

CCXAP assigns BBB_g to Quzhou Communications Investment Group Co., Ltd.'s proposed USD green bonds

Hong Kong, 18 January 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g to the proposed USD green bonds to be issued by Quzhou Communications Investment Group Co., Ltd. (“QCIG” or the “Company”) (BBB_g/stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of QCIG, which shall at all times rank pari passu with all the Company’s other present and future unsecured and unsubordinated obligations.

The Company intends to use the gross proceeds for project construction in accordance with the Green Finance Framework, including projects that will deliver environmental benefits to support its business strategy and vision.

The final rating on the proposed USD green bonds is contingent upon the receipt of final documents conforming to information already received.

Corporate Profile

Established in 2002, QCIG is an important investment, financing, and construction entity for major transportation infrastructure projects in Quzhou City. The Company is wholly owned by Quzhou State-owned Assets Operation Co., Ltd. (“QSAO”), and its ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission of Quzhou Municipal Government (“Quzhou SASAC”). QCIG is primarily engaged in transportation construction and operation, power generation, and sales of building materials.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to QCIG’s long-term credit rating as first-time assigned by CCXAP on 29 December 2021. We believe that the government support will flow through the holding company given the Company’s strong strategic position in transportation infrastructure construction in Quzhou City, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB_g long-term credit rating of QCIG is underpinned by the Company’s (1) strong strategic position in transportation infrastructure construction in Quzhou City; and (2) diversified business mix, which improved its revenue and operating profit. However, the rating is constrained by the Company’s (1) large capital expenditure pressure resulting from public-policy projects in the pipeline; and (2) moderate asset quality and high debt leverage.

The rating also incorporates our expectation that QCIG has a high likelihood of receiving support from the Quzhou Municipal Government in times of need, given (1) the local government’s ultimate control over the Company, (2) the Company’s strategic role as the major



transportation infrastructure construction entity in Quzhou City; and (3) the Company's track record of receiving government support such as financial subsidies and asset transfers.

Rating Outlook

The stable outlook on QCIG's rating reflects our expectation that the Company will maintain its important role in transportation infrastructure construction and continue to receive support from the local government over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the economic and fiscal performance of Quzhou City improves notably; (2) the likelihood of receiving government support increases; and (3) the Company's stand-alone credit profile improves, such as better asset quality, lower debt leverage and strengthened operating profitability, on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal performance of Quzhou City weakens; (2) the likelihood of receiving government support decreases; or (3) the Company's stand-alone credit profile deteriorates significantly, such as heightened debt leverage, weakened financing capability or worsened liquidity profile.

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

CCXAP's Rating Symbols and Definitions are available on its website at:
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