

CCXAP assigns BBB_g- to Zhejiang Changxing Financial Holdings Group Co., Ltd.'s proposed USD bonds

Hong Kong, 5 June 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 Xingchang International Company Limited, a wholly-owned subsidiary of Zhejiang Changxing Financial Holdings Group Co., Ltd. (“ZCFH” or the “Company”) (BBB_g-/stable), and unconditionally and irrevocably guaranteed by ZCFH.

The bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of ZCFH, 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 gross proceeds for the repayment of existing offshore indebtedness.

Corporate Profile

Founded in 2011, ZCFH is one of the predominant state-owned capital management and industrial investment enterprise in Changxing County. The Company is mainly engaged in land development and infrastructure construction in Changxing County. In addition, the Company also conducts commercial business such as commercial trading, financial investment, and tourism. In 2021, the Company acquired Changxing Chengxi Construction Development Group Co., Ltd. (“Chengxi Construction”), and expanded the scope of its infrastructure construction business. As of 30 June 2022, the Company was wholly owned and controlled by the Changxing Finance Bureau.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to ZCFH’s long-term credit rating. We believe that the government support will flow through ZCFH given its status as the primary platform fully owned and controlled by the Changxing County Finance Bureau, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB_g- long-term credit rating of ZCFH reflects Changxing County Government’s strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Changxing County Government’s capacity to provide support reflects its status as the 47th in the Top 100 Economic Counties in China in 2021, with good economic strength and moderate fiscal metrics, but a modest debt profile.

The willingness of support is underpinned by the Company’s (1) status as the primary platform fully owned and controlled by the Changxing County Government; (2) important position in land development and infrastructure construction in Changxing County; and (3) good track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium commercial business risk; (2) moderate debt management and asset liquidity; and (3) contingent liability risks in external guarantees.

Rating Outlook

The stable outlook on ZCFH's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in land development and infrastructure construction in Changxing County.

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 support, such as reduced exposure to commercial activities, increased government payments, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local 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 support, such as decreased strategic significance, reduced 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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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Olivia Feng

Credit Analyst

+852-2860 7133

olivia_feng@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656