

## **CCXAP upgrades Chuzhou Economic and Technological Development General Corporation's long-term credit rating to BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 14 September 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Chuzhou Economic and Technological Development General Corporation (“CETD” or the “Company”) to BBB<sub>g</sub> from BBB<sub>g-</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of CETD reflects that (1) the local government’s strong capacity to provide support; and (2) the government’s extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Chuzhou City’s status as the 3rd largest prefecture-level city by GRP in Anhui Province, and Chuzhou ETDZ’s status as the national-level ETDZ in Chuzhou City, with increasing economic strength and good fiscal profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in undertaking public policy projects within Chuzhou ETDZ; and (2) good track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities; and (2) fast debt growth and moderate liquidity profile.

### **Corporate Profile**

Founded in 1993, CETD is wholly owned and ultimately controlled by the Management Committee of Chuzhou ETDZ. The Company is the most important local infrastructure investment and financing company (“LIIFC”) in Chuzhou ETDZ which undertakes the responsibility of the local public policy activities such as infrastructure construction and primary land development. It is also engaged in commercial activities such as supply chain, property leasing, and loan service businesses.

### **Rating Rationale**

#### **Credit Strengths**

**Important role in undertaking public policy projects within Chuzhou ETDZ.** As the largest LIIFC in Chuzhou ETDZ, CETD plays an important role in undertaking public policy projects, including relocation housing development, municipal road construction and land transfer business through its subsidiaries, including Chuzhou Tongchuang Construction Investment Co., Ltd. (“Tongchuang”), in Chuzhou ETDZ.

**Good track record of receiving government payments.** The Company has a good track record of receiving support from the local government in terms of subsidies, debt swaps and capital injections. Given the Company’s important position and its close relationship with the local government, we expect that the Company will continue to receive support from the local government.

## Credit Challenges

**Moderate exposure to commercial activities.** The Company's commercial activities include supply chain, property leasing such as equipment and vehicles, sales of plant, loan services and industrial investment. Although, the commercial activities can provide supplementary income to the Company. They also bring exerting certain capital expenditure pressure at the same time. We estimate that the Company's commercial exposure is moderate with the assets of commercial activities accounting for 25% to 30% of its total assets.

**Fast debt growth and moderate liquidity profile.** Due to the ongoing financing for construction projects, the Company's total debt has been growing rapidly for the past three years. We expect its scale of debt to continue to increase over the next 12-18 months given the large capital needs of self-operated projects. In addition, CETD's liquidity profile is moderate. The receivables and other receivables accounted for a large portion of total assets and around 11.1% of total assets restricted which were mainly cash or cash equivalent and inventory.

## Rating Outlook

The stable outlook on CETD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Chuzhou ETDZ.

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improved debt management.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in government payments or increase in 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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