

CCXAP assigns A_g- to Kunshan Guochuang Investment Group Co., Ltd.'s proposed Free Trade Zone CNY bonds

Hong Kong, 1 June 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 bonds to be issued by Kunshan Guochuang Investment Group Co., Ltd. (“KGIG” or the “Company”) (A_g-/stable).

The bonds constitute direct, unconditional, unsubordinated and unsecured obligations of KGIG, 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 developing onshore projects and replenishing working capital. The bonds are issued within the China (Shanghai) Pilot Free Trade Zone.

The rating of the bonds is in line with the expected rating assigned on 30 January 2023.

Corporate Profile

Founded in 1992, KGIG is the largest local infrastructure investment and financing companies by total asset in Kunshan City. The Company is primarily responsible for infrastructure construction and land development in Kunshan Economic and Technological Development Zone (“Kunshan ETDZ”). Apart from its main business, the Company is also engaged in other commercial businesses, such as real estate development, leasing, electronic sales and greening. The Company is directly and wholly owned by the State-owned Assets Supervision and Administration Office of Kunshan Municipal Government (“Kunshan SASAO”).

Rating Rationale

The senior unsecured debt rating of the bonds is equal to KGIG’s long-term credit rating. We believe that the government support will flow through KGIG given its dominant position in public services of Kunshan ETDZ, thereby mitigating any differences in expected loss that could result from structural subordination.

The A_g- long-term credit rating of KGIG reflects Suzhou Kunshan City Government’s very strong capacity and high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Kunshan City Government’s capacity to provide support reflects its strong comprehensive strength, ranking 1st among top 100 counties/county-level cities in China, with good fiscal stability and fiscal balance.

The willingness of support is underpinned by the Company’s (1) essential role in public policy activities of Kunshan ETDZ, which has a leading position among the national-level ETDZs; (2) solid track record of receiving government payments; and (3) good access to financing channels. However, it is constrained by the Company’s (1) high exposure to commercial activities, the profitability of which is susceptible to macro-environment and industry cyclicality; and (2) relatively high debt growth driven by a large number of project pipelines.

Rating Outlook

The stable outlook on KGIG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic role in public policy activities of Kunshan ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as decreasing exposure to commercial activities or improving debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in company characteristics weaken the local government's willingness to support, such as reducing strategic significance or weakening access to financing channels.

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

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

http://www.ccxap.com/en/rating_services/category/6/

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