

CCXAP assigns first-time long-term credit rating of BBB_g- to Zhejiang Jiangshan City Jiangneng Holdings Co., Ltd., with stable outlook.

Hong Kong, 29 November 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Zhejiang Jiangshan City Jiangneng Holdings Co., Ltd. (“ZJJH” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of ZJJH is underpinned by the Company’s (1) strategic position as the urban operation and utility service provider of Jiangshan City; (2) strong regional competitiveness in utility business; and (3) supplementary income from other commercial activities. However, the rating is also constrained by the Company’s (1) relatively weak profitability; (2) fast growing debt burden; and (3) short-term debt repayment pressure with limited financial flexibility.

The rating also reflects our expectation of a high likelihood of strong support from the Jiangshan City Government and its parent, Jiangshan Urban Construction Investment Group Co., Ltd. (“JUCI”), given the Company’s (1) status as the core subsidiary of JUCI involved in market-driven businesses; and (2) strategic importance in urban operation and utility services provider in Jiangshan City. We believe that JUCI has a strong capacity to support the Company by dint of its (1) ultimate ownership and control by the Jiangshan City Government; (2) important position in local social and economic development; and (3) good track record of receiving government supports.

Corporate Profile

After the consolidation of several subsidiaries of JUCI, ZJJH is positioned as an urban operation service provider by carrying out diversified businesses such as water supply, sewage treatment, gas supply, photovoltaic, pipe installation, and property leasing in Jiangshan City, to support urban development. As of 31 December 2023, the Company was wholly owned by JUCI, which in turn was ultimately controlled by the Finance Bureau of Jiangshan City. JUCI is the main operator and developer in Jiangshan City, mainly responsible for the infrastructure construction, land consolidation, and utility services in Jiangshan City.

Rating Rationale

Credit Strengths

Strategic position as the urban operation and utility service provider of Jiangshan City.

As a core urban operation service provider in Jiangshan City, ZJJH mainly conducts utility services businesses such as water supply, sewage treatment, gas supply, photovoltaic, and pipe installation. These businesses are essential to the economic and social development of the region.

Strong regional competitiveness in utility business. Benefited by its strong shareholder background, ZJJH has strong regional competitiveness in providing market-oriented utility services in Jiangshan City, including water supply, sewage treatment, gas supply, and photovoltaic power generation, providing the Company with stable revenue and cash flow. We

believe that the Company has strong competitiveness in the region underpinned by its high replacement cost as these services are vital to local residents and industrial development.

Credit Challenges

Relatively weak profitability. ZJJH's profitability remains relatively weak, as reflected by the weak return on assets and EBIT margin. Overall, ZJJH's diversified business portfolio could partially support its income over the next 12 to 18 months. However, given the business nature of utility services, the Company's profitability is expected to remain relatively weak.

Fast-growing debt with increasing debt leverage. Due to the expansion of its business scope and relatively large capital expenditure on its construction development projects, ZJJH's total debt has been growing rapidly since its establishment in 2022. Considering the further development of its diversified businesses and the relatively large capital expenditure on its construction projects, we expect that the Company will rely on external financings to meet its capital expenditures and the total debt level will continue to increase.

Short-term debt repayment pressure with limited financial flexibility. The Company is exposed to certain short-term debt repayment pressure as its short-term debt accounted for 36.0% of its total debt as of 30 June 2024. The Company had obtained total bank credit facilities of RMB1.1 billion, with an unutilized amount of RMB490 million, indicating limited financial flexibility.

Rating Outlook

The stable outlook on ZJJH's rating reflects our expectation that the Company will maintain its strong regional competitiveness, serving as the urban operation and utility service entity in Jiangshan City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the parent company's capacity or willingness to provide support strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the credit quality of JUCI deteriorates or the likelihood of parental support is expected to be weakened; or (2) the Company's standalone credit quality worsens significantly, including a material drop in credit metrics and poor debt management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Rating Methodology for General Corporate \(April 2019\)](#).



Regulatory Disclosures

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