

## Credit Opinion

27 February 2024

### Ratings

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

### Analyst Contacts

Vincent Tong +852-2860 7125  
Assistant Director of Credit Ratings  
[vincent\\_tong@ccxap.com](mailto:vincent_tong@ccxap.com)

Amy Chen +852-2860 7140  
Assistant Credit Analyst  
[amy\\_chen@ccxap.com](mailto:amy_chen@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

## Jianhu County Tourism Development Co., Ltd.

### Initial credit rating report

**CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Jianhu County Tourism Development Co., Ltd., with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Jianhu County Tourism Development Co., Ltd. (“JHTD” or the “Company”) reflects Jianhu 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 the local government’s capacity to provide support reflects Jianhu County’s status as one of the CCID Top 100 Counties in China, but is constrained by its moderate fiscal metrics and weak debt profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) status as the sole state-owned enterprise (“SOE”) in Jianhu County that undertakes county-wide tourism investment, development, and operation; and (2) track record of receiving government support.

However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with tourism business; (2) moderate access to funding and high reliance on external financing; and (3) medium level of contingent risk.

The stable outlook on JHTD’s rating reflects our expectation that the local government’s capacity to provide support will remain stable, and the Company will maintain its important position in Jianhu County over the next 12-18 months.

## Rating Drivers

- Clear and important position in Jianhu County
- Undertaking major tourism infrastructure construction and resettlement housing construction in Jianhu County, especially in Jiulongkou Tourist Resort
- Medium exposure to commercial activities with tourism business
- Track record of receiving government support
- Moderate access to funding and high reliance on external financing
- Medium level of contingent risk

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability 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 financing ability and reduction in exposure to external guarantees.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced policy significance, significantly increased exposure to risky commercial activities or increased in contingent liability risk.

## Key Indicators

	2020FY	2021FY	2022FY	2023Q3
Total Asset (RMB billion)	5.0	7.3	10.9	11.2
Total Equity (RMB billion)	4.3	5.0	5.7	5.7
Total Revenue (RMB million)	160.0	238.5	307.9	259.8
Total Debt/Total Capital (%)	9.6	21.2	33.2	37.3

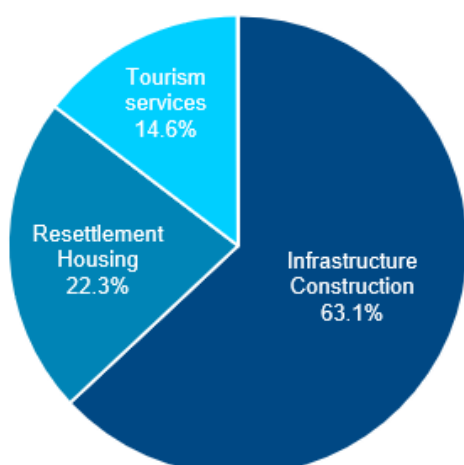
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Founded in 2017, JHTD is the essential tourism infrastructure construction and operation entity in Jianhu County, Yancheng City. The Company is responsible for the investment, construction, and operation of tourism infrastructure projects in Jianhu County, as well as urban infrastructure and resettlement housing construction within the Jiulongkou Tourist Resort (also known as Jiulongkou Town). Jiulongkou Tourist Resort is the first national wetland park in Yancheng City and is also a key tourism development area for Jianhu County. In August 2021, JHTD's shareholder was changed from Jianhu County State-owned Assets Investment Management Company to the Jianhu County Government. After that, it becomes a county-owned first-level platform and is directly owned and controlled by the Jianhu County Government. JHTD reported a paid-in capital of RMB1.6 billion as of 30 September 2023.

## Exhibit 1. Revenue structure in 2022



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Jianhu County Government has a relatively strong capacity to provide support to the Company, given its status as one of the CCID Top 100 Counties in China. Jianhu County's economic and fiscal strength has improved over years of development. However, its fiscal metrics are moderate and debt profile is relatively weak.

Jiangsu Province is one of the leading developed provinces in China. It is home to many of the world's leading electronic equipment, chemical, and textile enterprises, and is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2022, Jiangsu Province's total GRP amounted to RMB12.3 trillion, a year-over-year ("YoY") increase of 2.8%. The per capita GRP of the same period was RMB144,390, ranking first among all provinces in the country. In 2023, according to preliminary estimation, Jiangsu Province achieved a GRP of RMB12.8 trillion with a YoY increase of 5.8%.

Yancheng City is a prefecture-level city in Jiangsu Province with a good economic base. Its main industries include auto parts, machinery, textiles, and chemicals. Yancheng City is undergoing economic transition and developing emerging industries such as high-tech electronics manufacturing, big data, new energy, and intelligent manufacturing, which will help support sustainable economic growth in the long term. In 2022, Yancheng City recorded a GRP of RMB708.0 billion, ranking 8th among 13 prefecture-level cities in Jiangsu Province. At the same time, Yancheng Municipal Government reported general budget revenue of RMB45.3 billion, of which tax revenue accounted for about 65.6%. However, its fiscal balance ratio (calculated as general budget revenue over general budget expenditure) was at a moderate level, with an average ratio of around 41.5% over the past three years. At the end of 2022, the local government's outstanding debt amounted to RMB153.5 billion, accounting for around 21.7% of GRP. In 2023, Yancheng City achieved a GRP of RMB740.4 billion, with a YoY growth of 5.9%.

**Exhibit 2. Key economic and fiscal indicators of Yancheng City**

	2020FY	2021FY	2022FY
GRP (RMB billion)	595.3	661.7	708.0
GRP Growth (%)	3.5	7.7	4.6
General Budgetary Revenue (RMB billion)	40.0	45.1	45.3
General Budgetary Expenditure (RMB billion)	97.4	105.3	111.8
Local Government Debt (RMB billion)	137.0	147.3	153.5

Source: Yancheng Municipal Government, CCXAP research

Under the administration of Yancheng City, Jianhu County is one of the Top 100 counties in China released by CCID Consulting County Economic Research Center, and it ranked 72<sup>nd</sup> in 2023. The economic and financial strength of Jianhu County was at the middle level among the districts and counties of Yancheng City in 2022. Three leading industries in Jianhu County are high-end equipment, new energy, and electronic information industry. According to the 14th Five-Year Plan for National Economic and Social Development of Jianhu County and the Outline of Long-term Goals for 2035, Jianhu County adheres to the concept of all-area tourism, accelerates the construction of Jiulongkou Tourist Resort, and strives to build Jiulongkou into a national-level tourist resort and a 5A level scenic spot. From 2020 to 2022, Jianhu County's economic strength improved steadily with GRP increasing from RMB59.4 billion to RMB71.0 billion. Affected by the government policy of tax rebates in 2022, Jianhu County reported that the tax revenue slightly decreased to RMB2.6 billion from RMB2.7 billion in 2021. However, Jianhu County Government's fiscal balance ratio is relatively low at 32.7% in 2022, reflecting a high reliance on fiscal support from higher-tier governments and proceeds from land sales to balance its fiscal budget. Its outstanding government debt amounted to RMB17.8 billion at end-2022, accounting for about 25.0% of GRP and around 122.8% of fiscal income. According to the preliminary estimate, Jianhu County achieved a GRP of RMB76.0 billion in 2023, with a YoY increase of 6.8%.

**Exhibit 3. Key economic and fiscal indicators of Jianhu County**

	2020FY	2021FY	2022FY
GRP (RMB billion)	59.4	63.3	71.0
GRP Growth (%)	3.3	12.1	4.2
General Budgetary Revenue (RMB billion)	3.2	3.5	3.8
General Budgetary Expenditure (RMB billion)	9.1	10.5	11.5
Local Government Debt (RMB billion)	13.4	16.8	17.8

Source: Jianhu County Government, CCXAP research

**Government's Willingness to Provide Support****Clear and important position in Jianhu County**

There is a clear functional positioning for the SOEs in Jianhu County, supporting the long-term development of JHTD. JHTD is the sole SOE in Jianhu County that undertakes county-wide tourism investment, development, and operation. JHTD is mainly responsible for the operation and management of Jiulongkou Tourist Resort and the investment, construction, and operation of tourism infrastructure projects in Jianhu County. Jiulongkou Tourist Resort (Jiulongkou Town) is located in the southwest of Jianhu County, at the junction of Yancheng, Huai'an, and Yangzhou. There are currently three major scenic spots, namely Huai Opera Town, Wetland Park and Yuqiaogengdu within the area. They have been approved as provincial scenic spots, provincial tourist resorts, national 4A tourist attractions, and national Wetland Park. In August 2020, Jiulongkou Tourist Resort

and Jiulongkou Town jointly operated offices, implementing the "district and town integration" and establishing an administrative management system of "two brands and one team".

Apart from JHTD, there are four important SOEs under the control of Jianhu County Government. Among them, Jiangsu Shuanghu Investment Holding Group Co., Ltd. is a key entity with the largest assets scale in investment and operation of infrastructure construction in Jianhu County, mainly responsible for affordable housing, infrastructure construction, water supply and sewage treatment in the urban area of Jianhu County. The other three local infrastructure investment and financing companies' ("LIIFCs") main business scopes cover the rural area of Jianhu County, Jianhu Economic Development Zone, and Jianhu High-tech Industrial Development Zone, respectively. Each SOE in Jianhu County has a clear position under the government's planning.

### **Undertaking major tourism infrastructure construction and resettlement housing construction in Jianhu County, especially in Jiulongkou Tourist Resort**

JHTD's infrastructure construction business mainly includes the investment, construction, and operation of tourism infrastructures within Jianhu County, as well as urban infrastructure construction in Jiulongkou Tourist Resort. Under the agent construction model, the Company signs a construction agreement with the related parties before each project is developed and the related parties will pay the total cost plus a certain percentage markup after audit. As of 30 September 2023, JHTD had completed key infrastructure construction projects of a total investment amount of RMB1.5 billion, such as wetland restoration project, high-quality agricultural cluster project, and ecological planting project. Meanwhile, JHTD had 6 major projects under construction, with a total invested amount of RMB2.0 billion and the outstanding investment of RMB676.9 million in the next 3 years, mainly including Jiulongkou Shazhuang Area Urban Renewal Project and Jiulongkou Scenic Area Landscape Improvement and Renovation Project. Key projects under planning covered Wetland Park Improvement Project and Jiulongkou tourist route improvement project, with a total investment amount of RMB400.0 million.

JHTD is engaged in the construction of resettlement housings within the Jiulongkou Tourist Resort (Jiulongkou Town) in Jianhu County under the agent construction model. As of 30 September 2023, JHTD completed one resettlement house project, namely Rose Garden Resettlement Community, with the total investment amount of RMB160.0 million. The project has been completed and delivered. According to the agent construction agreement, the entrusting party, a SOE under the Jianhu County Government, would repurchase it in three years starting from 2021, with a repurchase price including relevant construction costs and 20% investment return. However, the Company has not yet received the repurchase payments. Meanwhile, JHTD had 2 resettlement houses projects under construction with the total investment amount of RMB1.8 billion and the outstanding investment amount of RMB54.8 million.

### **Medium exposure to commercial activities with tourism business**

Apart from construction business, JHTD is also responsible for the scenic area operation and management of Jiulongkou Tourist Resort. Meanwhile, JHTD has some self-operated tourism projects. We consider JHTD's commercial business exposure to be medium, as its market-driven businesses account for more than 30% of its total assets. However, the business risk for its commercial businesses is manageable as most of it is mainly related to scenic spot services, which are aligned with Jianhu County's development strategy. At the same time, the local government provides assistance in upgrading the development of scenic spots and attracting tourists.

JHTD possesses high-quality tourism resources in Jianhu County. The Company is responsible for the operation of one 4A-Level scenic spots and one 3A-Level scenic spot. In 2019, the State-owned Assets Supervision and Administration Office of the Jianhu County People's Government transferred the operating rights of Jiulongkou

Scenic Area (term of 40 years) to the Company free of charge. In 2019, the creation of a national tourist resort in Jiulongkou Scenic Tourist was launched, with a total planned area of 18.6 square kilometers. It has been approved as a provincial scenic spot, provincial tourist resort, national 4A-Level tourist attraction, and national wetland park. In the past three years, JHTD's tourism service revenue increased to RMB45.1 million from RMB24.7 million, which mainly consists of revenue from Jiulongkou Scenic Area operation and management fees and tourism service revenue. The Jiulongkou Resort Management Office pays the Company about RMB40 million in management fees every year based on the tourism business expenditure of the year. JHTD also generates tourism service income through scenic spot tickets, product sales, accommodation, and catering. With the upgrade of Jiulongkou Scenic Area and the gradual enrichment of tourism formats, the Company's tourism service revenue is expected to maintain growth.

JHTD had 2 key self-operated projects, namely Huai Opera Town Phase I and Phase II, with a total investment amount of RMB846.0 million, mainly involving the upgrading and renovation of existing residential buildings, and the construction of supporting pipe networks, roads, environment, and other ancillary projects. As of 30 September 2023, the construction work of the main part has been completed. It is expected to achieve funds balance through ticket revenue, accommodation, and catering services. Affected by the tourism market and residents' consumption, there is uncertainty about future operating conditions and the investment recovery cycle is expected to be relatively long.

#### **Track record of receiving government support**

JHTD has a track record of receiving support from the local government in various forms such as equity transfers, asset injection and government subsidies to support its operation. In 2021, the local government injected RMB500.0 million in cash, and the Company's paid-in capital reached RMB1.6 billion. In 2020, the local government transferred its holding of several important state-owned enterprises holding tourism resources with the total value of RMB515.0 million into the Company. Meanwhile, the Jiulongkou Resort Management Office has been assigned the operating rights of the Jiulongkou Scenic Area free of charge, increasing the Company's capital reserve by RMB1.3 billion. From 2020 to 2023Q3, the local government provided total subsidies of RMB342.9 million to the Company.

We expect that the Company will maintain its important position in Jianhu County, and the local government will continue to support its development when necessary.

#### **Moderate access to funding and high reliance on external financing**

JHTD's debt burden has grown fast during the past three years mainly due to the large investment in construction projects. From 2020 to 2023Q3, JHTD's total debt grew to RMB3.4 billion from RMB457.0 million. The Company's total capitalization ratio, measured by total debt to total capital, also grew to 37.3% from 9.6% over the past three years. In addition, the Company has a certain short-term debt burden. As of 30 September 2023, the short-term debt accounted for 48.6% of total debt and the cash to short-term debt ratio was 0.4x. Meanwhile, the Company's completed entrusted construction projects had a planned repayment amount of RMB1.8 billion, but the payments had not yet been received. The Company is expected to continue relying on external financing for debt repayment and ongoing investment. We expect that the Company will maintain a relatively high debt growth for the next 12-18 months.

JHTD has moderate access to funding and relies highly on indirect financing with a limited track record in accessing the debt capital market. As of 30 September 2023, bank loans accounted for more than 75% of JHTD's total debt and non-standard financing accounted for around 22.2% of its total debt. Its non-standard

financing was mainly financial leasing, small loans, and trusts, with relatively high costs of around 7.3%. Moreover, JHTD has moderate stand-by liquidity cushion while most of the facilities were provided by large domestic banks, such as China Development Bank, China Guangfa Bank, and Agricultural Bank of China. As of 30 September 2023, it had total bank facilities of RMB2.8 billion, with the available portion being RMB323.9 million.

### **Medium level of contingent risk**

JHTD's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 30 September 2023, the Company had external guarantees of RMB1.7 billion, accounting for around 29.5% of its net assets, which exposes the Company to substantial contingent liabilities. Most of the guarantees are provided to other LIIFCs in Jianhu County. In case a credit event occurs, the Company may face large-scale cross-default risks, which could negatively impact its credit quality. We believe that the contingent risk of the external guarantee is moderately controllable, considering the position of some of these state-owned enterprises that are likely to receive timely support from the local government.

### **ESG Considerations**

JHTD faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

JHTD bears social risks as it implements public policy initiatives by building public infrastructure in Jianhu 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.

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

### **Structural Consideration**

JHTD's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its important position in Jianhu County, thereby mitigating any differences in an expected loss that could result from structural subordination.

### **Rating Methodology**

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



Copyright © 2024 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