

Changsha Jinzhou New City Investment Holding Group Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	9 December 2024

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Changsha Jinzhou New City Investment Holding Group Co., Ltd. (“CJNCI”); Issuer Rating Outlook Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Changsha City, Hunan Province (“Changsha government”) would provide moderately strong support to CJNCI if needed, in light of its controls over CJNCI through its representative office, The Ningxiang High-tech Industrial Development Zone Management Committee (“Ningxiang HIDZ MC”), CJNCI’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Ningxiang High-tech Industrial Development Zone (“Ningxiang HIDZ”), and the linkage between the Changsha government and CJNCI, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Changsha government and Ningxiang HIDZ MC may face negative impact on its reputation and financing activities if CJNCI encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that CJNCI strategic importance would remain intact while the Changsha government will continue to ensure CJNCI’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: Ningxiang HIDZ MC, as the representative office of the Changsha government and the de facto local government of Ningxiang HIDZ, directly holds the full ownership of CJNCI, and has the final decision-making authority. The Changsha government supervises the company through Ningxiang HIDZ MC, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Changsha government and Ningxiang HIDZ MC has assessment mechanism over the company and supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Changsha and Strategic Alignment: CJNCI remained as the key LIDC in Changsha City, Hunan Province (“Changsha”). It is primarily responsible for the investment, development and operation of infrastructure projects and land consolidation within Ningxiang HIDZ. Serving as the sole entity in charge of infrastructure related projects and state-owned asset management throughout the entire region, CJNCI mainly engaged in resettlement housing construction, urban renewal, road and pipeline construction and improvement, water conservancy and sewage treatment projects and other infrastructure projects with strong regional advantages. CJNCI plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government’s development plans.

Key Figures of Changsha and CJNCI

(RMB billion)	2022	2023
Changsha		
GDP	1,396.6	1,433.2
GDP growth rate (%)	4.5	4.8
Budgetary revenue	120.2	122.7
Government fund	106.5	90.3
Transfer payment	40.0	31.8
Budgetary expenditure	154.9	162.7
CJNCI		
Assets	45.8	49.6
Equity	18.7	20.3
Revenue	2.6	2.0

Source: Statistics Bureau of Changsha, Finance Bureau of Changsha, CJNCI and Lianhe Global’s calculations

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2024\)](#)

Ongoing government Support: CJNCI has received support from the local government for its business operation, including capital injection, financial subsidies, allocation of land resources or state-owned assets and guidance in its daily management. Meanwhile, as the sole state-owned entity for transportation related infrastructure construction in Changsha, CJNCI has certain advantages in project and resource acquisition. CJNCI also received financial subsidies from the local government to maintain its business operation, totalling to amount of RMB492.7 million from 2021 to the first nine months of 2024. We believe CJNCI is likely to receive government support to support its daily business operation and transportation and water conservancy related infrastructure construction.

Financial Positions of CJNCI: CJNCI's total assets showed an increasing trend in the past few years and reached RMB49.6 billion at end-September 2024. The total debts of the company increased to RMB25.4 billion at end-September 2024 from RMB21.3 billion at end-2022, and its financial leverage, as measured by total liabilities/total assets, remained stable at around 59.0% in the past three years.

The liquidity of CJNCI was relatively moderate. CJNCI had a cash balance of RMB1.7 billion at end-September 2024, compared with debt within one year of RMB4.1 billion. CJNCI has financing channels including bank loans, bond issuance and non-traditional finance to support its debt repayment and business operation. The company had a total bank facility of RMB39.8 billion at end-September 2024, of which RMB20.7 billion was unused.

Economy and Fiscal Condition of Changsha: Changsha recorded economy growth over the past three years, with GDP growth rates of 7.5%, 4.5% and 4.8% in 2021, 2022 and 2023, respectively. The GDP amount of Changsha reached RMB143.3 billion in 2023, which was ranked 15th among all cities in China.

The aggregate fiscal revenue of the Changsha government was mainly derived from budgetary revenue and government fund income. The budgetary revenue of the Changsha government recorded an 2.1% growth in 2023 and recognized RMB122.7 billion. The financial self-sufficiency of Changsha was weak, with a budget deficit of 32.6% in 2023. The government fund income decreased to RMB90.3 billion in 2023 from RMB106.5 billion in 2022, due to the downturn of the real estate market. The outstanding amount of the Changsha government's debt continued to grow between 2021 and 2023, mainly due to the rise in special debts. Its government debt ratio, as measured by total government debt outstanding/aggregate revenue, increased to 124.7% at end-2023 from 107.1% at end-2022.

Rating Sensitivities

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

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

Company Profile

CJNCI was established in March 2017 with an initial registered capital of RMB3.3 billion, funded by Ningxiang HIDZ MC. After an array of capital and asset injections, CJNCI had a shareholding structure in which the Ningxiang HIDZ MC, as the sole and controlling



shareholder, held 100% of the company's equity, with the paid-in capital recording at RMB3.685 billion at end-September 2024, respectively.

As the key LIDC in Ningxiang HIDZ, CJNCI is mainly responsible for infrastructure construction and state-owned assets operation within the region, with a strong regional advantage. The primary sources of operating revenue for CJNCI are engineering construction and land consolidation, while it also engaged in merchandise sales, house rental, land sales, property management, sewage treatment, house sale and transportation services.

Full List of Issuance Ratings

A full list of affirmed issuance ratings is included below. Any action on CJNCI's rating would result in a similar rating action on its CNY bonds:

- CNY500 million 4.99% senior unsecured bonds due 2027 affirmed at 'BBB+'

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