

## **CCXAP upgrades Changzhou Eastern New City Construction Group Co., Ltd 's long-term credit rating to BBB<sub>g</sub>, with stable outlook**

Hong Kong, 24 August 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded Changzhou Eastern New City Construction Group Co., Ltd’s (“CENCC” or the “Company”) long-term credit rating to BBB<sub>g</sub> from BBB<sub>g-</sub>, with stable outlook. The upgrade is based on the Company’s increasing strategic importance along with the prosperous development of the Jiangsu Changzhou Economic Development Zone (the “EDZ”). We opine that Changzhou City and the EDZ demonstrate robust economic prospects with growing fiscal revenue, as underpinned by their solid industrial foundations, which suggest stronger government support to the Company.

### **Corporate Profile**

CENCC is the largest infrastructure investment and financing company in the EDZ, mainly engages in infrastructure construction, land consolidation, property development, trading, and property leasing businesses.

CENCC was established by the Qishuyan District Government in December 2014. In August 2015, after Qishuyan District was merged into the EDZ, the Company’s shares were transferred to the Administrative Committee of the Jiangsu Changzhou Economic Development Zone. Meanwhile, the Company’s registered capital increased from RMB100 million to RMB1,000 million. In April 2020, the Company’s shares were further transferred to Jiangsu Changzhou Eastern Investment Holdings Co., Ltd (“Changzhou Eastern Investment”). As of 31 March 2021, the Company is wholly owned by Changzhou Eastern Investment, while the ultimate shareholder was the Changzhou Municipal Government.

### **Rating Rationale**

The BBB<sub>g</sub> long-term credit rating of CENCC is underpinned by its (1) vital position in infrastructure construction and primary land consolidation in the EDZ; and (2) high likelihood of receiving strong support from the local government.

However, the rating is constrained by the Company’s (1) large capital expenditure pressure; and (2) high debt leverage.

We believe CENCC has a high likelihood of receiving strong support from the Changzhou Municipal Government in times of need. Our expectation is based on (1) the Company’s clear and solid strategic position in the EDZ; (2) close relationship with the local government; and (3) good track record of government support.

### **Rating Outlook**

The stable outlook on CENCC’s rating reflects our expectation that the Company will sustain its vital position in the EDZ and will continue to receive strong government support. We also



expect that the Company can benefit from the improving operating environment in the aspects of sustainability and expansion of businesses.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the economic and fiscal performance of Changzhou City improves significantly; (2) the Company demonstrates stronger role in the EDZ or Changzhou City, with increasing likelihood of government support; and (3) the Company's stand-alone credit profile improves significantly, such as growth in revenue and cash generation as well as reduction in debt leverage.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the economic and fiscal performance of Changzhou City deteriorates; (2) the likelihood of government support for the Company decreases; or (3) the Company's stand-alone credit profile weakens significantly, such as deterioration in business or financial performance.

#### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

#### **Regulatory Disclosures**

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