

CCXAP assigns BBB_g to Changxing Urban Construction Investment Group Co., Ltd.'s proposed USD bonds

Hong Kong, 22 April 2024 – 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 Changxing Urban Construction Investment Group Co., Ltd. (“CUCI” or the “Company”) (BBB_g/stable).

The bonds will constitute direct, unsubordinated, unconditional, and unsecured obligations of CUCI, 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 repaying the medium- to long-term foreign debts maturing within one year.

Corporate Profile

CUCI, formerly known as Changxing Urban Construction Co., Ltd., was established by Changxing County Urban Construction Development Corporation on 21 December 2007, which was controlled by the Changxing Municipal Government. CUCI is one of the key infrastructure investment and financing companies in Changxing County, Huzhou City. The Company mainly engages in trading, infrastructure construction, property development, primary land consolidation and city operations, including water supply, education, and car park operation.

As of 31 December 2023, the State-owned Assets Supervision and Administration Office of Changxing County People’s Government (“Changxing SASAO”) and Zhejiang Changxing Financial Holdings Group Co., Ltd. held 69.6% and 26.1% of the Company’s shares respectively, while Zhejiang Province Financial Development Co., Ltd. held the remaining 4.3%. Changxing SASAO is the ultimate controller of the Company.

Rating Rationale

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

The BBB_g long-term credit rating of CUCI reflects (1) Changxing County Government’s strong capacity to support, and (2) the local government’s extremely high willingness to support, based on our assessment of the Company’s characteristics. Our assessment of Changxing County Government’s capacity to support reflects its status as the 55th Top 100 Economic Counties in China in 2023, with good economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important role in undertaking public services in Changxing County; (2) sustainable public businesses given large projects in the pipeline; and (3) good track record of receiving government payments. However, the Company’s rating is strained by (1) moderate

commercial exposure; (2) medium contingent liability risk from external guarantees provided to other local SOEs; and (3) relatively high debt leverage and moderate asset liquidity.

Rating Outlook

The stable outlook on CUCI's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in the public welfare functions in Changxing County.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improvement in debt management or assets quality.

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 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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