

## **CCXAP affirms Changchun Urban Development & Investment Holdings (Group) Co., Ltd.'s long-term credit rating at A<sub>g</sub>+, with stable outlook.**

Hong Kong, 27 May 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Changchun Urban Development & Investment Holdings (Group) Co., Ltd.’s (“CCDC” or the “Company”) long-term credit rating at A<sub>g</sub>+, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating at A<sub>g</sub>+

The A<sub>g</sub>+ long-term credit rating of CCDC reflects (1) Changchun Municipal Government's very 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 Changchun Municipal Government's capacity to provide support reflects its vital role as the capital city of Jilin Province, with good economic fundamentals and fiscal quality while constrained by its moderate self-sufficiency ratio. As an important economic and political center in Jilin Province, it is more likely for Changchun City to get support from the provincial government.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant role as the largest local infrastructure investment and financing company (“LIIFC”) in Changchun City and Jilin Province; (2) good track record of receiving government's support; and (3) good access to capital. However, the Company's rating is constrained by its (1) weakened liquidity position; and (2) high debt level driven by ongoing project investments.

### **Corporate Profile**

CCDG was established by the State-owned Assets Supervision and Administration Commission of Changchun Municipal Government (“Changchun SASAC”) in September 2013. The Company is the largest LIIFC in terms of total assets in Changchun City and Jilin Province. It has been designated as the main entity in Changchun City for infrastructure construction, public housing development, and gas supply. CCDG also has diversified its business into commercial activities such as product sales, leasing, and financial services. As of 31 December 2023, Changchun SASAC held 100% of the Company's shares, which was its ultimate shareholder.

### **Rating Rationale**

#### **Credit Strengths**

**Dominant role as the largest LIIFC in Changchun City and Jilin Province.** CCDG's essential role in Changchun City is consolidated after Changchun SASAC transferred its ownership of some key local state-owned enterprises to the Company in 2014, acting as the largest and the most important LIIFC in Changchun City and Jilin Province. The Company has a dominant position in engineering construction in Changchun City, including urban infrastructure construction and welfare housing construction.

**Good track record of receiving government' support.** Changchun Municipal Government has a proven track record of providing support to CCDG. The Company received government subsidies of RMB7.0 billion in 2023, maintaining a relatively high level. We expect that, as the largest local state-owned enterprise in Changchun City, the Company's vital role in the development and operation of Changchun City is irreplaceable, and Changchun Municipal Government has an extremely high willingness to provide support to the Company.

**Good access to capital.** CCDG has built long-term relationships with the major banks in China, which provide sufficient facilities to maintain its continuous investment. As of 31 March 2023, the Company had total credit facilities of RMB222.4 billion, of which the unutilized credit facilities amounted to RMB58.5 billion. Moreover, the Company has good access to both onshore and offshore debt capital markets.

### Credit Challenges

**Weakened liquidity position.** CCDG's liquidity position has been weakened due to the increasing amount of short-term debt. The Company's short-term debt increased from RMB30.0 billion at the end of 2021 to RMB35.9 billion in 2023, while its cash/short-term debts ratio weakened from 0.6x to 0.3x. We believe that the Company's liquidity risk is manageable, as mitigated by its adequate standby liquidity buffer and good access to the bond markets.

**High debt level driven by ongoing project investments.** CCDG maintained high debt level driven by ongoing project investments. In 2023, CCDG's total debt was RMB111.9 billion, RMB2.1 billion lower than that in 2022. Thanks to the ongoing support from the local government, CCDG maintained moderate debt leverage. In 2023, the total capitalization ratio of CCDG was 40.8%. Considering the large capital expenditure needs of the Company's projects under construction or planning, we expect its debt leverage will moderately increase over the next 12-18 months.

### Rating Outlook

The stable outlook on CCDG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its dominant role in the regional development and provision of public services in Changchun City.

#### What could upgrade the rating?

The rating could be upgraded if (1) the Changchun Municipal 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 consistently increasing government payments that covers the Company's operational and debt-serving needs.

#### What could downgrade the rating?

The rating could be downgraded if (1) the Changchun Municipal 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 deteriorated debt management and financing ability, or materially 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**

CCXAP's Rating Symbols and Definitions are available on its website at:  
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