

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jingjiang Port Group Co., Ltd.

HONG KONG, 9 November 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Jingjiang Port Group Co., Ltd. (“JPG” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jingjiang City (“Jingjiang government”) would provide strong support to JPG if needed, in light of its indirect 100% ownership of JPG, JPG’s strategic importance as the important state-owned entity for port construction and operation in the region, and the linkage between the Jingjiang government and JPG, including supervision over the company through its shareholders, strategic alignment and ongoing operational and financial support. In addition, the Jingjiang government may face significant negative impact on its reputation, business and financing activities if JPG encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that JPG’s strategic importance would remain intact while the Jingjiang government will continue to ensure JPG’s stable operation.

Key Rating Rationales

Government’s Ownership and Supervision: The Jingjiang government, through the Jingjiang State-owned Assets Supervision and Administration Office (“Jingjiang SASAO”) and the Administrative Committee of Jingjiang Economic Development Zone (“Jingjiang EDZAC”), holds 35% and 65% equity of JPG, respectively, and it is the ultimate controller of the company. The Jingjiang government supervises the company via the Jingjiang SASAO and Jingjiang EDZAC, including senior management appointment and decision-making on investment and financing plans. In addition, the local government has set up an annual mechanism assessment for JPG and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance to Jingjiang and Strategic Alignment: JPG is the only state-owned entity for wharf construction and operation in Jingjiang Port Area of Taizhou Port, and the largest operator for public wharf. The company is mainly engaged in port development, operation and port area supporting facilities construction business. As an important part of Jingjiang Port, Heshang Port, Luojiang Port and other projects built by the company play an important role in promoting the economic development of Jingjiang and its surrounding areas. JPG’s business operation and development are in line with the development plan of the local government, aiming to develop the port construction and operation and promote the economic development of the region and surrounding cities.

Ongoing Government Support: JPG has received support from the local government, including equity injection, asset injection, operation subsidy and policy support from the Jingjiang EDZAC. Meanwhile, as the most important state-owned entity for port operation in Jingjiang Port Area, JPG has certain advantages in project, land and resource acquisition. In addition, JPG also enjoys a variety of policy support, such as tax incentives and financial subsidies. JPG had received a total subsidy amount of c. RMB2.9 billion from 2019 to the first nine months of 2022. We believe JPG is likely going to receive government support in the form of operational and/or financial subsidies, to support its daily business operation and port construction.

JPG's Financial Matrix and Liquidity Position: JPG's total assets showed a significant growth trend in the past three years to RMB45.8 billion at end-September 2022. JPG's financial leverage (total liabilities to assets) was 55.9% and its adjusted debt increased to c. RMB24.9 billion at end-September 2022. Meanwhile, JPG had a cash balance and unused credit facilities of c. RMB4.93 billion (restricted cash accounted for c. 88%) and RMB4.1 billion, respectively, as well as available issuance quota of RMB1.5 billion in the onshore market, compared with its debt due within one year of c. RMB8.05 billion. However, JPG has access to various financing channels, including bank loans, onshore and offshore bond issuance and non-traditional financing, to support its debt repayment and business operations.

Economy and Fiscal Strength of Jingjiang: As a new industrial port city on the north bank of the Yangtze River, Jingjiang has a relatively high level of economic development. Jingjiang's economy has maintained stable growth, with its GDP reached RMB114.2 billion in 2021, representing a year-over-year growth rate of 10.6%, and its GDP scale ranked the 2nd among Taizhou. Jingjiang Economic Development Zone ("Jingjiang EDZ") is a state-level economic and technological development zone and its construction and development play an important role in the development of Jingjiang, Jingjiang Port Area and the surrounding cities. In 2021, the GDP of Jingjiang EDZ reached c. RMB66.9 billion, accounting for c. 59% of Jingjiang's GDP in the same period.

The aggregate fiscal revenue of the Jingjiang government was mainly derived from the budgetary revenue and government fund. The Jingjiang government's budgetary revenue grew steadily from 2019 to 2021, and its tax revenue accounted for c. 80% of its budgetary revenue. On the other hand, the government fund income fluctuated greatly, which was mainly affected by the land transfer income. The fiscal self-sufficiency rate of the Jingjiang government was insufficient, thus it continues to receive subsidies from higher governments. At end-2021, the total outstanding amount of government debt increased to c. RMB10.0 billion from c. RMB8.5 billion at end-2019, mainly due to the increase in special debt. The debt ratio (i.e. total government debt divided by aggregate revenue) of the Jingjiang government was c. 46.6% at end-2021, down from 58.3% at end-2019.

Rating Sensitivities

We would consider downgrading JPG's rating if (1) there is perceived weakening in support from the Jingjiang government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Jingjiang government's ownership of JPG, or (3) there is a downgrade in our internal credit assessment on the Jingjiang government.

We would consider upgrading JPG's rating if (1) there is strengthened support from the Jingjiang government, or (2) there is an upgrade in our internal credit assessment on the Jingjiang government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this JPG's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 31 December 2021, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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