

## **CCXAP assigns BBB<sub>g</sub> to Zoucheng Urban Assets Holding Group Co., Ltd.'s existing CNY bonds**

Hong Kong, 22 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB<sub>g</sub> to the existing CNY440 million bonds issued by Zoucheng Urban Assets Holding Group Co., Ltd. (“ZCUA” or the “Company”) (BBB<sub>g</sub>/stable).

The bonds constitute direct, unsubordinated, unconditional, and unsecured obligations of ZCUA, 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 construction projects and replenishment of working capital.

### **Corporate Profile**

Founded in 2003, ZCUA is the largest local infrastructure investment and financing company (“LIIFC”) in Zoucheng City in terms of asset size. It is one of the key state-owned enterprises for Zoucheng City Government to implement strategic and economic development policies. The Company shoulders the responsibility for public infrastructure projects and welfare services, including infrastructure construction, resettlement housing construction, heat supply, and gas supply in local urban areas. It also engages in some commercial activities, including mining, trading, yeast production, property sales, as well as property leasing. As of 31 March 2023, ZCUA was directly and wholly owned by the Finance Bureau of Zoucheng City (the State-owned Assets Supervision and Administration Commission of Zoucheng City).

### **Rating Rationale**

The rating of the senior unsecured bonds is equal to ZCUA’s long-term credit rating. We believe that government support will flow through the Company given its important role in Zoucheng City, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB<sub>g</sub> long-term credit rating of ZCUA reflects Zoucheng City Government’s strong capacity to provide support and its extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the Zoucheng City Government’s capacity to support reflects Zoucheng City’s relatively good economic strength and fiscal metrics, as one of the Top 100 counties in China.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) status as the largest LIIFC by total assets in Zoucheng City; (2) important role in the infrastructure construction in Zoucheng City; and (3) good track record of government support. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) moderate debt management with a large maturity scale; and (3) medium contingent liabilities risk.

## Rating Outlook

The stable outlook on ZCUA's rating reflects our expectation that Zoucheng City Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in Zoucheng City will remain unchanged over the next 12 to 18 months.

### What could upgrade the rating?

The rating could be upgraded if (1) the Zoucheng City 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 improved debt management and significantly improved refinancing ability.

### What could downgrade the rating?

The rating could be downgraded if (1) the Zoucheng City 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, deteriorated refinancing 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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