CCXAP assigns BBB_g to Zibo Hi-Tech State-Owned Capital Investment Co., Ltd.'s existing offshore bonds

Hong Kong, 31 December 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a senior unsecured rating of BBB_g to the existing three senior bonds (ISIN: XS2961863094, HK0001020954, HK0001007142) issued by Zibo High-Tech International Investment Co., Limited (the "Issuer"), a wholly-owned subsidiary of Zibo Hi-Tech State-Owned Capital Investment Co., Ltd. ("ZBHT" or the "Company") (BBB_g/stable), and unconditionally and irrevocably guaranteed by ZBHT.

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of ZBHT, which shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations. The Company used the net proceeds for project construction, working capital replenishment and repayment of existing indebtedness.

Corporate Profile

Founded in March 2019, ZBHT is the sole development, construction and state-owned asset management entity in Zibo Hi-tech Zone. As of 30 June 2024, it was directly and wholly owned by the Finance Bureau of Zibo High-tech Zone, and the Management Committee of Zibo High-tech Zone remained its ultimate controller. In accordance with the economic development strategy and social development requirements of Zibo High-tech Zone, ZBHT is responsible for public infrastructure and welfare projects, including infrastructure construction, land development, and water supply. It also has commercial operations, including leasing, automobile sales, direct equity investments, and industrial investment fund businesses.

Rating Rationale

The senior unsecured debt rating of the bonds is equivalent to ZBHT's long-term credit rating. We believe that government support will flow through the Company given its strategic importance in the development of Zibo High-tech Zone, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g long-term credit rating of ZBHT reflects Zibo High-tech Zone Government's strong capacity to provide support and its very 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 its vital role as a national-level high-tech zone in Zibo City and Shandong Province, with strong economic growth, good fiscal metrics and debt profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant role in local infrastructure construction and land development; (2) providing utility services with high replacement cost; (3) good track record of receiving government payments; and (4) good access to diversified funding channels. However, the rating is constrained by the Company's (1) medium exposure to commercial activities, with operating risks of automobile sales business and recovery risks of investment business; and (2) fast debt growth and high leverage ratio driven by large number of construction projects.

Rating Outlook

The stable outlook on ZBHT's rating reflects our expectation that the Zibo High-tech Zone Government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the development of Zibo High-tech Zone 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; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lowering exposure to risky commercial activities, and improving 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 reduced strategic significance, decreased 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

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:
http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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.

Christy Liu
Credit Analyst
+852-2860 7127
christy_liu@ccxap.com

Elle Hu
Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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