

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

Hong Kong, 27 February 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub>- to Jianhu County Tourism Development Co., Ltd. (“JHTD” or the “Company”), with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of JHTD 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.

### **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.

### **Rating Rationale**

#### **Credit Strengths**

**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. It 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.

**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. JHTD is also engaged in the construction of resettlement housings within the Jiulongkou Tourist Resort (Jiulongkou Town) in Jianhu County.

**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. 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.

### Credit Challenges

**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.

**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. We expect that the Company will maintain a relatively high debt growth for the next 12-18 months since its reliance on external financing for debt repayment and ongoing investment. JHTD has moderate access to funding and relies highly on indirect financing with a limited track record in accessing the debt capital market.

**Medium level of contingent risk.** JHTD's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. Most of the guarantees are provided to other LIIFCs in Jianhu County. 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.

### Rating Outlook

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.

### 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.

### 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 © 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