

CCXAP assigns first-time long-term credit rating of BBB_g- to Chuzhou Economic and Technological Development General Corporation, with stable outlook

Hong Kong, 19 August 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB_g- long-term credit rating to Chuzhou Economic and Technological Development General Corporation (“CETD” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of CETD reflects the local government’s (1) relatively strong capacity to provide support based on our assessment of Chuzhou Economic and Technological Development Zone (“ETDZ”); and (2) high willingness to provide support based on our assessment of the Company’s characteristics.

Our assessment of the local government’s capacity to provide support reflects Chuzhou City’s status as the 3rd largest prefecture-level city by GRP in Anhui Province, and Chuzhou ETDZ’s status as the national-level ETDZ in Chuzhou City, with increasing economic strength and good fiscal profile.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) important role in undertaking public policy projects within Chuzhou ETDZ; and (2) good track record of receiving government payments. However, the Company’s rating is constrained by (1) moderate exposure to commercial business; and (2) fast debt growth.

Corporate Profile

Founded in 1993, CETD is wholly owned and ultimately controlled by the Management Committee of Chuzhou ETDZ. The Company is the most important infrastructure construction investment and financing entity in Chuzhou ETDZ, and is mainly responsible for public policy businesses such as infrastructure construction and primary land development in Chuzhou ETDZ. It also engages in commercial businesses such as supply chain, leasing, and loan service.

Rating Rationale

Credit Strengths

Important role in undertaking public policy projects within Chuzhou ETDZ. The Company is the largest investment and financing entity for infrastructure construction in Chuzhou ETDZ. As a holding company, CETD plays an important role in undertaking public policy projects, including relocation housing development, municipal road construction and land transfer business through its subsidiaries, such as Chuzhou Tongchuang Construction Investment Co., Ltd. (“Tongchuang”) in Chuzhou ETDZ. As of 31 March 2022, the Company has completed 19 relocation housing projects and 42 municipal road projects with a total investment of RMB4.1 billion. As such, the Company’s strategic importance to Chuzhou ETDZ is unlikely to change in the foreseeable future.

Good track record of receiving government payments. The Company has a good track record of receiving support from the local government in terms of subsidies, debt swaps and capital injections. The Company received government subsidies of over RMB1.4 billion from 2019 to 2021. As of 31 March 2022, the total collections for completed relocation housing projects and municipal road construction projects were RMB2.1 billion. Given the important position of CETD and its close relationship with the local government, we expect that the Company will continue to receive support from the local government.

Credit Challenges

Moderate exposure to commercial business. The Company's commercial business includes supply chain and leasing of self-operated properties, as well as leasing of equipment, site and vehicles, sales of plants, loan services, industrial investment, etc., providing supplementary income to the Company, but also exerting certain capital expenditure pressure at the same time. We estimate that the Company's commercial exposure is moderate, at 25% to 30% of its total assets.

Fast debt growth and moderate liquidity profile. Due to the ongoing financing for construction projects, the Company's total debt has been growing rapidly for the past three years. The Company's total debt has increased from RMB15.2 billion at end-2019 to RMB25.7 billion at end-2022Q1, with a high total capitalization ratio of 71.8%. We expect its scale of debt to continue to increase given the large capital needs of self-operated projects.

Rating Outlook

The stable outlook on CETD's reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Chuzhou ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) changes in the Company's characteristics enhance the local government's willingness to support, such as improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in government payments; or increase in exposure to commercial activities.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).



Regulatory Disclosures

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