

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub> to Hebei Bohai Guokong Urban Development Group Co., Ltd., with stable outlook.**

Hong Kong, 19 February 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub> to Hebei Bohai Guokong Urban Development Group Co., Ltd. (“BHGK” or the “Company”), with stable outlook.

The BBB<sub>g</sub> long-term credit rating of BHGK reflects Bohai New Area Huanghua 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 local government’s capacity to provide support reflects that Bohai New Area Huanghua City ranked first among all districts and counties in Cangzhou City in terms of GRP and fiscal income, with good fiscal growth and self-sufficiency ability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) status as the most important local state-owned enterprise in Bohai New Area Huanghua City; and (2) good track of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) high reliance on external financing and moderate access to funding.

### **Corporate Profile**

Established in 2017, BHGK is positioned as the most important local infrastructure investment and financing company (“LIIFC”) in Bohai New Area Huanghua City. In September 2022, the Finance and Financial Supervision and Administration Bureau of Cangzhou Bohai New Area Huanghua City (“CBNAHC Finance Bureau”) injected its 100% equity holdings of Huanghua City Investment Group Co., Ltd. (“HHCI”) and Cangzhou Bokong Construction Development Co., Ltd. (“CBCD”) into BHGK. BHGK is mainly responsible for the construction of municipal engineering, land development and consolidation, affordable housing development, ecological restoration, and comprehensive river management projects in Bohai New Area Huanghua City. In addition, it is also conducting commercial activities such as carrying out salt production and sales business and the construction and operation of self-operated projects. As of 30 September 2023, the CBNAHC Finance Bureau was the sole shareholder and ultimate controller of BHGK.

### **Rating Rationale**

#### **Credit Strengths**

**Positioned as the most important local state-owned enterprise in Bohai New Area Huanghua City.** In September 2022, the Bohai New Area Huanghua City Government reorganized BHGK and positioned it as the most important local state-owned enterprise in Bohai New Area Huanghua City undertaking municipal engineering, land development and consolidation, affordable housing development, ecological restoration, and river management projects in the region.

**Good track record of receiving government support.** As an important local state-owned enterprise in Bohai New Area Huanghua City, BHGK has a solid track record of receiving government support in various forms such as equity transfer, financial subsidies, and government payment for construction projects. Given the Company's strategic importance in Bohai New Area Huanghua City, we believe that the local government will provide BHGK with ongoing operational and financial support.

### Credit Challenges

**Medium exposure to commercial activities with large investment needs.** BHGK has also been engaged in diversified commercial activities, covering salt production and sales business, property leasing and management, heat and water supply in industrial parks, and it also conducts some self-operated projects. Based on our assessment, the Company's exposure to commercial business is medium with such assets accounting for around 30% of its total assets.

**Moderate access to funding and high reliance on external financing.** BHGK's debt level increase rapidly in recent years because of its construction projects. Considering the large investment of its projects, we expect the Company to rely on external financing to fulfill its investment needs and its total debt to increase in the next 12-18 months. BHGK's funding channel is moderate with high reliance on indirect financing.

### Rating Outlook

The stable outlook on BHGK's rating reflects our expectation that the local government's capacity to provide support will be stable; and the Company will maintain its key role in Bohai New Area Huanghua City 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 support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as reduced exposure of commercial activities and more diversified financing channels.

#### What could downgrade the rating?

The rating could be downgraded if (1) the local 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 reduced strategic importance, or a deterioration in its debt management.

### 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/](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/](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](http://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.

Kelly Liang

*Credit Analyst*

+852-2860 7127

[kelly\\_liang@ccxap.com](mailto:kelly_liang@ccxap.com)

Elle Hu

*Executive Director of Credit Ratings*

+852-2860 7120

[elle\\_hu@ccxap.com](mailto: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](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656