Jiangxi Provincial Expressway Investment Group Co., Ltd.'s 2019-1 Medium-term Notes

Ratings:
Long-term credit rating of the issuer: AAA
Credit rating of the medium-term notes (MTN): AAA
Rating outlook: Stable

Scale of this MTN: CNY 2.5 billion
Maturity term of this issue: 5 years
Debt servicing method: Annual interest payment, repayment of principal at maturity
Use of proceeds: To repay the interest-bearing debt

Date of rating: August 6, 2018
Financial data

Item	2015	2016	2017	March 2018
Cash assets (CNY 100mn)	130.18	124.94	124.70	142.47
Total assets (CNY 100mn)	2,470.73	2,650.23	2,806.23	2,839.32
Owners' equity (CNY 100mn)	940.05	1,086.00	1,090.94	1,110.26
Short-term liabilities (CNY 100mn)	359.68	187.55	246.29	268.08
Long-term liabilities (CNY 100mn)	954.56	1,135.56	1,157.80	1,174.19
Total liabilities (CNY 100mn)	1,314.24	1,323.10	1,404.09	1,442.27
Revenue (CNY 100mn)	139.36	140.74	155.82	45.61
Total profit (CNY 100mn)	9.11	19.94	11.31	19.74
EBITDA (CNY 100mn)	85.23	101.90	109.90	--
Net cash flow from operating activities (CNY 100mn)	0.19	97.06	90.19	27.48
Operating profit margin (%)	43.13	46.06	48.16	56.33
ROE (%)	0.54	1.37	0.60	--
Debt-to-asset ratio (%)	61.95	59.02	61.12	60.90
Total debt capitalization ratio (%)	58.30	54.92	56.28	56.50
Current ratio (%)	36.37	46.02	42.32	47.75
Total liabilities/EBITDA (x)	15.42	12.98	12.78	--
Operating cash flow-to-current liabilities ratio (%)	0.04	25.21	18.47	--

Notes: 1. Short-term financing paper and super-short-term financing paper under other current liabilities have been included in short-term liabilities; financial leasing payables under long-term payables and non-public targeted debt financing instruments under other non-current liabilities have been included in long-term liabilities. 2. Financial data for 1Q 2018 are unaudited.

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Rationale

Jiangxi Provincial Expressway Investment Group Co., Ltd. (the "Company") is a leading investor, constructor, and operator of highways affiliated with the Department of Transportation of Jiangxi Province. It boasts significant advantages in asset scale and road quality, and holds a leading position in the province's expressway industry, with substantial government backing. In the recent years, the Company's total operating expressway mileage has kept increasing, and its toll revenue has risen steadily; since the Company is engaged in other businesses such as engineering construction, trade and real estate development, while staying focused on its main business of expressways, its diversified operations have, to some extent, helped it reduce operational risks. China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings") also notes some adverse factors on its credit rating. For example, the Company's expense levels are high, its total profit is highly dependent on government subsidies, and it faces heavy pressure to repay its debt in the short term.

With the completion of its in-progress highways and the expansion of its road networks, the Company is set to become more competitive overall. Meanwhile, the local economy of Jiangxi is developing well, the local expressway market has substantial room for growth, and the Company enjoys a monopoly position in the province's expressway industry. All these factors will help strengthen the Company's ability to repay debts. Lianhe Ratings' rating outlook for the Company is stable.

Based on an overall assessment of the Company's long-term credit profile and its ability to repay this MTN, Lianhe Ratings concludes that the risk of nonpayment is extremely low.

Strengths

1. In the recent years, the local economy of Jiangxi has maintained steady and rapid growth, and investment in its transportation

sector has kept rising, creating a favorable external environment for the development of the Company.

2. The Company is a leading investor, constructor, and operator of highways in Jiangxi. It boasts significant advantages in asset scale and road quality, and holds a monopoly position in Jiangxi's expressway industry. Its toll revenue has been steadily on the rise in the recent years.
3. The Jiangxi provincial government has offered massive support to the Company in the form of assets and capital injection and government subsidies in the recent years.
4. The Company is engaged in engineering construction, the provision of services in expressway service areas, material sales, refined oil distribution and other relevant business, with strong overall competitiveness.
5. Support of this MTN is high, given its strong net operating cash flow and EBITDA.

Concerns

1. With the erosion of high expenses on its profits, the Company's profitability is weak.
2. The Company's cash outflow from investing activities is high.
3. The Company faces heavy pressure to repay its debt in the short term, given its rising debt level.