

CCXAP assigns A_g- to Qingdao West Coast New Area Ronghe Holding Group Co., Ltd.'s proposed Free Trade Zone CNY notes

Hong Kong, 24 March 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A_g- to the proposed Free Trade zone CNY notes to be issued by Qingdao West Coast New Area Ronghe Holding Group Co., Ltd. (“Ronghe Holding” or the “Company”) (A_g-/stable).

The notes constitute direct, general, unsubordinated, unconditional and unsecured obligations of Ronghe Holding, 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 proceeds from the notes for project construction and supplemental working capital. The notes are issued within the China (Shanghai) Pilot Free Trade Zone.

Corporate Profile

Founded in November 2018, Ronghe Holding is one of the two major local infrastructure investment and financing companies in the Qingdao West Coast New Area (“QDWC New Area”). It is directly and wholly owned by the Qingdao West Coast New Area State-owned Assets Supervision and Administration Commission (“QDWC New Area SASAC”). Ronghe Holding has undertaken major infrastructure construction, resettlement housing and educational projects in the QDWC New Area. It is also involved in commercial businesses including trading, real estate development, manufacturing, and financial services businesses such as guarantees, small-sum loan, pawning and leasing.

Rating Rationale

The senior unsecured debt rating of the notes is equal to Ronghe Holding’s long-term credit rating. We believe that the government support will flow through Ronghe Holding given its strategic role in undertaking public policy projects in the QDWC New Area, thereby mitigating any differences in an expected loss that could result from structural subordination.

The A_g- long-term credit rating of Ronghe Holding reflects QDWC New Area Government’s very strong capacity to provide support and very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of QDWC New Area Government’s capacity to provide support reflects the status of QDWC New Area as the ninth National New Area and the local government’s strong economic strength, good fiscal metrics, and debt profile.

The willingness of support is underpinned by the Company’s (1) full and direct ownership by the QDWC New Area Government; (2) strong strategic role in undertaking public policy projects in the development of the QDWC New Area; (3) good track record of receiving government payments; and (4) diversified and stable funding sources from major banks and the domestic bond market. However, it is constrained by the Company’s (1) high exposure to commercial businesses; (2) accelerated debt growth driven by expansion; and (3) risk exposure of regional private-owned enterprises during a market downturn.

Rating Outlook

The stable outlook on Ronghe Holding's rating reflects our expectation that the QDWC New Area government's capacity to provide support will be stable, and that the Company will maintain its strategic role in undertaking public policy projects in the QDWC New Area over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) QDWC New Area Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as consistently increases government payments, materially lowers the exposure to risky commercial activities and improves in debt management and asset quality.

What could downgrade the rating?

The rating could be downgraded if (1) QDWC New Area Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, decreased government payments, or weakened funding capabilities.

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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