

CCXAP assigns first-time long-term credit rating of BBB_g+ to Chongqing Wanzhou Economic and Technological Development (Group) Co., Ltd., with stable outlook.

Hong Kong, 4 August 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g+ to Chongqing Wanzhou Economic and Technological Development (Group) Co., Ltd. (“WETD” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of WETD reflects Chongqing Wanzhou District Government’s strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Wanzhou District Government’s capacity to provide support reflects Wanzhou District’s good industrial base and strong fiscal strengths. It also reflects the important role of Wanzhou Economic and Technological Development Zone (“Wanzhou ETDZ”) in local industrial development and economic growth.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) major state-owned assets management and operation platform in Wanzhou District; (2) solid track record of receiving government payments; and (3) diversified financing channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) rapid debt growth with a relatively concentrated maturity period.

Corporate Profile

Founded in 2011, the Company is the major local infrastructure investment and financing company (“LIIFC”) in Wanzhou District, primarily engaging in infrastructure construction and land consolidation. Apart from public development projects, the Company also undertakes various commercial activities, such as copper product manufacturing and sale, pharmaceutical trading, affordable housing construction, and property leasing.

As of 31 March 2023, the State-owned Assets Supervision and Administration Commission of Chongqing Wanzhou District (“Wanzhou SASAC”) held 51%, Chongqing Wanzhou Economic Development Zone Equity Investment Fund Partnership (L.P.) held 33.33%, and Wanzhou Economic and Technological Development Zone Management Committee (“Wanzhou ETDZ Management Committee”) held the remaining 15.67% of the Company’s shares. The Company is ultimately controlled by Wanzhou SASAC.

Rating Rationale

Credit Strengths

Major state-owned assets management and operation platform in Wanzhou District. Positioned as the core state-owned enterprise based in Wanzhou ETDZ, the Company played an important strategic role in upgrading the infrastructure and accelerating the urban development of Wanzhou ETDZ.

High sustainability of local public projects. Mandated by the local government, WETD plays a dominant role in undertaking local public activities that are vital to local economic and social development, such as land consolidation and infrastructure construction. Given sufficient projects under construction, we consider the sustainability of the public-related businesses to be high, but the Company may face large capital expenditure pressure.

Solid track record of receiving government payments. WETD has a track record of receiving payments from the Wanzhou District government. These payments take various forms, such as government subsidies and capital injections. Given WETD's important strategic role, we expect the Company will continue to receive support from the Wanzhou District Government in the future.

Diversified financing channels. Around 45% of the Company's debt was provided by bank loans, and the Company has diversified its funding channel to both onshore and offshore debt capital markets, which accounted for 40% of the Company's total debt.

Credit Challenges

Medium exposure to commercial activities. In addition to public activities, WETD is also involved in various commercial activities such as copper product manufacturing and sales, pharmaceutical trading, affordable housing construction, and property leasing. We consider WETD's commercial business exposure to be moderate, as its market-driven businesses account for around 30% of its total assets.

Rapid debt growth with a relatively concentrated maturity period. WETD has a rapid debt growth mainly attributable to the fast expansion of public and commercial projects. The Company's total debt had increased from RMB39.2 billion at end-2020 to RMB55.0 billion as of 31 March 2023, its capitalization ratio remains high, slightly increasing from 65.8% to 67.3% over the same period. Furthermore, the Company has a relatively concentrated maturity period.

Rating Outlook

The stable outlook on WETD's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its important position in state-owned assets management and operation in Wanzhou District.

What could upgrade the rating?

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



What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as reduced regional significance.

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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