

## **CCXAP assigns BBB<sub>g</sub>+ to Shangrao City Construction Investment Development Group Company Limited's proposed USD bonds**

Hong Kong, 28 September 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB<sub>g</sub>+ to the proposed USD bonds to be issued by Shangrao City Construction Investment Development Group Company Limited (“SCID” or the “Company”) (BBB<sub>g</sub>+/*stable*).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of SCID, 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 for the repayment of existing medium to long term offshore indebtedness which will become due within one year.

### **Corporate Profile**

Established in 2002, SCID is an important local infrastructure investment and finance company (“LIIFC”) in Shangrao City. The Company mainly engaged in infrastructure construction, land development, resettlement housing construction as well as commercial businesses including production and trading of aluminum, electricity generation, expressway operation, property management, and hotel management in Shangrao City. As of 31 March 2023, Shangrao Urban Operation (Holding) Group Co., Ltd. (“SUOG”) held 96.67% of the Company's stake, while Jiangxi Provincial Administrative Assets Group Co., Ltd. held the remaining 3.33%. Shangrao State-owned Assets Supervision and Administration Commission (“Shangrao SASAC”) was its ultimate controller.

### **Rating Rationale**

The senior unsecured debt rating of the bonds is equal to SCID's long-term credit rating as first-time assigned by CCXAP on 25 August 2023. We believe that the government support will flow through the holding company given the Company's essential role in infrastructure construction and land development in Shangrao City, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB<sub>g</sub>+ long-term credit rating of SCID reflects Shangrao Municipal Government's (1) strong capacity to provide support, and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Shangrao Municipal Government's capacity to provide support reflects its status as the fifth largest city in terms of economic strength in Jiangxi Province, with fast economic growth and moderate fiscal stability.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) essential role in infrastructure construction and land development in Shangrao City; (2) good track record of receiving government payments; and (3) good access to funding. However, SCID's rating is constrained by its (1) medium exposure to commercial

activities; (2) high debt leverage and moderate asset liquidity; and (3) medium contingent liability risk from external guarantees.

### Rating Outlook

The stable outlook on SCID's rating reflects our expectation that the Company will maintain its important role in Shangrao City and will continue to receive government support over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as decrease in exposure to commercial activities, or improvement in 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 provide support, such as decrease in its strategic significance, 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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