

CCXAP assigns A_g- to Science City (Guangzhou) Investment Group Co., Ltd.'s proposed USD bonds

Hong Kong, 15 April 2025 – 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 Science City (Guangzhou) Investment Group Co., Ltd. (“SCIG” or the “Company”) (A_g-/stable).

The bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of SCIG, 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 refinancing of existing offshore indebtedness.

Corporate Profile

Established in 1984 and formerly known as Guangzhou Economic and Technological Development Zone Construction and Development Corporation, SCIG is a key local infrastructure investment and financing company in Guangzhou Economic and Technological Development Zone (“Guangzhou ETDZ”). Its main business includes urban construction and development, as well as urban renewal and renovation in Guangzhou ETDZ, covering engineering construction and sewage and sludge treatment. The Company is also engaged in some commercial activities, such as trade, production and sales of furniture and copper products, financial leasing, property management, and real estate development. As of 30 September 2024, Guangzhou Economic and Technological Development Zone Management Committee held 94.8% of the Company’s shares, serving as the controlling shareholder and the ultimate controller. The remaining 5.2% of the shares are held by the Guangdong Provincial Department of Finance.

Rating Rationale

We did not notch SCIG’s senior unsecured debt rating for structural subordination, reflecting our expectation that, in the event of financial distress, the government will likely provide support to the Company as the holding company, thereby increasing the recovery prospects for the holding company’s creditors. We also see that the structural subordination risk is mitigated by the strategic importance of SCIG’s infrastructure and public facility assets, thus we expect that government support will be provided to the Company to preserve its ownership of such assets.

The A_g- long-term credit rating of SCIG reflects Guangzhou ETDZ Government’s (1) very strong capacity to provide support, and (2) high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Guangzhou ETDZ Government’s capacity to provide support reflects its strong comprehensive strength as it ranked 2nd by comprehensive strength among 230 national ETDZs in China, with ongoing economic growth and good fiscal strength.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) key role as the urban construction and renewal service provider in Guangzhou

ETDZ; (2) high sustainability of public policy projects; and (3) good track record of receiving government support. However, the Company's rating is strained by (1) medium exposure to commercial activities with weak profitability; (2) increasing debt burden with relatively high short-term debt repayment pressure; and (3) moderate asset liquidity.

Rating Outlook

The stable outlook on SCIG'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 provision of urban renewal services in Guangzhou ETDZ over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Guangzhou ETDZ 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 decrease in exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the Guangzhou ETDZ 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 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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