

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub> to Jiangsu Haihong Investment Holding Group Co., Ltd., with stable outlook.**

Hong Kong, 6 March 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB<sub>g</sub> to Jiangsu Haihong Investment Holding Group Co., Ltd. (“JHIH” or the “Company”), with stable outlook.

The BBB<sub>g</sub> long-term credit rating of JHIH reflects the Haimen District Government’s relatively strong capacity and very high willingness to provide support based on our assessment of the Company’s characteristics. Haimen District Government’s capacity to provide support reflects Haimen District’s status as the third largest district by gross regional product (“GRP”) in Nantong City for years. It has a good economic fundamental and good fiscal stability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) position as the core entity in the construction and operation of affordable housing in the Haimen District; (2) solid track record of receiving government payments from affordable housing and infrastructure construction; (3) possession of good leasing assets; and (4) good access to diversified funding. However, the Company’s rating is constrained by (1) increasing exposure to commercial activities such as investment funds and commercial properties; (2) fast-growing debt levels driven by development pipelines; and (3) high level of external guarantees.

### **Corporate Profile**

Founded in 2016, JHIH is one of the key local infrastructure investment and financing companies (“LIIFCs”) in Haimen District, and occupies a dominant position in Haimen District’s affordable housing and infrastructure construction. JHIH is also engaged in diversified commercial activities such as trading business, leasing business and property management services. As of 30 September 2022, the Company was controlled by the State-owned Assets Supervision and Administration Commission of Haimen District Government (“Haimen SASAC”), which directly held 80% of the Company’s share and indirectly held 20% of the share through Jiangsu Hairun Urban Development Group Co., Ltd (“JHUD”). The Company’s paid-in capital was RMB3.0 billion as of the same date.

### **Rating Rationale**

#### **Credit Strengths**

**Position as the core entity in the construction and operation of affordable housing in Haimen District.** JHIH is one of the three major LIIFCs in Haimen District and it is positioned as the core and the sole entity in local affordable housing construction. The Company has also undertaken some infrastructure construction projects in Haimen District. Most of the constructions are under agency agreements with local government. Considering JHIH’s strong strategic role in Haimen District, we believe the Company will not be replaced by other state-owned enterprises in the foreseeable future.



**Solid track record of receiving government payments from affordable housing and infrastructure constructions.** JHIH has received ongoing support from the Haimen District Government including capital injections, project payments and financial subsidies. As of 30 September 2022, the Company has received a total of RMB10 billion in affordable housing and infrastructure project repayments. We believe that the Haimen District Government will provide JHIH with ongoing operational and financial support, given its high strategic importance in Haimen District.

**Possession of good leasing assets.** JHIH has high-quality leasing assets which provides additional recurring income. As of 30 September 2022, the overall asset occupancy rate of the Company's leasing assets was high, and the rental income increased from 2019 to 2021. Due to the easing of the pandemic and the increase in new leasing assets, we expect the Company will generate relatively stable operating cash flow.

**Good access to diversified funding.** The Company has maintained a good relationship with joint-stock commercial banks and large state-owned commercial banks, and has a good track record of fund-raising activities in the capital market. In addition, the average financing cost in recent years are considered low with its low exposure to non-standard financing. The debt pressure in Haimen District is generally controllable which provides a good financing environment for LIIFCs in Haimen District.

#### Credit Challenges

**Increasing exposure to commercial activities such as investments in funds and commercial properties.** JHIH developed a business segment in fund and real estate equity investment. The risk level of these investments is considered to be higher as the investment period is long and the return is uncertain. However, as the Company mainly invests in real estate projects with state-own enterprises, the actual risk exposure of this segment may be lower. We expect the Company will continue to increase the fund investment in the future, which will bring certain risks to the Company.

**Fast-growing debt levels driven by large development pipelines.** Affected by the continuous investment in affordable housing projects, the Company's total debt increased from 2019 to 2022. Its capitalization ratio, as measured by total debt to total capital, was 66.8% as of 30 September 2022. Considering that the continuous investment in these projects mainly relies on external financing, we expect the Company's debt leverage will remain at a relatively high level in the next 12 to 18 months.

**High level of external guarantees.** JHIH's credit profile is constrained by substantial external guarantees, which could potentially increase its repayment obligations. As of 30 September 2022, the Company had outstanding external guarantees of RMB9.6 billion, accounting for 53.3% of its net assets. Nevertheless, we believe that the risk of those guarantees is manageable, given the local government's control over these companies.

#### Rating Outlook

The stable outlook on JHH's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the development of Haimen District.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the Haimen District Government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as improved debt management or reduction in exposure to external guarantees.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the Haimen District 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 regional significance or weakened access to funding.

#### **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**

CCXAP's Rating Symbols and Definitions are available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/6/](http://www.ccxap.com/en/rating_services/category/6/)

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/9/](http://www.ccxap.com/en/rating_services/category/9/)

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results) and may be distributed through media and other means.



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

Vincent Tong

*Assistant Director of Credit Ratings*

+852-2860 7125

[vincent\\_tong@ccxap.com](mailto:vincent_tong@ccxap.com)

Elle Hu

*Executive Director of Credit Ratings*

+852-2860 7120

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

Client Services: +852-2860 7111



Copyright © 2023 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