

CCXAP assigns BBB_g to Huai'an Traffic Holding Group Co., Ltd.'s proposed USD bonds

Hong Kong, 7 July 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g to the proposed USD bonds to be issued by Huai'an Traffic Holding Group Co., Ltd. (“HATH” or the “Company”) (BBB_g/stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of HATH, which shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations. The Company intends to use the net proceeds for refinancing certain offshore existing indebtedness.

The final rating on the proposed USD bonds is contingent upon the receipt of final documents conforming to information already received.

Corporate Profile

Founded in 2003, HATH is wholly owned and directly supervised by the Huai'an Municipal Government, as an important transportation construction operation enterprise in Huai'an City. It is mainly responsible for the investment, financing, construction and operation of transportation infrastructure as well as the shantytown renovation projects. It also engaged in transportation logistics businesses such as transportation services, port logistics and airport operations, as well as other commercial businesses including commercial trading and real estate development in Huai'an City.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to HATH's long-term credit rating as first-time assigned by CCXAP on 27 June 2022. We believe that the government support will flow through the holding company given the Company's important position in the regional transportation infrastructure construction of Huai'an City, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB_g long-term credit rating of HATH is underpinned by the Company's (1) strong strategic role in local transportation infrastructure construction in Huai'an City; and (2) growing importance in the transportation related business. However, the rating is constrained by the Company's (1) high debt leverages due to slow progress of cash collection; (2) weak operating profitability of transportation services with reliance on government subsidies; and (3) modest liquidity buffers.

The rating also incorporates our expectation that HATH is likely to receive support from the Huai'an Municipal Government in times of need, given the Company's (1) strong strategic role in the transportation infrastructure development of Huai'an City; (2) close relationship with the local government; and (3) good track record of receiving government support.

Rating Outlook

The stable outlook on HATH's rating reflects our expectation that the Company will maintain its strategic role in Huai'an City, and that it will continue to receive government support over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the economic and fiscal performance of Huai'an City materially improves; (2) HTHC demonstrates a stronger role in Huai'an City, with an increasing likelihood of government support; and (3) the Company's stand-alone credit profile improves significantly, such as improved business sustainability and strengthened profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal performance of Huai'an City significantly deteriorate; (2) the likelihood of government support for the Company decreases; or (3) the Company's stand-alone credit profile weakens significantly, such as deteriorated operating performance or heightened refinancing risk.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

Regulatory Disclosures

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