

CCXAP assigns A_g+ to Changchun Urban Development & Investment Holdings (Group) Co., Ltd.'s proposed USD bond

Hong Kong, 18 June 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A_g+ to the proposed USD bond to be issued by Chang Development International Limited (“CDIL”), a subsidiary wholly and indirectly owned by Changchun Urban Development & Investment Holdings (Group) Co., Ltd. (“CCDG” or the “Company”) (A_g+/stable), and unconditionally and irrevocably guaranteed by CCDG.

Under the unconditional and irrevocable guarantee, the proposed bond will constitute CCDG's direct, unconditional, unsubordinated and unsecured obligations, and shall at all times at least rank pari passu with all its other present and future unsecured and unsubordinated obligations. The Company intends to use the net proceeds for refinancing medium-term or long-term offshore indebtedness due within one year in accordance with the NDRC Certificate.

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

The senior unsecured debt rating of the bonds is equal to CCDG's long-term credit rating, as CCDG will provide unconditional and irrevocable guarantee to the bonds. We believe that the government support will flow through CCDG given its dominant role in the regional development and provision of public services in Changchun City, thereby mitigating any differences in expected loss that could result from structural subordination.

The A_g+ long-term credit rating of CCDG reflects Changchun Municipal Government's very 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 Changchun Municipal Government's capacity to support reflects its vital role as capital city in Jilin Province, with good economic fundamentals and fiscal quality, but 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 support; and (3) good access to capital. However, the rating is constrained by the Company's (1) weakened liquidity position; and (2) high debt level driven by ongoing project investments.

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: http://www.ccxap.com/en/rating_services/category/6/

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