

CCXAP upgrades Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd.'s long-term credit rating to BBB_g, with stable outlook.

Hong Kong, 9 October 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Chongqing Jiangjin District Jiangding Industrial Development Co., Ltd. (“Jiangding” or the “Company”) to BBB_g from BBB_g-, with stable outlook.

The rating upgrade is based on the important position of the Company in developing Jiangjin District and Jiangjin District Government's direct ownership in the Company, which strengthens the local government's willingness to support the Company.

The long-term credit rating of Jiangding reflects the Jiangjin District Government's (1) strong capacity to provide support, and (2) high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Jiangjin District Government's capacity to provide support reflects its economic importance in Chongqing City, with steady economic growth, but constrained by its modest fiscal quality.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) clear functional position in infrastructure construction and land quota sales of Jiangjin District; (2) good business sustainability for undertaking major local projects and services; and (3) proven track record of receiving government. However, the rating is constrained by the Company's (1) weak assets liquidity; (2) limited access to funding channels; and (3) increasing exposure to commercial activities.

Corporate Profile

Founded in 2018, the Company was formerly known as Chongqing Jiangjin Huaxin Industrial Development Co., Ltd. After the consolidation of Chongqing Jiangjin District Zhenxin Industrial Development Group Co., Ltd. (“Zhenxin”) in 2023, the Company became one of the major construction and operation entities in Jiangjin District. The Company is primarily responsible for the sales of land quotas, infrastructure construction, and the operation of sewage treatment in Jiangjin District. Apart from public development projects, the Company also undertakes various commercial activities, such as human resource services, property leasing, parking lot operation, property management, car rental and self-operating projects. In July 2024, according to the local government's consolidation plan, the Company's shareholding was transferred from Chongqing Jiangjin Huaxin Asset Management Group Co., Ltd. (“JHAM”) to the State-owned Assets Supervision and Administration Commission of Jiangjin District, Chongqing City (“Jiangjin SASAC”). As of 31 August 2024, Jiangjin SASAC is the ultimate controller of the Company, directly holding 100% of the Company's shares.

Rating Rationale

Credit Strengths

Clear functional position in infrastructure construction and land quota sales of Jiangjin District. Jiangding engages in land quota sales, infrastructure construction and the operation of sewage treatment in Jiangjin District, maintaining its important position in local projects and services in Jiangjin District. After further restructuring and integration of local state-owned enterprises in 2024, we believe the local government's support for Jiangding will be strengthened and the replacement cost of the Company will be relatively high given its essential role in regional development.

Good business sustainability for undertaking major local projects and services. As the main developer in Jiangjin District, the Company is entrusted by the local government to undertake land quota sales and infrastructure construction businesses, with social and economic importance. The agency construction business is sustainable given the considerable infrastructure construction projects under construction in the pipeline, but could also exert certain capital expenditure pressure on the Company.

Proven track record of receiving government. Jiangding has a track record of receiving support from the Jiangjin District Government. These supports take various forms, such as government subsidies, equity transfers and capital injection. Given Jiangding's important strategic role, we expect the Company will continue to receive support from the Jiangjin District Government in the future.

Credit Challenges

Weak assets liquidity. Jiangding has relatively weak asset liquidity. The Company's total asset mainly consists of receivables and inventories, which accounted for 80.3% of its total assets as of 30 June 2024. Receivables are mainly unreceived payments from the agencies of the government or other state-owned companies. Inventories are mainly investment costs for its construction projects and land-using rights, all of which are considered low liquidity.

Limited access to funding channels. We consider the Company to have a limited funding channel as its debt financing channels are mainly bank loans and non-standard financing. As of 30 June 2024, around 83.1% of the Company's debt financing was provided by domestic banks. The Company has total available credit facilities of RMB3.9 billion, indicating a sufficient liquidity buffer. However, it has moderate exposure to non-standard financing products with a relatively high average financing cost of around 7.4%, which would bring higher refinancing pressure to the Company. In August 2024, the Company issued an offshore RMB bond with a total issuance amount of RMB285 million and a coupon rate of 4%

Increasing exposure to commercial activities. Apart from public activities, Jiangding is also involved in various commercial activities such as human resource services, property leasing, parking lot operation, property management, car rental and self-operating projects. We consider Jiangding's commercial business exposure to be medium, as its market-driven businesses

account for around 20% of its total assets. These activities have been a good supplement to the Company's operating revenue but could pose the Company with related operational and financial risks. Given the relatively large investment in self-operating projects under construction and planning, we expect the Company's exposure to commercial activities will increase in the future.

Rating Outlook

The stable outlook on Jiangding's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic position in the development of Jiangjin District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance local government's willingness to provide support, such as improved debt management and improved asset liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as reduced regional significance or 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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