

## Credit Opinion

12 March 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

### Analyst Contacts

Kelly Liang +852-2860 7127

Credit Analyst

[kelly\\_liang@ccxap.com](mailto:kelly_liang@ccxap.com)

Eddie Li +852-2860 7130

Assistant Credit Analyst

[eddie\\_li@ccxap.com](mailto:eddie_li@ccxap.com)

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Baoying Development Investment Co., Ltd.

### Surveillance credit rating report

### CCXAP affirms Baoying Development Investment Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.

#### Summary

The BBB<sub>g</sub>- long-term credit rating of Baoying Development Investment Co., Ltd. ("BDIC" or the "Company") reflects (1) Baoying County Government's relatively strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the Baoying County Government's capacity to provide support reflects Baoying County's comprehensive strength, ranking in the Top 100 counties in China, complemented with its geographic advantage, and modest fiscal profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) key role as the primary platform for infrastructure construction in Baoying Economic Development Zone ("Baoying EDZ"); and (2) track record of receiving government support.

However, the rating is constrained by the Company's (1) large investment needs from self-operated projects; (2) increasing debt level with a relatively high short-term debt burden; and (3) large external guarantee associated with local state-owned enterprises ("SOEs").

The stable outlook on BDIC's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the development of Baoying County.

## Rating Drivers

- Primary platform for infrastructure construction in Baoying EDZ
- Track record of receiving government support
- Increasing exposure to commercial activities with capital expenditure pressure
- Increasing debt level with a relatively high short-term debt burden
- Large external guarantee associated with local SOEs

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Baoying County Government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improved financing ability and reduction in the exposure to external guarantee.

### What could downgrade the rating?

The rating could be downgraded if (1) Baoying County Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional importance or weakened government support.

## Key Indicators

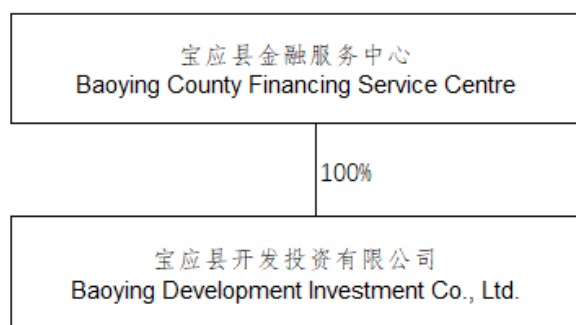
	2021FY	2022FY	2023FY	2024Q3
Total Assets (RMB billion)	9.0	9.0	11.0	13.1
Total Equity (RMB billion)	5.3	5.5	5.7	6.6
Total Revenue (RMB million)	773.9	710.8	646.0	471.1
Total Debt/Total Capital (%)	30.7	27.0	40.6	39.3

All ratios and figures are calculated using CCXAP's adjustments.

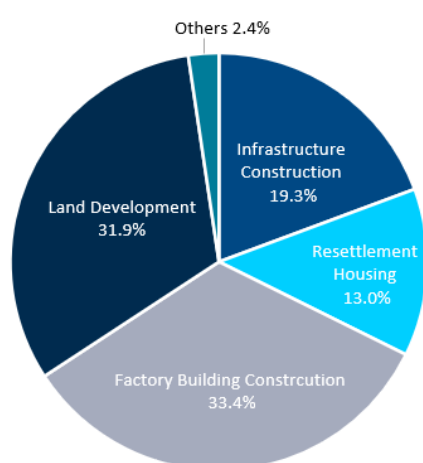
Source: Company data, CCXAP research

## Corporate Profile

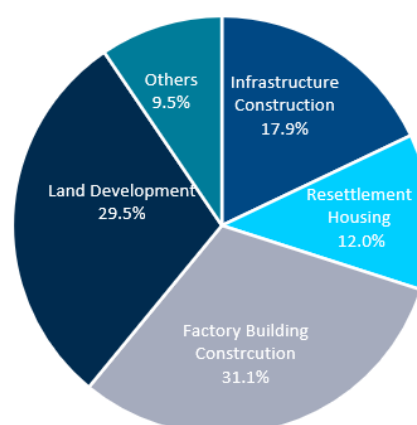
Founded in 2003, BDIC is one of the key local infrastructure investment and financing companies ("LIIFCs") in Baoying County. It is mainly responsible for construction projects of infrastructure, resettlement housing, factory building, as well as land consolidation in Baoying EDZ. The Company also participates in commercial activities such as plant leasing and industrial park construction. In November 2024, to promote high-quality development of the state-owned enterprises, 30% of the Company's equity held by Jiangsu Baoying Economic Development Holding Co., Ltd. ("BEDH") was transferred to Baoying County Financial Service Centre ("Baoying FSC") without compensation. As of 31 December 2024, the Company was directly owned and controlled by Baoying FSC.

**Exhibit 1. Shareholding chart as of 31 December 2024**

Source: Company information, CCXAP research

**Exhibit 2. Revenue structure in 2023**

Source: Company information, CCXAP research

**Exhibit 3. Gross profit structure in 2023****Rating Considerations****Government's Capacity to Provide Support**

We believe that the Baoying County Government has a relatively strong capacity to provide support for the Company, given its steady gross regional product ( "GRP" ) growth in recent years, and its GRP per capita remains above the national GRP per capita. However, as a county-level district in Yangzhou City, its economic scale is relatively small.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world's leading enterprises of electronic equipment, chemical, and textile. Jiangsu Province is the second largest province in China by gross regional product ( "GRP" ), after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ( "YoY" ) increase of 5.8%. The per capita GRP also ranked top among all provinces in China for years.

Yangzhou City is located in the middle of Jiangsu Province and at the intersection of the Yangtze River and the Beijing-Hangzhou Grand Canal, with significant geographical advantages. In recent years, Yangzhou has developed manufacturing and modern service industries, optimized the agricultural structure, promoted the transformation and upgrading of the manufacturing industry, and expanded strategic emerging industries, such as new light sources, new energy, high-end manufacturing, biotechnology and new medicine, and new generation information technology. Benefiting from its good location and optimized industrial structure,

Yangzhou City's preliminary GRP reached RMB781.0 billion in 2024 and ranked medium level in all prefectural-level cities in Jiangsu Province, with a YoY growth higher than that of Jiangsu Province. In 2024, Yangzhou Municipal Government's general budgetary revenue increased to RMB36.1 billion from RMB32.5 billion in 2022. Tax income continued to be the main source of general budgetary revenue, the average fiscal stability ratio (tax revenue/ general budget revenue) over the past three years was 76.8%. However, Yangzhou Municipal Government's fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was moderate, averaging 48.3% over the past three years. At the end of 2024, Yangzhou's Municipal Government's debt balance was RMB143.0 billion, accounting for 18.3% of GRP.

#### Exhibit 4. Key economic and fiscal indicators of Yangzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	710.5	742.3	781.0
GRP Growth (%)	4.3	6.0	6.0
General Budgetary Revenue (RMB billion)	32.5	34.8	36.1
General Budgetary Expenditure (RMB billion)	69.9	71.1	72.9
Local Government Debt (RMB billion)	110.5	121.7	143.0

Source: Statistics Bureau of Yangzhou City, CCXAP research

Baoying County is a county-level city under the jurisdiction of Yangzhou City, located in the central part of Jiangsu Province. In 2024, according to CCID Consulting, Baoying County ranked China's Top 100 counties/county-level cities in terms of investment competitiveness. The total area of Baoying County is 1,467 square kilometers, with 14 towns and one provincial economic development zone, namely the Baoying EDZ, within its jurisdiction. It has developed some core industries, mainly including construction, new power equipment, electronic information, and new materials. In 2024, Baoying County recorded a preliminary GRP of RMB98.1 billion, increasing by 5.4% YoY. However, the economic scale of Baoying County was still small compared to other districts or counties in Yangzhou City. Baoying County's GRP accounted for only 12.6% of Yangzhou's GRP in 2024. In addition, Baoying County Government demonstrated improving fiscal profile over the past three years with the general budgetary revenue increased from RMB2.4 billion in 2022 to RMB3.2 billion in 2024. It has relatively good fiscal quality, with tax revenue accounting for 76.4% of its general budgetary revenue on average. However, Baoying County Government's fiscal balance ratio was 30.4% over the same period, indicating its high reliance on fiscal support from higher-tier government and government fund. As of the end of 2024, Baoying Government's outstanding debt amounted to RMB13.6 billion, accounting for about 13.8% of GRP.

#### Exhibit 5. Key economic and fiscal indicators of Baoying County

	2022FY	2023FY	2024FY
GRP (RMB billion)	88.2	94.2	98.1
GRP Growth (%)	4.6	6.1	5.4
General Budgetary Revenue (RMB billion)	2.4	3.1	3.2
General Budgetary Expenditure (RMB billion)	10.0	10.2	10.6
Local Government Debt (RMB billion)	10.9	12.2	13.6

Source: Statistics Bureau of Baoying County, CCXAP research

Baoying EDZ was established in 2002 and is one of the first batch of provincial-level development zones in Jiangsu Province. The total area of Baoying EDZ is 58.2 square kilometers, and the built-up area is 20 square kilometers. Baoying EDZ focuses on developing three new industries, including new power equipment, new

generation electronic information and communication, and high-end new materials. In addition, Baoying EDZ has formed industry parks to support the development in this area, providing support for the long-term sustainable development of BDIC.

## **Government's Willingness to Provide Support**

### **Primary platform for infrastructure construction in Baoying EDZ**

BDIC plays a key role in promoting the social and economic development of Baoying EDZ and is designated to carry out the directions and policies for the development of the Baoying County Government. There are two major LIIFCs in Baoying County that support local economic and industrial development, namely Baoying County City Construction Investment Development Co., Ltd ("BCCI") and BDIC. Each has a clear position under the local government's planning. BCCI is positioned as a core entity for infrastructure construction in Baoying County and land consolidation in New Town Area, while BDIC is mainly responsible for infrastructure construction, factory building, resettling housing, and land consolidation in Baoying EDZ and two towns under the jurisdiction of Baoying County. We believe that the important strategic position of the Company to Baoying EDZ's economic development and public welfare is unlikely to be replaced in the short-to-medium term.

BDIC has undertaken a number of infrastructure construction and resettlement housing projects over the past years. Most of these projects are undertaken under agent construction models. The Company has signed agency agreements with the Baoying County Government and entrusting parties, and carries out the construction works in accordance with relevant plans, requirements, and procedures. The initial funds for these projects are borne by the Company. After these projects are completed and inspected, the local government pays the Company based on the actual cost plus a markup in return, generally 15%-20%. As of 30 June 2024, the Company has completed 8 key agent construction projects, including factory construction, supporting facilities construction and resettlement housing, with a total investment of around RMB1.9 billion. At the same time, the Company had 9 key entrusted construction projects under construction, most of which had been substantially constructed and were awaiting settlement. The projects include infrastructure construction, factory building construction and resettlement housing, with a total investment amount of RMB3.2 billion and an uninvested amount of RMB7.0 million. As of 30 June 2024, the Company has no agent construction projects under planning for the time being.

As the main developer and operator of Baoying EDZ, BDIC also engages in land consolidation in Baoying EDZ. The Company signed land consolidation agreements with the Baoying County Government, who would make installment payments to the Company based on the actual cost plus a markup in return upon completion, generally 10%-15%. As of 30 June 2024, the Company had 4 key land projects under consolidation with a total investment of around RMB577.0 million and an outstanding investment amount of RMB40.0 million, and no land projects under planning. In addition, as of 30 June 2024, the Company had 14 transferable lots with a total book value of RMB1.0 billion, which would bring revenue after being sold. Its land development business has a strong sustainability supported by its land reserves, however, there is uncertainty in the future income as it is highly subject to the local government's land planning policies and fluctuations in the local land market.

Overall, considering the BDIC's essential role in fostering urbanization development in Baoying County, we believe the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

### **Increasing exposure to commercial activities**

Apart from public services, BDIC has also been engaged in commercial activities, mainly including self-operating projects. While the commercial activities generate supplemental income, they may also pose higher operating

and business risks than traditional infrastructure construction businesses. With the continued investment in commercial activities, the Company's relevant risk exposure accounted for around 5% of its total assets as of 30 September 2024 and is likely to grow further in the coming years, based on our assessment.

The Company is responsible for the investment and construction of industrial parks in Baoying EDZ to promote local investment attraction and industrial development. As of 30 June 2024, the Company had 1 self-operated project under construction with a total investment of RMB500.0 million and an uninvested amount of RMB150.0 million. In addition, as of 30 June 2024, the Company had 2 self-operated projects under planning, with a total investment of RMB2.3 billion. The Company's industrial park construction projects are policy-driven with the aim to stimulate the economic growth and industrial development of Baoying County. The self-operating project under construction is named the Baoying Agricultural Production, Supply and Marketing Integration Upgrade, and New Ecological Cultural Tourism project. It aims to build an intelligent processing and packaging area for agricultural products through upgrading the standardised plants and expanding the scale of intelligent production by upgrading the processing technology, facilities and equipment, so as to enhance the competitiveness of Baoying's agricultural products. However, the construction of self-operated projects brings large capital expenditure pressure and business risk. The capital recovery cycle for industrial parks is typically long, requiring attention to the subsequent operation and investment return of the industrial parks.

#### **Track record of receiving government support**

BDIC has received ongoing support from the Baoying County Government including capital injections, project payments, operational subsidies and asset transfers. The Company has received capital injections from the local government totaling RMB150.0 million since its establishment in 2003. Meanwhile, in 2024, the Baoying County Government injected 100% of the shares of a local SOE into the Company, which increased the Company's capital reserve by approximately RMB278.8 million. From 2023 to 2024H1, the Company received a total of RMB262.5 million in financial subsidies from the local government. However, the government payments for BDIC's public infrastructure projects are highly subject to the local government's fiscal budget. Given the Company's strong public policy role with its project reserves in the Baoying EDZ, we expect the Company will continue to receive government payments over the next 12 to 18 months.

#### **Increasing debt level with a relatively high short-term debt burden**

BDIC's debt level kept increasing due to the finance for ongoing self-operated projects and agency construction projects and its debt leverage maintained moderate. As of 30 September 2024, the Company's total debt increased to RMB4.3 billion from RMB2.7 billion as of 30 September 2023 while its total capitalization ratio increased to 39.3% from 32.1% during the same period. The Company's short-term debt burden remained relatively high with short-term debt increasing to around RMB2.0 billion, accounting for 45.4% of total debt. In addition, the Company's asset liquidity was moderate, as its total asset mainly consists of other receivables and contract assets. As of 30 September 2024, the Company's other receivables (36.8% of total assets) and contract assets (23.2% of total assets) are mainly unreceived payments from the government or other state-owned companies due to the land transfer and agency construction projects, which are considered low liquidity. On top of that, BDIC's accounts receivables are mainly from project settlements with local SOEs, which accounted for 12.0% of its total assets as of 30 September 2024. Such payments may be subject to the fiscal regime and land market conditions. Besides, the Company had pledged assets of RMB1.6 billion for loans, representing 13.6% of total assets as of 30 June 2024. Given the Company's large capital expenditure arising from its projects, especially its start-age self-operated projects, we expect the Company's total debt will continue to grow in the next 12 to 18 months.



## Reliance on the funding from capital market

BDIC has fair access to different sources of funding including bank loans, onshore and offshore bond issuances, and non-standard financing products, which may partially release capital expenditure pressure and liquidity profile. Bank loans and bond issuances accounted for around 61.6% and 37.2% of the total debt, respectively, as of 30 September 2024.

The Company has a track record of fund-raising activities in the capital market. The Company has issued several types of debt products such as private placement notes (“PPNs”) and corporate bonds. In 2024, the Company had raised RMB466.0 million through a tranche of PPN issuances. The Company had issued two tranches of offshore bonds to raise RMB335.0 million and JPY4.5 billion in total. However, the Company’s high reliance on direct financing may weaken the financing stability of the Company particularly when facing market fluctuations in the capital market. For instance, the tightening of LIIFC’s funding condition may raise the consolidated cost of debt issuance, imposing further refinancing pressure on the Company.

BDIC maintains long-term relationships with several banks, such as the Agricultural Development Bank of China, the Industrial and Commercial Bank of China, and the Agricultural Bank of China. Its credit facilities reserve remained relatively small. As of 30 June 2024, the Company has obtained total bank credit facilities of RMB1.6 billion, with an unutilized amount of RMB53.4 million. Furthermore, the Company decreased its exposure to non-standard financing, with a proportion to total debt less than 5.0% as of 30 September 2024, reducing from 7.0% as of 30 September 2023.

## Large external guarantee associated with local SOEs

BDIC demonstrated relatively high exposure to contingent liabilities, which could potentially increase its repayment obligations. Its external guarantees amounted to RMB6.1 billion as of 31 December 2023, relative to 107.4% of its net assets. All external guarantees were provided to other local SOEs in Baoying County without counter-guarantee measures. However, in case a credit event occurs, the Company may face certain contingent liability risks and cross default risks, which is negative to its credit quality.

In 2023, the Company faced a contingent liability obligation due to a credit event of its guarantee. BDIC’s guaranteed party, Jiangsu Yingqing New Energy Co., Ltd. (“Yingqing New Energy”), failed to pay the principal (RMB15.0 million), interest and other amount to the lender. Yingqing New Energy is in liquidation procedure. As of 30 September 2024, the Company had fulfilled its obligations under the guarantee totaling around RMB17.3 million and was awaiting liquidation by the liquidator.

## ESG Considerations

BDIC faces environmental risks because it has undertaken primary infrastructure construction and land consolidation projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

BDIC bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in Baoying County. Demographic changes, public awareness and social priorities shape the Company’s development targets and ultimately affect the local government’s propensity to support the Company.

BDIC’s governance considerations are also material as the Company is subject to oversight and reporting requirements of the local government, reflecting its public policy role and status as a government-owned entity.

## Rating Methodology

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



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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656