

Jiangsu Huajing Assets Management Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	4 December 2023

Key Figures of Jingjiang and JHAM

(RMB billion)	2021	2022
Jingjiang		
GDP	114.2	122.6
GDP growth rate (%)	10.6	5.3
Budgetary revenue	7.0	7.5
Government fund	10.5	10.2
Transfer payment	1.9	2.3
Budgetary expenditure	11.4	11.1
JHAM		
	2022	2023.9
Asset	42.6	47.4
Equity	16.9	17.0
Revenue	6.1	5.8

Source: Public information, JHAM and Lianhe Global's calculations

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer and Issuance Credit Rating of Jiangsu Huajing Assets Management Co., Ltd. ("JHAM"); Issuer Rating Outlook is Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Jingjiang ("the Jingjiang government") would provide strong support to JHAM if needed, in light of its full ownership of JHAM, JHAM's strategic importance as a major state-owned entity that is responsible for primary land development and city operation in Jingjiang City ("Jingjiang"), and the strong linkage between the Jingjiang government and JHAM, including control of the board of directors, management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Jingjiang government may face significant negative impact on its reputation and financing activities should JHAM encounters any operational and financial difficulties.

Lianhe Global has also affirmed 'BBB' global scale Long-term Issuance Credit Rating of the senior unsecured CNY Notes issued by JHAM at the same time. A full list of affirmed issuance rating is included in this report.

The Stable Outlook reflects our expectation that JHAM's strategic importance would remain intact while the Jingjiang government will continue to ensure JHAM's stable operation

Rating Rationale

Government's Ownership and Supervision: The Jingjiang government, through the Jingjiang State-owned Assets Supervision and Administration Office ("Jingjiang SASAO"), holds 100% equity of JHAM, and it is the ultimate controller of the company. The Jingjiang government supervises the company via Jingjiang SASAO, including control of the board of directors, senior management appointment and decision-making on major investment and financing plans. In addition, the local government has set up an annual mechanism assessment for JHAM and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: The Jingjiang government has authorized JHAM to undertake most primary land development in Jingjiang since 2019. In addition, JHAM is responsible for the grain collection and storage in the region to stabilize grain prices. The company is also engaged in the city operation, including water supply and sewage treatment for most residential and business users, local and intercity bus lines, as well as ferries across the Yangtze River in Jingjiang. JHAM's business operations and strategic planning have been aligned with the local government's economic and social development policies.

Ongoing Government Support: JHAM had received a total subsidy amount of RMB1,590 million from 2022 to the first nine months of 2023, mainly including sewage treatment plant construction subsidies, special funds for project construction and operational subsidies. Besides, JHAM also received equity allocation with a total value of RMB461 million from the local government in 2022. We believe JHAM is likely going to receive government support in the form of operational and/or financial subsidies, to support its daily business operations.

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(5 December 2022\)](#)

JHAM's Financial Matrix and Liquidity Position: JHAM's total assets grew to RMB47.4 billion at end-September 2023. The company's financial leverage, as measured by total liabilities/total assets, had been maintained at c.60% in 2020-2022, but increased to 64.2% at end-September 2023, which was mainly due to the large increase in long-term borrowings and bonds. Nevertheless, we don't expect its financial leverage to increase further as the company's guidance is to control the financial leverage and moderately reduce the size of total debts.

The liquidity of JHAM was relatively weak. JHAM had a total cash balance of RMB3.9 billion and unused credit line of RMB6.3 billion at end-September 2023, compared with its debt to be due within one year of RMB11.8 billion. Nevertheless, JHAM has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels.

Economy and Fiscal Conditions of Jingjiang: Jingjiang's GDP reached RMB122.6 billion in 2022, representing a year-on-year growth rate of 5.3%, and its GDP amount was ranked 2nd among all jurisdictions of Taizhou. Jingjiang's GDP was mostly fuelled by secondary and tertiary industries, accounting for 55.5% and 42.3% of its total GDP in 2022, respectively. Fixed asset investment growth rate of Jingjiang increased to 24.5% in 2022 from 7.6% in 2021.

The aggregate fiscal revenue of the Jingjiang government was mainly derived from the budgetary revenue and government fund. The Jingjiang government's budgetary revenue decreased to RMB7.5 billion in 2022 from RMB7.6 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy. In addition, the government fund income, which was mainly generated by land sales, decreased by 2.6% year-over-year to RMB10.2 billion in 2022, owing to the weak property market. The fiscal self-sufficiency rate of the Jingjiang government was insufficient, thus it continues to receive subsidies from higher governments. At end-2022, the total outstanding amount of government debt increased to RMB10.6 billion from RMB10.0 billion at end-2021, mainly due to the increase in special debt. The debt ratio (i.e., total government debt divided by aggregate revenue) of the Jingjiang government was 52.3% at end-2022, up from 46.6% at end-2020.

Rating Sensitivities

We would consider downgrading JHAM's rating if (1) there is perceived weakening in support from the Jingjiang government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Jingjiang government's ownership of JHAM, or (3) there is a downgrade in our internal credit assessment on the Jingjiang government.

We would consider upgrading JHAM's rating if (1) there is strengthened support from the Jingjiang government, or (2) there is an upgrade in our internal credit assessment on the Jingjiang government.

Company Profile

Established in 2001 by the Jingjiang government, JHAM is a major infrastructure development and the most important city operation entity in Jingjiang. The company is responsible for most primary land development in Jingjiang. The company also participates in grain collection and storage, water supply and sewage treatment, as well as city transportation operations. The Jingjiang government holds 100% equity in JHAM through the Jingjiang SASAO, and it's the ultimate controller of the company.

Full List of Issuance Rating

A full list of issuance rating is included below. Any rating action on JHAM's rating would result in a similar rating action on the CNY Notes:



- CN450 million 4.5% senior unsecured Notes due 2026 affirmed at 'BBB'

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