

## CCXAP assigns A<sub>g</sub>- to Zhongyuan Asset Management Co., Ltd's proposed USD notes

Hong Kong, 22 November 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A<sub>g</sub>- to the proposed USD notes to be issued by Zhongyuan Dayu International (BVI) Co., Ltd., an indirect wholly-owned subsidiary of Zhongyuan Asset Management Co., Ltd (“Zhongyuan AMC” or the “Company”), and unconditionally and irrevocably guaranteed by Zhongyuan AMC.

The notes will constitute direct, general, unconditional, unsubordinated and unsecured obligations of Zhongyuan AMC, which shall at all times rank pari passu with all the Company's other present and future unsubordinated and unsecured obligations. The Company intends to use the proceeds for refinancing existing offshore indebtedness and replenishing working capital.

### Corporate Profile

Zhongyuan AMC was established in August 2015 as the first local distressed AMC in Henan Province and the only local AMC under the direct management of the Finance Department of Henan Province. It is one of the key provincial financial platforms of Henan Province and undertakes the strategic role of resolving regional financial risk and promoting the upgrade of local industries in the province. The Company was jointly established by a number of state-owned and privately-owned companies, with solid capital base. The Finance Department of Henan Province is the largest shareholder of Zhongyuan AMC, directly and indirectly holding 57% of the Company's shares as of 31 December 2021. Zhongyuan AMC primarily engages in the core business of distressed asset management and also expands to other businesses such as equity investment, supply chain finance, financial leasing, and other investments. As of 31 December 2021, the Company reported total assets of RMB59.5 billion and net assets of RMB15.2 billion.

### Rating Rationale

The senior unsecured debt rating of the notes is equal to Zhongyuan AMC's long-term credit rating. The A<sub>g</sub>- long-term credit rating of Zhongyuan AMC reflects the Company's (1) strong franchise and local advantage as the largest local AMC in Henan Province; (2) sufficient capital adequacy on the back of capital injection from the local government; (3) good access to funding; and (4) solid government support from the Henan Provincial Government.

However, the rating is constrained by the Company's (1) moderate asset quality with high operating and concentration risk; (2) management challenges from higher regulatory requirements; (3) relatively weak profitability; and (4) modest liquidity profile.

## Rating Outlook

The stable outlook on Zhongyuan AMC's rating reflects our expectation that the willingness and ability of the local government to provide support is unlikely to change, and that the Company will sustain its leading market position and solid financial profile in the next 12 to 18 months.

### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support increases such as greater strategic importance or more policy roles in Henan Province; and (2) the Company's standalone credit profile improves, such as improved profitability and asset quality, with stable asset growth and long track record.

### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases such as significantly decreasing ownership from the Finance Department of Henan Province; or (2) the Company's standalone credit profile worsens, such as deteriorated capital adequacy, sharp decrease in asset quality, or unexpected decline in liquidity.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Finance Companies \(April 2019\)](#).

## Regulatory Disclosures

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