

CCXAP assigns first time long-term credit rating of BBB_g- to Huantai-Jinhai Public Assets Management Co., Ltd, with stable outlook.

Hong Kong, 6 April 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Huantai-Jinhai Public Assets Management Co., Ltd (“HTJH” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of HTJH reflects Huantai County Government’s relatively strong capacity to provide support and its extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Huantai County Government’s capacity to support reflects its relatively strong comprehensive economic strength, but constrained by its modest fiscal.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) position as the largest platform owned and controlled by Huantai County Government; (2) key role in infrastructure construction and public services; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with higher volatility in income; (2) moderate contingent risks of external guarantees that provided to local state-owned enterprises; and (3) limited liquidity buffer.

Corporate Profile

Founded in August 2003, HTJH is the most important local infrastructure investment and financing company (“LIIFC”) in Huantai County. The Company mainly takes part in public activities, including infrastructure construction, resettlement housing construction, land transfer, as well as heat supply. HTJH also engages in some commercial activities such as engineering construction, property leasing, and industrial park construction and operation. As of 30 September 2022, the State-owned Assets Supervision and Administration Bureau of Huantai County Government held 100% shares of the Company, and Huantai County Government was the ultimate controller.

Rating Rationale

Credit Strengths

Key role in infrastructure construction and public services. HTJH is one of the two major LIIFCs in Huantai County, with larger asset size and higher importance in local development. The Company is authorized to carry out key infrastructure construction projects and provide essential public service to local residents. We expect that the Company’s key role in policy public activities will maintain its leading position among the LIIFCs in Huantai County in the foreseeable future.

Good track record of receiving government support. The local government provides strong support to the Company through various forms such as project payments, cash injections, asset injections, equity transfers, and operating subsidies, which continue to enhance the capital



strength and increase operational assets. We expect that the Company will maintain its dominant position in infrastructure construction and providing public services in Huantai County, and the local government will continue to support its development when necessary.

Credit Challenges

Medium exposure to commercial activities with higher volatility in income. HTJH's major commercial businesses include engineering construction, industrial park construction and operation, and property leasing. We believe these market-oriented activities may have higher volatility in income. We estimated that the commercial assets account for around 20% of HTJH's total assets as of 30 September 2022.

Moderate contingent risks of external guarantees that provided to the local state-owned enterprises. HTJH is exposed to substantial contingent liabilities given the relatively large amounts of external guarantees provided to other local state-owned enterprises. The Company's credit profile is constrained by its relatively large external guarantees relative to its net assets. As of 30 September 2022, the Company's external guarantees amounted to RMB2.0 billion, accounting for 22.2% of its net assets.

Limited liquidity buffer. As of 30 September 2022, the Company received total credit facilities of RMB3.7 billion and the available portion amounted to RMB236 million, indicating limited standby liquidity. According to the management, the Company obtained additional credit facilities from the Agricultural Development Bank of China and the unutilized portion amounted to RMB811 million as of 31 December 2022.

Rating Outlook

The stable outlook on HTJH's rating reflects our expectation that the Huantai County Government's capacity to provide support will remain stable, and the Company will maintain its key role in local infrastructure construction and public services over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Huantai County Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lowering exposure to risky commercial activities and diversifying financing channels.

What could downgrade the rating?

The rating could be downgraded if (1) Huantai County Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, deteriorated debt management, or materially increased exposure to commercial activities.



Rating Methodology

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

Regulatory Disclosures

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