

Credit Opinion

5 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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Changzhou Jiangrun Environmental Protection Technology Co., Ltd.

Surveillance credit rating report

CCXAP affirms Changzhou Jiangrun Environmental Protection Technology Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Changzhou Jiangrun Environmental Protection Technology Co., Ltd. ("CZJR" or the "Company") reflects the Company's (1) strong regional competitiveness in water and environmental protection businesses in Jintan District supported by its clear position; and (2) high visibility of the core businesses' revenue and profitability with relatively low business risk.

However, the rating is constrained by the Company's (1) small business scale with geographic concentration; (2) fast debt growth and high debt leverage; and (3) weak debt servicing capability with limited financial flexibility.

The rating also reflects a high likelihood of support from the Jintan District Government, which is based on the Company's (1) full and direct ownership by the Jintan District Government; (2) important role in operating and providing essential public utility services in Jintan District; and (3) good track record of receiving support from the local government.

The stable outlook on CZJR's rating reflects our expectation that the Company will maintain its strong regional competitiveness in water-related services and environmental protection business in Jintan District over the next 12-18 months, and the support from Jintan District Government is unlikely to change during the period.

Rating Drivers

- Strong regional competitiveness in water and environmental protection businesses
- High visibility of the core businesses' revenue and profitability with relatively low business risk
- Fast debt growth and high debt leverage
- Weak debt servicing capability with limited financial flexibility
- High likelihood of support from the Jintan District Government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's willingness and capacity to provide support increases; and (2) the Company's stand-alone credit profile improves significantly, such as having a more diversified business profile or improved financial profile, including an increase in capital strength and profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's willingness and capacity to provide support decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in credit metrics or weakened liquidity position.

Key Indicators

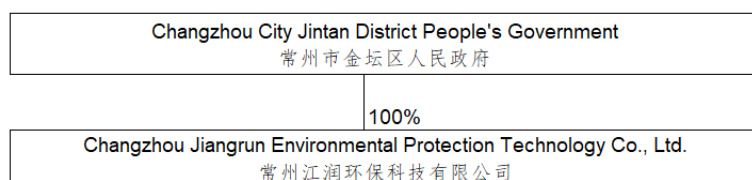
	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	8.8	12.5	15.8	17.2
Total Equity (RMB billion)	3.1	4.2	5.5	5.5
Total Revenue (RMB billion)	0.3	0.3	0.3	0.2
Net Profit (RMB million)	28.3	27.4	16.1	16.6
EBIT Margin (%)	25.6	25.1	26.3	26.1
Return on Assets (%)	1.0	0.8	0.5	-
Total Debt/Total Capital (%)	56.4	61.3	58.3	64.2
Total Debt/EBITDA (x)	25.4	33.9	51.0	-
EBITDA/Interest (x)	1.8	1.7	1.6	-
FFO/Total debt (%)	3.7	2.8	1.8	-

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

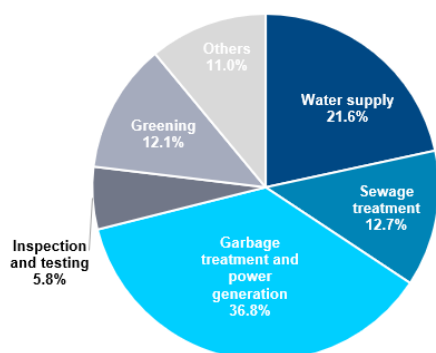
Source: Company data, CCXAP research

Corporate Profile

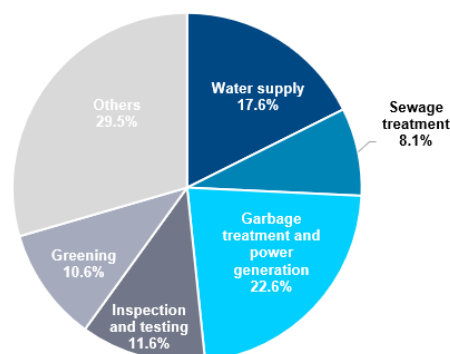
Established in 2019, CZJR is a dominant local state-owned public utility provider in Jintan District, Changzhou City, Jiangsu Province. In 2024, the Company received several equity shares related to environmental protection and water free of charge from the local government, further identifying its position as an industrial operation entity in Jintan District for the local government. CZJR is mainly engaged in garbage treatment and power generation, water supply, sewage treatment, inspection and testing, as well as greening services in Jintan District. As of 30 June 2025, the Company is directly owned and ultimately controlled by Jintan District Government.

Exhibit 1. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024**Rating Considerations****Business Profile****Strong regional competitiveness in water and environmental protection businesses**

CZJR is mainly engaged in water supply, sewage treatment, garbage treatment and power generation businesses in Jintan District. There are high entry barriers for CZJR's business sectors with relatively strong public and regional characteristics. Over the years, on the back of the local government, the Company maintained strong regional competitiveness and stable market shares in those sectors despite its small scale and high business geographical concentration. Jintan District, situated in Changzhou City, Jiangsu Province, has sustained economic growth and has recorded net population inflows over the past few years, which provides a good operating environment for the Company.

The Company's water supply business, its core sector, covers the entire Jintan District. As of 30 June 2025, the Company owned and operated 1 water supply plant with a daily water supply capacity of 200.0 thousand tons, water pipeline of 1,702.9 kilometers. The Company takes raw water from Changdang Lake, most of which is located in Jintan District, and sells tap water to Changzhou City Jintan Tap Water Co., Ltd., a local state-owned enterprise owned by Jintan District Government, after the processes of sedimentation, filtration and elimination. At end-June 2025, the Company had two upgrading projects under construction, with an estimated total investment of RMB2.4 billion and an outstanding amount of RMB1.1 billion. With the completion of the projects, the daily capacity of the Company's water supply capacity would be expanded by 100 thousand tons in the future.

For the garbage treatment and power generation businesses, the Company established SPV for the financing, construction and operation of the PPP project and obtained the project franchise for 30 years (from 2020 to 2050). The project is divided into two phases, of which the first phase was completed and put into operation in

2022 while the second phase of the project is still under planning. The current service scope covers the whole Jintan District, with a designed daily processing capacity of 1,000 tons and an installed capacity of 25,000 kilowatts. The Company achieves fund balancing by obtaining revenue from domestic waste treatment, power generation, and sales of coal slag residue. The Company signed a domestic waste treatment service agreement with the government units in Jintan District and other districts and counties in Changzhou City. The unit price of the domestic waste treatment service fee is RMB68.9 per ton. The electricity generated by waste incineration is connected into the State Grid, and the income is settled by State Grid Jiangsu Electric Power Co., Ltd., according to the electricity metering. The coal residue generated after waste incineration power generation is sold to the public market via open bidding. With waste treatment, Jintan District can foster environmental stewardship, leading to a more resilient and prosperous community.

CZJR, cooperated with private investors, has established SPV for the investment, finance, design, operation and management of the urban-rural sewage treatment consolidation PPP project, covering the majority of Jintan District. Sewage treatment charges are collected along with water fees, and the Finance Bureau of Jintan District allocates the relevant sewage treatment fees to the Company monthly. As of 30 June 2025, the Company had 3 sewage treatment plants in operation, with a total daily sewage treatment capacity of 75 thousand tons. Meanwhile, 4 sewage treatment plant renovation projects were under construction, with an estimated additional daily treatment capacity of 90 thousand tons. The estimated investment amount of these projects was RMB391.0 million, with an outstanding amount of RMB69.0 million. CZJR's market shares in Jintan District will further strengthen due to improved treatment technic and capacity.

High visibility of the core businesses' revenue and profitability, with relatively low business risk

The Company owned a relatively diversified business portfolio. In 2024, the Company recorded RMB267.1 million in revenue, with the garbage treatment and power generation business being the main contributor to CZJR's revenue, accounting for 36.8% of CZJR's total revenue in 2024, followed by water supply (21.6%) and sewage treatment (12.7%). Due to differences in the consolidation basis, the Company's total operating revenue, operating costs, and operating profit margin experienced a YoY decline in 2024. The Company's main business maintains a high gross profit margin, while its profits are eroded by period expenses, resulting in moderate indicators in 2024. The EBIT margin achieved 26.3% and the ROA stayed consistently low at below 1.0%. In addition, non-recurring gains contributed significantly to total profit in 2024, including gains from changes in the fair value of investment properties and investment income from long-term equity investments.

Long commissioned operation durations and cost compensation mechanisms underpin CZJR's high visibility of revenue and profitability, underscoring the revenue and profit sustainability of the core businesses. The revenue of the water supply and sewage treatment business is highly related to the local water tariff mechanism, which needs approval from the local government. Jintan District implemented the water tariff mechanism approved in 2015, regulating sewage treatment prices at RMB1.5 per cubic meter for residential sewage and RMB1.6 per cubic meter for commercial sewage. The adjustment of water tariff mechanism used to have a long approval process and time. China newly implemented water tariff policy in October 2021 which would provide a more transparent tariff-setting mechanism and timely adjustments. The Company settles with the local government or agency monthly according to the water supply volume and sewage treatment volume. In 2024, the tap water settled prices increased to RMB1.88 per ton for the period 2024 to 2029, according to the agreement. In addition, the government appointed feasibility gap grants involved in the PPP projects. For example, the garbage disposal fee in the waste-to-energy incineration projects is negotiable to compensate for the operating costs.

In addition to the public utilities, CZJR has other business segments transferred from the local government without compensation, mainly including inspection and testing, property leasing, and property management. For instance, CZJR's inspection and testing business includes construction project quality inspection, special equipment inspection and testing services. Most downstream customers, mainly the state-owned enterprises in Jintan District, make payments in advance. This segment diversifies the revenue stream and provides a considerable amount of profit to the Company given its light-asset business model. Furthermore, the Company engaged in municipal maintenance projects to provide greening, planting and plant maintenance services.

Overall, the Company's core businesses are essential public services for urbanization development and social welfare, which have lower cyclical risks. We expect the revenue structure to remain stable and revenue volume to increase as capacity increases from the completion of projects under construction, while the profitability is expected to remain moderate.

Financial Profile

Fast debt growth and high debt leverage

CZJR's standalone credit profile is constrained by its increasing debt burden and high debt leverage. From 2023 to 2025H1, the total capitalization ratio, calculated by total debt to total capital, increased from 61.3% to 64.2%, reaching a high level that may negatively affect its funding flexibility. The surging leverage is mainly due to a rapid increase in total debt. The Company's total debt increased from RMB6.6 billion to RMB10.0 billion during the same period, mainly due to investments in the public utilities and debt rollover. Meanwhile, the Company bears certain short-term debt pressure, with short-term debt accounting for 39.6% of total debt as of 30 June 2025. The Company relies on support from its shareholder, the Jintan District Government, and profit retention to strengthen its capital. However, the Company's net profit remained small, achieving RMB16.1 million in 2024. In addition, the Company's total equity raised from RMB4.2 billion at end-2023 to RMB5.5 billion at mid-2025, mainly benefiting from equity assets injected from local government. The Jintan District Government is expected to further increase the Company's capital base, which may enhance its capital strength and release leverage pressure if realized. However, the actual timing of capital injection payments depends on the government's financial strength. Considering the Company's funding needs for its ongoing or planned construction projects, we expect that the debt leverage level will remain relatively high in the next 12-18 months.

Exhibit 4. Key projects under construction as of 30 June 2025

Project Type	Budgeted Amount (RMB billion)	Invested Amount (RMB billion)	Outstanding Amount (RMB billion)
Projects Under Construction			
Water supply	2.4	1.2	1.2
Sewage treatment	0.6	0.4	0.2
Total	3.0	1.6	1.4

Source: Company information, CCXAP Research

Weak debt servicing capability with limited financial flexibility

CZJR's stand-alone debt-serving metrics remain weak given its increasing debt burden, as reflected by the EBITDA interest coverage ratio of 1.6x and a high total debt/EBITDA ratio of 51.0x in 2024. Meanwhile, its FFO/total debt ratio was low at 1.8x, indicating constrained cash flow generating capability. In addition, the actual cash payment cycle has extended in recent years, widening the gap between operating cash inflows and outflows. Nevertheless, the short-term debt-serving metrics are relatively good due to efficient cash and cash equivalent reserves on hand. As of 30 June 2025, the Company's cash to short-term debt ratio was around 1.0x.

The Company's weak asset liquidity adversely affects its financial flexibility. The total assets were mainly comprised of cash and cash equivalent (22.6%), other receivables (28.7%) and inventories (24.8%) as of 30 June 2025. The other receivables are generated from the transactions with local state-owned enterprises which lower the yield on assets. The Company's inventory continued to grow, increasing from RMB3.6 billion at end-2023 to RMB4.3 billion as at mid-2025, mainly consisting of land to be developed acquired through purchases and the transfer of land-use rights from intangible assets. In addition, the Company's restricted assets were large in scale. As of 30 June 2025, the Company had pledged assets of RMB5.0 billion for loans, accounting for 29.2% of total assets.

In addition, the Company's external financing channels are concentrated on indirect financing channels, such as bank loans and non-standard financing, which are exposed heavily to the changes in the macro environment and bank policy. Bank loans are the main funding source for the Company, which accounted for more than 90% of the total debt as of 30 June 2025. Benefiting from its background and good relationship with banks, the Company obtained total credit facilities of RMB12.3 billion, with an unutilized amount of RMB2.1 billion as of 30 June 2025.

External Support

High likelihood of support from the Jintan District Government

We expect a relatively high likelihood of receiving support from the Jintan District Government in times of need. Our expectation incorporates the considerations of the Company's (1) full and direct ownership by the Jintan District Government; (2) important role in operating and providing essential public utility services in Jintan District; and (3) good track record of receiving support from the local government, including capital and assets injections as well as financial subsidies.

We believe the Jintan District Government has very strong capacity to support when necessary. Located in the west of Changzhou City, Jintan District is a district with good economic fundamentals and fiscal performance as well as ongoing economic growth. In 2024, it recorded a gross regional product ("GRP") of RMB140.3 billion, representing a year-on-year ("YoY") increase of 5.9%. Meanwhile, Jintan District's general budgetary revenue also continued to grow in recent years. Its general budgetary revenue increased by 5.2% to RMB6.1 billion in 2024, of which tax revenue accounted for 88.8% of the total general budgetary revenue, indicating good fiscal quality. In the first half of 2025, Jintan District's GRP increased by 6.7% YoY to RMB64.5 billion.

Given its regional importance in environmental protection and utility services in Jintan District, CZJR receives a good track record of support from the local government, including capital injection, asset transfers, and financial subsidies. In recent years, the local government integrated and injected equities of state-owned enterprises in the Jintan District into the Company without compensation, broadening its business scope and enhancing its competitiveness. As of 30 June 2025, the Company's capital reserves increased to RMB4.9 billion from RMB3.6 billion at end-2023. In addition, the Company continued to receive subsidies from the local government with a total amount of RMB25.6 thousand in 2024. Moreover, the local government committed to further increase the Company's paid-in capital from RMB539.0 million to RMB1.0 billion, yet the actual timing of capital injection payments depends on the government's financial strength.

CZJR's socio-political implications remain high, as CZJR is commissioned to safeguard water supply and ecological protection, including sewage treatment and greening. These businesses are vital to residents' daily lives, production, environmental protection, and sustainability. The Company's success is closely tied to the regional and economic development of Jintan District.

ESG Considerations

CZJR, as the core operator of environmental water services in the Jintan District, inherently faces significant environmental risks given the nature of its business. In the garbage treatment and power generation business, the Company faces regulatory risks related to emissions, fly ash, and leachate; inadequate control could result in substantial fines and reputational damage. In the water supply and sewage treatment businesses, the Company faces risks, including noncompliant water quality, source-water contamination incidents, and improper sludge disposal. These risks could be mitigated by the Company's prudent management in project design and operation, establishing a strict, full-process environmental monitoring system, developing and drilling comprehensive environmental emergency plans, and ensuring the compliant and safe final disposal of fly ash and sludge.

CZJR bears social risks by implementing public policy initiatives through the provision of essential public services such as waste disposal, water supply, and sewage treatment. Public satisfaction with the quality, stability and pricing of utility services, determines the Company's social permission to operate and ultimately influences local government and public support for the Company.

CZJR'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. The Company has clear strategic plan, which can effectively control its subsidiaries, and has established a relatively sound corporate governance structure and a robust internal management system.

Rating Methodology

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

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