

## Credit Opinion

13 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

### Analyst Contacts

Jessica Cao +852-2860 7128

Credit Analyst

[jessica\\_cao@ccxap.com](mailto:jessica_cao@ccxap.com)

Celestyn Nan +852-2860 7128

Assistant Credit Analyst

[celestyn\\_nan@ccxap.com](mailto:celestyn_nan@ccxap.com)

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Huantai Jinhai Public Assets Management Co., Ltd

### Surveillance credit rating report

**CCXAP affirms the long-term credit rating of Huantai Jinhai Public Assets Management Co., Ltd. at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Huantai-Jinhai Public Assets Management Co., Ltd. (“HTJH” or the “Company”) reflects Huantai County Government’s strong capacity to provide support and its very 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 status as one of the top three districts by gross regional product (“GRP”) in Zibo City for years, but constrained by its modest fiscal position.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) key role in infrastructure construction and public services in Huantai County; and (2) good track record of receiving government support.

However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) fair access to funding; and (3) moderate contingent risks of external guarantees that provided to local state-owned enterprises.

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.

## Rating Drivers

- Key role in infrastructure construction and public services in Huantai County
- Good track record of receiving government support
- Medium exposure to commercial activities
- Ongoing debt growth driven by continuous investment in construction projects
- Moderate contingent risks of external guarantees that provided to the local state-owned enterprises
- Fair access to funding

## Rating Sensitivities

### 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 improved debt management or enhanced financing ability.

### 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.

## Key Indicators

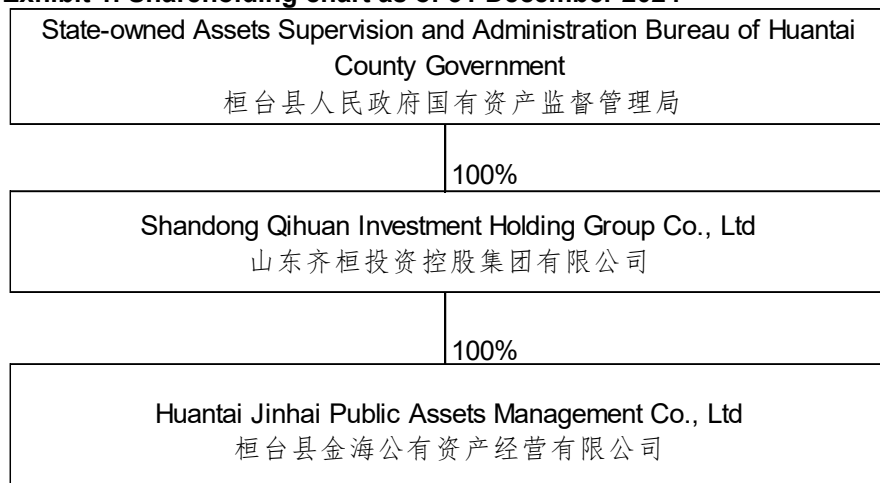
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	20.6	22.8	24.5
Total Equity (RMB billion)	9.8	9.9	10.4
Total Revenue (RMB billion)	1.6	2.2	1.6
Total Debt/Total Capital (%)	44.0	50.5	50.6

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

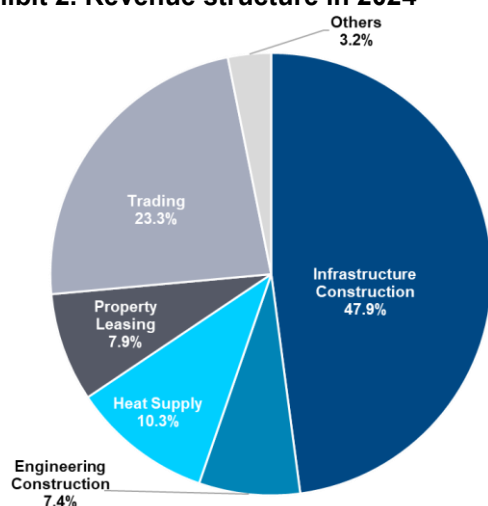
Source: Company data, CCXAP research

## Corporate Profile

Founded in August 2003, HTJH is one of the major local infrastructure investment and financing companies ("LIIFCs") 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, commodity trade, and industrial park construction and operation. The State-owned Assets Supervision and Administration Bureau of Huantai County transferred 100% shares of the Company to Shandong Qihuan Investment Holding Group Co., Ltd. ("QHIIH") on 18 December 2023. As of 31 December 2024, QHIIH directly and wholly owned 100% shares of the Company, and Huantai County Government was still the ultimate controller.

**Exhibit 1. Shareholding chart as of 31 December 2024**

Source: Company data, CCXAP research

**Exhibit 2. Revenue structure in 2024**

Source: Company data, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

Huantai County is administrated under Zibo City, a prefecture-level city in Shandong Province. We believe the local government of Huantai County has a relatively strong capacity to provide support given its status as one of the top three districts by gross regional product ("GRP") in Zibo City for years, but constrained by its modest fiscal position.

In 2024, Shandong is the third largest province in China by gross regional products ("GRP"), with solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Zibo City is located in the central part of Shandong Province, which is one of the core cities of Shandong Peninsula urban agglomeration and a regional central city in Shandong Province approved by the State Council. Thanks to its abundant tourism resources and industrial and mining assets, Zibo City recorded GRP of RMB488.4 billion in 2024, increasing by 5.5% from RMB456.2 billion in 2023, ranking 7<sup>th</sup> by GRP among 16 prefecture-level cities in Shandong Province. Zibo City has relatively strong fiscal strength. In 2024, its general budgetary revenue covered around 71.2% of its general budgetary expenditure. However, the tax income has

declined slightly compared to 2023, accounting for 55.2% of the general budgetary revenue. As of 31 December 2024, Zibo City's outstanding government debt balance amounted to RMB142.7 billion, accounting for 29.2% of GRP.

### Exhibit 3. Key economic and fiscal indicators of Zibo City

	2022FY	2023FY	2024FY
GRP (RMB billion)	440.3	456.2	488.4
GRP Growth (%)	4.7	5.5	5.5
General Budgetary Revenue (RMB billion)	37.6	39.5	41.1
General Budgetary Expenditure (RMB billion)	52.6	55.0	57.8
Local Government Debt (RMB billion)	108.0	122.6	142.7

Source: Zibo Municipal Government, CCXAP research

Huantai County is located in the north-central of Shandong Province, which is well known as “the First County of Tons of Grain” and “the Hometown of Architecture”. It was also assigned as “the Membrane Valley of China” by China Petroleum and Chemical Industry Federation in 2019. Since the 1990s, petroleum refining, high-end papermaking, and green high-end new materials have become the pillar industries of Huantai County. Huantai County's GRP increased by 3.5% year-over-year (“YoY”) to RMB72.3 billion in 2024, ranking 2<sup>nd</sup> among 9 counties/districts in Zibo City. It had relatively high fiscal balance, and the average fiscal balance ratio (general budgetary revenue to general budgetary expenditure) was 85.9% over the past three years. As of 31 December 2024, the outstanding government debt of Huantai County was RMB11.9 billion, accounting for 16.4% of its GRP.

### Exhibit 4. Key economic and fiscal indicators of Huantai County

	2022FY	2023FY	2024FY
GRP (RMB billion)	70.2	72.3	72.3
GRP Growth (%)	3.1	5.5	3.5
General Budgetary Revenue (RMB billion)	4.0	4.1	4.2
General Budgetary Expenditure (RMB billion)	4.9	4.7	4.8
Local Government Debt (RMB billion)	9.4	10.5	11.9

Source: Huantai County Government, CCXAP research

## Government's Willingness to Provide Support

### Key role in infrastructure construction and public services

HTJH is one of the major LIIFCs in Huantai County, with high importance in local development. The Company is authorized to carry out key infrastructure construction projects and provide essential public service to residents.

HTJH's infrastructure construction projects mostly adopt agency construction model or build-transfer model. Under the agency construction model, the Company signs an entrusted construction agreement with the government and receives the construction cost plus certain markup after the project is completed. Under the build-transfer model, the Company signs a build-transfer cooperation agreement with the local government and engages in the construction and operation of the project. It is expected to receive government payments after the project is transferred. As of 31 December 2024, HTJH has completed 8 major infrastructure projects, including road greening, integration of urban and rural water supply, and ecological garden project, which greatly improved the living environment of local residents and ecosystem. The repayment for all these projects has

been completed. Meanwhile, the Company had 6 infrastructure projects under construction, with a total investment amount of RMB8.4 billion and uninvested amount of RMB1.8 billion.

Moreover, the Company conducts the resettlement housing construction through self-operation model. According to the government's shantytown renovation plan, resettlement houses will be sold to the resettled households at guidance prices. The income of this sector may rely on property sales to the resettled households or even to the public homebuyers, which may exert higher uncertainties in fund balancing of these projects as the direct payments from local government will be less as compared to agency construction model and build-transfer model. As of 31 December 2024, the Company had 3 resettlement housing projects under construction, with a total investment amount of RMB2.7 billion and uninvested amount of RMB517.0 million.

Additionally, HTJH is authorized by the local government to engage in the land transfer business. It obtains land use rights through government transfer or the auction market, such policy-driven activity aims to promote sustainable development of local land market. As of 31 December 2024, the Company had total land plots of nearly 1.2 million square meters. In 2024, the Company recognized land transfer revenue of RMB6.8 million. However, the related amounts have not yet been collected and are fully recognized under other receivables. The repayment status of this business needs to be paid attention in the future.

Furthermore, HTJH's subsidiary is the sole heat supplier in Huantai County covering residential and non-residential customers in main urban district and southern urban district of Huantai County. As of 31 December 2024, the Company owned a total of 99 heat exchange stations with direct heat supply area of 8.3 million square meters. However, due to substantially increased depreciation from newly acquired heat exchange stations and the inherently low-profit nature of public utility heat supply services, the heat supply business continued to record negative gross margins in 2024.

HTJH's infrastructure construction, resettlement housing construction, and heat supply businesses are relatively sustainable given its sufficient project reserves and its dominant position. 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. For example, from 2023 to 2024, the local government provided around RMB470.4 million in operating subsidies for public-policy activities, such as infrastructure construction and heat supply.

Moreover, the Company received ongoing project payments from its infrastructure construction business according to the agreement signed with the local government. As of 31 December 2024, HTJH had received a total amount of RMB3.8 billion in repayments from the infrastructure construction projects under construction and completed. 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.

### **Medium exposure to commercial activities**

HTJH's major commercial businesses include engineering construction, industrial park construction and operation, property leasing and commodity trade. We believe these market-oriented activities may have higher

uncertainty in future income. We estimated that the Company's exposure to commercial activities is medium, with the commercial assets accounted for less than 30% of HTJH's total assets as of 31 December 2024.

HTJH has started market-oriented engineering construction through its subsidiary with relevant qualifications. The Company acquires projects, primarily concentrated in Zibo City, including residential buildings and industrial plants, through open market bidding. HTJH has certain advantages in acquiring local projects by its important role in local development and matured construction qualifications. However, majority of the engineering construction contracts are related to real estate development, subsequent project construction and income may experience higher volatility, particularly during the downturn of China's property market. In 2024, no new contracts were signed by the Company and the revenue of engineering construction dropped 62.8% YoY to RMB115.8 million.

In addition, HTJH owns more than 40 investment properties and undergoes property leasing to generate an additional source of income. The Company signed leasing contracts with Huantai Finance Bureau and leases investment properties to number of government agencies and public institutions, with high occupancy rates. In 2024, the Company had signed a three-year lease agreement with Huantai Finance Bureau, with an annual rent of RMB131.0 million. HTJH also engages in the construction and operation of industrial parks, with important strategic role in attracting external investment and promoting the development of pillar industries in Huantai County. As of 31 December 2024, the Company had 2 industrial park projects completed pending settlement, with a total investment amount of RMB1.1 billion, including Huantai Membrane Industry Demonstration Park and Huantai Inorganic Composite High-tech Material Industrial Park. It has generated RMB5.9 million income from selling and leasing factories and office buildings in 2024. As of 31 December 2024, no other leasing projects were under construction.

The Company also engaged in commodity trading business. In 2024, the Company recognized trading revenue of RMB364.4 million, decreasing by 11.2% from RMB410.4 million in 2023, accounting for 23.3% of the total revenue. The primary reason was the reduction in trade categories compared to 2023, although the gross margin recorded a slight increase in 2024. However, the top 5 suppliers and customers of the commodity trading business accounted for 100% of the total procurement and total sales in 2024, respectively, which demonstrates high concentration risk. Moreover, the gross margin of commodity trade business was low, at about 0.7%.

### **Ongoing debt growth driven by continuous investment in construction projects**

HTJH's total debt continued to increase in the past three years as ongoing investment needs and quite long payback period for its infrastructure construction and self-operated construction business. The Company's total debt increased from RMB7.7 billion at end-2022 to RMB10.6 billion as of 31 December 2024; while the total capitalization ratio rose from 44.0% to 50.6% over the same period. HTJH faces certain capital expenditure pressure for the relatively large uninvested amount of public construction projects and commercial construction projects. At the same time, the Company showed a certain degree of short-term debt pressure, with short-term debt accounting for 29.2% of total debt, and the cash to short-term debt ratio of 0.3x as of end-2024. Considering that the Company may continue to rely on external financing to meet its investment needs for projects under construction, its total debt burden is expected to further increase over the next 12-18 months.

HTJH also shows moderate asset liquidity, which may undermine its financial flexibility. Inventories (mainly cost of infrastructure construction and industrial park projects and land proposed for development), other receivables, and investment properties accounted for about 75.7% of the Company's total assets, all of which are relatively illiquid.

## Fair access to funding

HTJH has demonstrated fair access to different sources of funding including bank loans, bond financing and non-standard financing. The Company maintains long-term and close relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, such as Agricultural Development Bank of China, Bank of China Limited, and Bank of Qingdao Co., Ltd. As of 31 December 2024, the Company received total credit facilities of RMB8.3 billion and the available portion amounted to RMB2.4 billion. The Company also has access to onshore and offshore debt capital market. It has issued different financial products in the debt market, such as PPNs, corporate bonds, and ABS. For example, in 2024, the Company issued a tranche of 5-year corporate bonds totaling RMB1.0 billion, with a coupon rate of 3.15%. In addition, HTJH's exposure to non-standard financing, mainly financial leasing, is manageable, representing less than 5% of its total debt as at 31 December 2024.

## Moderate contingent risks of external guarantees

HTJH is exposed to moderate contingent liabilities given the relatively large amounts of external guarantees provided to other local state-owned enterprises. As of 31 December 2024, the Company's external guarantees amounted to RMB3.7 billion, accounting for 35.6% of its net assets, of which the majority were provided to local state-owned enterprises. The practice of mutual guarantees among local SOEs is common in Huantai County. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

## ESG Considerations

HTJH assumes environmental risks through its construction of infrastructure, resettlement housing, and industrial park projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

HTJH bears social risks as it plays a strong role in the development of Huantai County. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the company.

HTJH's governance considerations are also material as the Company is subject to oversight by Huantai County Government and must meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Rating Methodology

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

Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656