

CCXAP affirms Huantai Jinhai Public Assets Management Co., Ltd's long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 12 April, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Huantai Jinhai Public Assets Management Co., Ltd’s (“HTJH” or the “Company”) long-term credit rating at BBB_{g-}, with stable outlook.

The BBB_{g-} long-term credit rating of HTJH reflects Huantai County Government’s (1) strong capacity to provide support based on our assessment of Huantai County; and (2) 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 increasing comprehensive economic strength, but constrained by its modest fiscal.

The rating also reflects the local government’s very high willingness to provide support, based on the Company’s (1) key role in infrastructure construction and public services; 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.

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. On 18 December 2023, 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. (“QHIH”). As of 31 December 2023, QHIH directly and wholly owned 100% shares of the Company, and Huantai County Government was still the ultimate controller.

Rating Rationale

Credit Strengths

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. 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. 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 30 September 2023.

Fair access to funding. HTJH has demonstrated fair access to different sources of funding including bank loans, bond financing and non-standard financing. As of 30 September 2023, the Company received total credit facilities of RMB6.1 billion and the available portion amounted to RMB1.1 billion. Considering the Company's important status as the key platform to undertake public projects and provide utility services in Huantai County, we expect HTJH to maintain access to domestic bank loans and debt capital markets.

Moderate contingent risks of external guarantees that provided to local state-owned enterprises. HTJH is exposed to moderate contingent liabilities given the relatively large amounts of external guarantees provided to other 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.

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 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.



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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