

CCXAP assigns first time long-term credit rating of BBB_g- to Binhai Industry & City Integration Industrial Development Co., Ltd., with stable outlook.

Hong Kong, 8 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Binhai Industry & City Integration Industrial Development Co., Ltd. (“BHIC” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of BHIC reflects (1) the Binhai County Government’s relatively strong capacity to provide support; and (2) the local government’s extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of the Binhai County Government’s capacity to provide reflects Binhai County’s ongoing economic and fiscal growth. However, its fiscal balance ratio is moderate.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in infrastructure construction and industrial development in Binhai County; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) large future investment needs from construction projects; and (2) moderate access to funding with limited financial flexibility.

Corporate Profile

Founded in 2020, BHIC is an important local infrastructure investment and financing company (“LIIFC”) in Binhai County. It is engaged in infrastructure construction and also aims to promote investment attraction such as replacing factories with low efficiency and providing standard factories in Binhai County. The Company has also expanded its business scope to engineering construction, property sales, and commodity sales. As of 30 September 2023, the Company was indirectly held by the Binhai County State-owned Assets Operation Service Center through Binhai County Urban Construction Development Co., Ltd. (“BHUC”), the largest LIIFC by total assets in Binhai County.

Rating Rationale

Credit Strengths

Important role in infrastructure construction and industrial development in Binhai County. BHIC is an important LIIFC in Binhai County and is a key subsidiary of BHUC. BHUC is the largest LIIFC by total assets and the most important one in Binhai County. BHIC is positioned to be responsible for infrastructure construction and industrial projects construction such as industrial upgrades and construction of standard factories in Binhai County.

Good track record of receiving government support. BHIC has a good track record of receiving support from the local government support and parent company, including repayment, capital injections and operation subsidies. For example, the Company continuously received subsidies from the local government with collectively amount of RMB101.8 million from 2020 to 2023Q3. We believe that given BHIC’s important position in Binhai County, the local

government will provide support such as financial subsidies to the Company in times of need over the next 12 to 18 months.

Credit Challenges

Large future investment needs from construction projects. BHIC's total debt increased significantly from RMB740 million in 2020 to RMB3.7 billion in the third quarter of 2023. This was mainly due to the consolidation of newly acquired subsidiaries. BHIC has a large investment plan for its infrastructure construction in the future. We expect the Company's debt burden to continue to rise over the next 12 to 18 months, given its large investment needs.

Moderate access to funding with limited financial flexibility. BHIC has moderate access to funding constrained by its small operating scale. It relies highly on indirect financing, particularly asset-pledge loans, without a track record in accessing the domestic debt market. It has moderate exposure to non-standard financing products with relatively high costs and short periods. The Company has relatively weak balance-sheet liquidity and requires refinancing for its operations. Nevertheless, BHIC's good relationship with large domestic banks and stand-by liquidity cushion can partially alleviate the liquidity risk. In addition, its parent company with stronger funding capacity is expected to provide support to access funding resources such as providing guarantees if needed.

Rating Outlook

The stable outlook on BHIC's rating reflects our expectation that the Binhai County Government's capacity to provide support will remain stable, and the Company will maintain its important position in Binhai County over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Binhai County Government's ability 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 significantly improved financing ability and improved importance in Binhai County.

What could downgrade the rating?

The rating could be downgraded if (1) Binhai County Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as material increase in risk exposure to commercial activities or increase in contingent risks.

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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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.

Kelly Liang

Credit Analyst

+852-2860 7127

kelly_liang@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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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