

CCXAP affirms Jining State-owned Assets Investment Holdings Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 28 August 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Jining State-owned Assets Investment Holdings Co., Ltd.’s (“JNSI” or the “Company”) long-term credit rating at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of JNSI is underpinned by the Company’s (1) investment portfolio that are aligned with the government policies and industrial development in Jining City; and (2) good access to funding channels given its state-owned background. However, the rating is constrained by the Company’s (1) credit contagion risks from financial businesses; (2) uncertainties in investment return of fund investment; and (3) modest financial profile with narrow profitability and relatively high debt leverage.

The rating also reflects a high likelihood of government support from the Jining Municipal Government when needed, which is based on the Company’s (1) direct ownership and ultimate control by the Finance Bureau of Jining City; (2) clear and solid strategic position of state-owned assets investment and operation in Jining City; and (3) good track record of support from the local government.

Corporate Profile

Founded in August 2001, JNSI is an investing holding company that is directly owned and controlled by the Finance Bureau of Jining City. The Company has a high strategic position in supporting regional economic development, local industrial base upgrade, and maximizing the value of the state-owned assets, in accordance with the development blueprint of the Jining Municipal Government. The Company participates in four key business segments, including (1) investment and management, (2) logistic and trade, (3) medical and health, and (4) modern services. The Company is mainly responsible for supporting industrial development by engaging in fund investment and financial services, and also diversifies to other businesses such as trading, policy-oriented grain storage, as well as medical related business.

Rating Rationale

Credit Strengths

Investment portfolio that are aligned with the government policies and industrial development in Jining City. JNSI is an important municipal state-owned capital investment and operation company in Jining City, with a high strategic position. The Company is entrusted by the local government to cultivate local industrial development by conducting investments and providing diversified financial services. Since its establishment, the local government has transferred several privately held equities and state-owned equities to JNSI, continuously supporting its business expansion. The Company invests in equities and funds with a prudent and diversified investment strategy.

Good access to funding channels given its state-owned background. The Company has a sufficient standby liquidity cushion and access to the domestic debt capital market. As of 31 December 2023, bank loans accounted for majority of its total debt, followed by bond issuance and non-standard financings. We also expect that the Company will continue to optimize its debt structure through increasing debt duration, which has been proved over the past three years with decreasing proportion in short-term debt.

High likelihood of support from the Jining Municipal Government. We expect a high likelihood of government support from the Jining Municipal Government to JNSI in times of need. This expectation incorporates our considerations of the Company's (1) direct ownership and ultimate control by the Finance Bureau of Jining City; (2) clear and solid strategic position of state-owned assets investment and operation in Jining City; and (3) good track record of support from the local government, in terms of subsidies, capital injections, and asset transfers.

Credit Challenges

Credit contagion risks from financial businesses. JNSI provides diversified financial services such as guarantees, small-sum loans, pawning and financial leasing, mainly to the local medium and micro enterprises. However, the Company is exposed to credit contagion risks especially when market conditions are stressed. The business risk is expected to increase regarding the increasing operation pressure for regional private-owned enterprises during the broad economic downturn.

Most projects within the investment period, with uncertainties in investment return. JNSI has good access to quality investments given the support of the Jining Municipal Government. The return on JNSI's investments is subject to changes of macroeconomics, industry policy and capital market environment, which may exert higher uncertainties on future return. The long holding period of investments also exposed the Company to larger investment and execution risk because it may increase the uncertainty on the timing of the project exit.

Modest financial profile with narrow profitability and increasing debt leverage. JNSI's financial profile is considered modest due to narrow profitability and increasing debt leverage. The Company's income mainly comes from investment and other operating businesses. In addition, the Company demonstrated weak stability in its profitability as the Company's profitability highly links with its investment income.

Rating Outlook

The stable outlook on JNSI's rating reflects our expectation that the willingness and ability of the local government to provide support is unlikely to change over the next 12 to 18 months. We also expect the Company to maintain a stable investment strategy and credit profile.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the Jining Municipal Government increases indicated by the Company's greater strategic importance or more policy roles in Jining City; (2) the quality of the Company's investment portfolio materially improves,



demonstrated by its higher level of asset liquidity and better recurring cash flow; or (3) the Company's credit metrics improve such as lower debt leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Jining Municipal Government decreases; (2) the Company materially increases risk exposure to financial businesses; or (3) the Company's credit metrics deteriorate, such as a significant increase in debt burden or a deterioration in liquidity profile.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Investment Holding Companies \(December 2016\)](#).

Regulatory Disclosures

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