

Hunan Caixin Investment Holding Co., Ltd.'s 2019-1 Corporate Bond

Credit rating of the bond: AAA

Credit rating of the issuer: AAA

Rating outlook: Stable

Scale of the issuance: Up to CNY 1.5 billion

Maturity of the bond: 5 years; at the end of the third year, the Company has the option to raise the coupon rate, while the investors have a put option to sell the bond back to the Company

Debt servicing method: Annual interest payment, bullet repayment of principal at maturity

Date of rating: September 16, 2019

Key financial data:

Item	2016	2017	2018	June 2019
Total assets (CNY 100mn)	369.42	371.23	385.62	447.64
Owners' equity (CNY 100mn)	64.28	104.11	154.24	159.14
Short-term liabilities (CNY 100mn)	127.03	113.30	55.88	75.86
Long-term liabilities (CNY 100mn)	69.32	70.99	97.92	92.77
Total liabilities (CNY 100mn)	196.35	184.29	153.80	168.63
Revenue (CNY 100mn)	27.94	23.36	19.63	11.78
Net profit (CNY 100mn)	5.18	6.39	5.93	4.88
EBITDA (CNY 100mn)	16.90	16.46	13.90	--
Net cash flow from operating activities (CNY 100mn)	22.31	0.48	-9.16	20.44
Operating profit margin (%)	26.84	36.41	34.36	52.80
Return on total assets (ROA) (%)	3.97	4.34	3.54	1.49
ROE (%)	6.38	7.58	4.59	3.12
Debt-to-asset ratio (%)	82.60	71.96	60.00	64.45
Total debt-to-capitalization ratio (%)	75.34	63.90	49.93	51.45
Long-term debt-to-capitalization ratio (%)	51.89	40.54	38.83	36.83
Current ratio (x)	1.10	1.25	1.84	1.52
Quick ratio (x)	1.10	1.25	1.84	1.52
EBITDA-to-interest coverage ratio (x)	1.94	2.19	2.07	--
EBITDA-to-total liabilities ratio (x)	0.09	0.09	0.09	--
EBITDA-to-bond principal ratio (x)	1.13	1.10	0.93	--

Note: 1. Due to rounding, there may be a slight difference between the sum of sub-totals and the total in this report; 2. Unless otherwise stated, all financial data herein are consolidated, and the currency herein refers to Chinese yuan (CNY); 3. Financial data for 1H 2019 are unaudited, and the relevant indicators are not annualized.

Rationale

The rating assigned to Hunan Caixin Investment Holding Co., Ltd. (hereinafter referred to as "Caixin Investment" or the "Company") by United Credit Ratings Co. Ltd. (hereinafter referred to as "United Ratings") reflects that as a key leading state-owned financial investment holding platform in Hunan province, Caixin Investment is an important player in the regional market and enjoys strong support from the government, with strong capital strength, extensive operations and good asset quality. In 2016, the Company carried out restructuring of its internal assets with a view to focusing on its principal business. Caixin Investment has established an integrated financial service system that spans across securities, trust and insurance businesses, with strong competitiveness.

In the meantime, United Ratings has also noted factors that could have an adverse impact on its credit rating such as securities market volatility and regulatory policy changes. In addition, the Company's revenue and profit have both declined substantially as its principal securities business has been affected by market conditions.

Going forward, both its revenue and profit are set to increase as the Company restructures its businesses, further improves its presence in the financial segment, and brings synergies among its various business segments into full play. United Ratings' rating outlook for the Company is "stable".

Based on a comprehensive assessment of the Company's credit profile and its ability to repay the bond, United Ratings concludes that the risk of default on the bond repayment

is extremely low.

Strengths

1. As a key leading state-owned financial investment holding platform in Hunan province, Caixin Investment boasts extensive operations and good asset quality. It has established an integrated financial service system focusing on securities, trust and insurance businesses. With the Hunan provincial government as its actual controller, the Company is a leading player in the regional market and enjoys strong support from its shareholders.

2. Caixin Investment has extensive trust operations and strong operational capabilities. With its securities business growing rapidly since the start of 2019, the Company remains a competitive player in the industry.

3. The Company's leverage has been falling steadily in recent years, and is under a declining pressure to repay liabilities, with prudent financial management.

Concerns

1. Affected by market conditions and regulatory policies, the Company's principal securities business has been shrinking year after year, suffering huge losses in 2018. In the meantime, its investment banking business has also declined substantially.

2. The Company's insurance segment has suffered continuous losses in recent years, which will negatively affect its investment income.

Analysts

JIA Yihan

Tel: 010-8517 2818

Email: jiayh@unitedratings.com.cn

ZHANG Chenlu

Tel: 010-8517 2818

Email: zhangchenlu@unitedratings.com.cn

Fax: 010-8517 1273

Address: 12/F, PICC Tower, No. 2

Jianguomenwai Avenue, Chaoyang

District, Beijing (100022)

Http://www.unitedratings.com.cn