

Jingjiang Port Group Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	9 November 2023

Key Figures of Jingjiang and JPG

(RMB billion)	2021	2022
Jingjiang		
GDP	114.2	122.6
GDP growth rate (%)	10.6	5.3
Budgetary revenue	7.0	7.5
Government fund	10.5	10.2
Transfer payment	1.9	2.3
Budgetary expenditure	11.4	11.1
JPG		
	2022	2023.6
Assets	48.9	50.8
Equity	21.7	21.8
Revenue	5.5	2.8

Source: Public information, JPG and Lianhe Global's calculations

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB-' global scale Long-term Issuer Credit Rating of Jingjiang Port Group Co., Ltd. ("JPG"); Issuer Rating Outlook is Stable.

Summary

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 major local investment and development company ("LIDC") for port construction and operation in Jingjiang, 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 strategic importance would remain intact while the Jingjiang government will continue to ensure JPG's stable operation.

Rating Rationale

Jingjiang 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 and Strategic Alignment: JPG is still the largest and the major LIDC in Jingjiang that responsible 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 Jingjiang Port's important part, Heshang Port, Luojiqiao 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 LIDC 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 RMB2.7 billion from 2020 to the first six months of 2023. We believe JPG is likely going to receive government support to support its daily business operation and port construction.

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Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

JPG's Financial Matrix and Liquidity Position: JPG's total assets increased from RMB40.7 billion at end-2021 to RMB50.8 billion at end-June 2023. The asset structure of JPG was largely unchanged compared with that at end-2021. JPG's financial leverage (total liabilities to assets) remained stable at 54%-57% since 2020. We expect JPG's financial leverage would remain at this level considering the government's supervision.

The liquidity of JPG was moderate. JPG had a total cash balance of RMB6.6 billion and unused credit line of RMB5.7 billion at end-June 2023, compared with its debt to be due within one year of RMB14.1 billion. Having said that, JPG has access to multiple financing channels, including bank borrowings, corporate bonds and other financing channels such as finance lease.

Economy and Fiscal Strength Underpin Jingjiang: Jingjiang's GDP reached RMB122.6 billion in 2022, representing a year-on-year growth rate of 5.3%, and its GDP amount was ranked 2nd among all jurisdictions of Taizhou. Jingjiang's GDP was mostly fuelled by secondary and tertiary industries, accounting for 55.5% and 42.3% of its total GDP in 2022, respectively. Fixed asset investment growth rate of Jingjiang increased to 24.5% in 2022 from 7.6% in 2021.

The aggregate fiscal revenue of the Jingjiang government was mainly derived from the budgetary revenue and government fund. The Jingjiang government's budgetary revenue decreased to RMB7.5 billion in 2022 from RMB7.6 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy. In addition, the government fund income, which was mainly generated by land sales, decreased by 2.6% year-over-year to RMB10.2 billion in 2022, owing to the weak property market. The fiscal self-sufficiency rate of the Jingjiang government was insufficient, thus it continues to receive subsidies from higher governments. At end-2022, the total outstanding amount of government debt increased to RMB10.6 billion from RMB10.0 billion at end-2021, 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 52.3% at end-2022, up from 46.6% at end-2020.

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.

Company Profile

JPG was established with an initial registered capital of RMB100 million by Jiangsu Huajing Asset Management Co., Ltd., Jingjiang Grain (Group) Corporation and Jingjiang Huayu Investment Construction Co., Ltd. in 2007. The registered capital and paid-in capital were both RMB12 billion at end-June 2023. JPG is an important state-owned entity for wharf construction and operation in Jingjiang Port Area that is mainly responsible for the construction, operation and infrastructure construction in the region. The main business includes commodity trade, loading, unloading and warehousing, relocation and arrangement, agent construction, rental and other businesses.

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