

CCXAP assigns BBB_g to Zibo Hi-Tech State-Owned Capital Investment Co., Ltd.'s proposed USD bonds

Hong Kong, 24 May 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g to the proposed USD bonds to be issued by Zibo High-Tech International Investment Co., Limited (the “Issuer”), a wholly-owned subsidiary of Zibo Hi-Tech State-Owned Capital Investment Co., Ltd. (“ZBHT” or the “Company”) (BBB_g/stable), and unconditionally and irrevocably guaranteed by ZBHT.

The bonds constitute direct, unsubordinated, unconditional and unsecured obligations of ZBHT, 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 bonds for project construction, working capital replenishment and repayment of existing indebtedness.

Corporate Profile

Founded in March 2019, ZBHT is the pivotal local infrastructure investment and financing company in Zibo Development Zone for New and High Technology Industries (“Zibo High-tech Zone”), with the second largest total assets in Zibo City. As of 31 March 2023, it was directly and wholly owned by the Finance Bureau of Zibo High-tech Zone, and the Administrative Committee of Zibo High-tech Zone remained its actual controller. In accordance with the economic development strategy and social development requirements of Zibo High-tech Zone, ZBHT is responsible for public infrastructure and welfare projects, including infrastructure construction, land development, and water supply. It also has commercial operations, including commercial property development and operations, direct equity investments, and industrial investment fund businesses.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to ZBHT's long-term credit rating. We believe that the government support will flow through ZBHT given its strategic role in undertaking public policy projects and providing essential public services in Zibo High-tech Zone, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g long-term credit rating of ZBHT reflects Zibo High-tech Zone Government's strong capacity to provide support and extremely high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of Zibo High-tech Zone Government's capacity to provide support reflects the status of Zibo High-tech Zone as a national high-tech zone in Zibo City and Shandong Province, with strong economic growth, good fiscal metrics and debt profile.

The willingness of support is underpinned by the Company's (1) dominant role in local infrastructure construction and land development; (2) providing utility services with high replacement cost; (3) good track record of receiving government payments; and (4) good

access to diversified funding channels. However, it is constrained by the Company's (1) moderate exposure to commercial activities with certain capital expenditure pressure; and (2) fast debt growth driven by large number of construction projects.

Rating Outlook

The stable outlook on ZBHT's rating reflects our expectation that the Zibo High-tech Zone Government's capacity to provide support will be stable, and the Company's characteristics such as its business profile and financial risks and controls will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Zibo High-tech Zone Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially lowering exposure to risky commercial activities, and improving debt management and asset quality.

What could downgrade the rating?

The rating could be downgraded if (1) Zibo High-tech Zone 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 increased 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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