

CCXAP assigns A_g- to Suzhou Urban Investment Capital Holding Co., Ltd.'s proposed USD bonds

Hong Kong, 25 August 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A_g- to the proposed USD bonds to be issued by Suzhou Urban Investment Capital Holding Co., Ltd. (“SUIC” or the “Company”) (A_g-/stable).

The bonds to be issued will constitute direct, unsubordinated, unconditional, and unsecured obligations of SUIC, 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 net proceeds for projects operation and working capital replenishment.

Corporate Profile

Established in 2018, SUIC is a key financial business arm of Suzhou Urban Construction & Investment Development (Group) Co., Ltd. (“SCID”) and directly and wholly owned by SCID. SUIC is mainly responsible for the integration and management of SCID’s financial business segments. It primarily engages in three different business segments namely factoring, financial leasing and investment. SUIC conducts factoring business and financial leasing business through its subsidiaries, namely, Suzhou Chengtou Commercial Factoring Co., Ltd. (“SCCF”) and Wudu Financial Leasing (Tianjin) Co., Ltd. (“WDFL”), respectively.

SCID is the one of the major local infrastructure investment and financing companies (“LIIFCs”) in Suzhou City and is wholly owned by the State-owned Assets Supervision and Administration Commission of Suzhou Municipal Government (“Suzhou SASAC”). SCID has a very strong position in local infrastructure construction and the supply of gas in Suzhou City. Its business segments include gas supply, infrastructure construction, property leasing, real estate development, guarding services and financial services.

Rating Rationale

SUIC’s senior unsecured debt rating is equivalent to its long-term credit rating. We believe the strong shareholder support from SCID can help mitigate structural subordination risks.

The A_g- long-term credit rating of SUIC is underpinned by the Company’s (1) fast-growing business scale aligned with the development strategy of its parent, SCID; and (2) good asset quality with relatively low risk appetite. However, the rating is constrained by the Company’s (1) concentrated portfolio in Suzhou City and Jiangsu Province; (2) unproven track record with uncertain investment return; and (3) moderate profitability with intensive market competition.

The rating also reflects the high likelihood of support from SCID, which is based on the Company’s (1) direct and full ownership by SCID; (2) strong strategic role as the key financial business arm of SCID; and (3) medium legal and operational linkages with SCID.

Rating Outlook

The stable outlook on SUIC's rating reflects our expectation that the Company will maintain its strategic role in the development of SCID and will retain its financial and operational strength over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of shareholder support increases for SUIC such as stronger strategic position or legal and operational linkages with its parent company; or (2) the Company's business scale, asset quality and profitability materially improve.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of shareholder support decreases for SUIC such as weakening strategic position or legal and operational linkages with its parent company; (2) there is a material decline in the Company's asset quality, as seen by surging problem assets or impairment losses; or (3) the Company's profitability decreases significantly.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Finance Companies \(April 2019\)](#).

Regulatory Disclosures

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