

CCXAP assigns BBB_g- to Zibo Zichuan Finance Holding Co., Ltd.'s proposed USD bonds

Hong Kong, 25 February 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g- to the proposed USD bonds to be issued by Zibo Zichuan Finance Holding Co., Ltd. (“ZCFH” or the “Company”) (BBB_g-/stable).

The bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of ZCFH, 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 construction and replenishing its working capital.

Corporate Profile

Founded in July 2017, ZCFH is one of the two pivotal local infrastructure investment and financing companies (“LIIFCs”) in Zichuan District. As an important urban infrastructure investment and state-owned capital investment and operation entity in Zichuan District, ZCFH is responsible for public infrastructure and welfare projects, including infrastructure construction and municipal engineering. It also has commercial activities, including industrial park development and operation, financial investment, trading and leasing. As of 30 June 2024, it was directly and wholly owned by the Zichuan State-owned Assets Supervision and Administration Bureau (“Zichuan SASAB”).

Rating Rationale

The rating of the senior unsecured bonds is equivalent to ZCFH’s long-term credit rating. We believe that government support will flow through the Company given important role in regional development of Zichuan District, primarily responsible for the development of industrial parks and supporting infrastructure, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g- long-term credit rating of ZCFH reflects Zichuan District 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 Zichuan District Government’s capacity to support reflects Zichuan District’s comprehensive strength, with ongoing economic growth and improving fiscal metrics.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important role in regional development of Zichuan District, primarily responsible for the development of industrial parks and supporting infrastructure; and (2) solid track record of receiving government supports. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities; and (2) fast debt growth driven by continuous investment in infrastructure projects and industrial parks.

Rating Outlook

The stable outlook on ZCFH's rating reflects our expectation that the Zichuan District Government's capacity to provide support will be stable, and the Company's important role in regional development of Zichuan District will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Zichuan District 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 decreased risk exposure to commercial activities and improved debt management and financing ability.

What could downgrade the rating?

The rating could be downgraded if (1) Zichuan District 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, weakened financing ability 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

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