Zone Government's capacity to provide support will be stable; and the Company's characteristics such as its essential role in regional development will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Jinan Innovation Zone Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local

government's willingness to provide support, such as significant reduction in risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Jinan Innovation 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, deteriorated access to fundings, or significant increase in external guarantees.

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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