

## Credit Opinion

10 June 2025

### Ratings

Senior Unsecured Debt Rating	A <sub>g</sub> <sup>+</sup>
Long-Term Credit Rating	A <sub>g</sub> <sup>+</sup>
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Changchun Urban Development & Investment Holdings (Group) Co., Ltd.

### Surveillance credit rating report

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

### Summary

The A<sub>g</sub><sup>+</sup> long-term credit rating of Changchun Urban Development & Investment Holdings (Group) Co., Ltd. ("CCDG" or the "Company") 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 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 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 funding.

However, the Company's rating is constrained by its (1) increasing exposure to commercial activities; (2) high debt level driven by ongoing project investments; and (3) weakened liquidity position;

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.

## Rating Drivers

- Dominant role as the largest LIIFC in Changchun City and Jilin Province
- Essential role in utility services
- Good track record of receiving government's support
- Medium exposure to commercial activities
- High debt level driven by ongoing project investments
- Weakened liquidity position but mitigated by good access to funding

## Rating Sensitivities

### 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.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	301.0	324.9	336.2	344.5
Total Equity (RMB billion)	145.7	162.2	153.6	152.7
Total Revenue (RMB billion)	6.7	10.6	12.5	2.5
Total Debt/Total Capital (%)	43.9	40.8	45.7	47.3

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

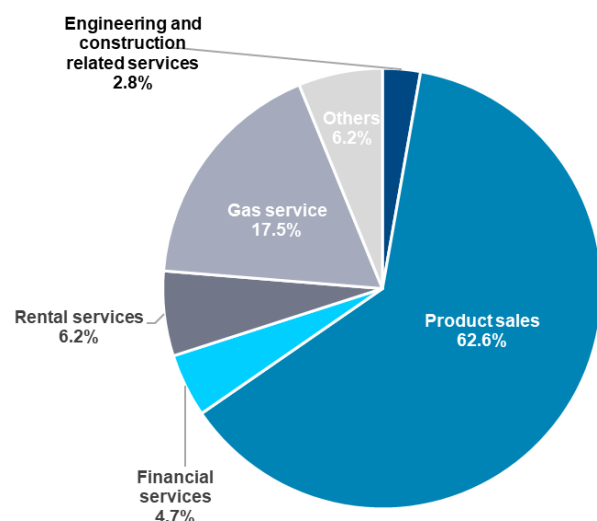
CCDG was established by the State-owned Assets Supervision and Administration Commission of Changchun Municipal Government ("Changchun SASAC") in September 2013. The Company is the largest LIIFC in terms of total assets in Changchun City and Jilin Province. It has been designated as the main entity in 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 March 2025, Changchun SASAC held 100% of the Company's shares, which was its ultimate shareholder.

## Exhibit 1. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

## Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Changchun Municipal Government has very strong capacity to provide support given 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 city in Jilin Province, it is more likely for Changchun City to get support from the provincial government.

Jilin Province has a developed industrial economy represented by established automobile manufacturing and petrochemical industries, and emerging pharmaceutical and electronic information industries. Changchun City, the provincial capital of Jilin Province, plays a vital role in the province's economy. It is one of the traditional industrial cities in China with three pillar industries, namely automobile manufacturing, agricultural product processing, and transportation equipment manufacturing. In 2024, Changchun City's gross regional product ("GRP") increased by 4.8% year-over-year ("YoY") to RMB763.2 billion, contributing more than 50% of Jilin Province's GRP.

Changchun City had a relatively healthy fiscal profile given its good tax revenue, but with moderate self-sufficiency. The average percentage of tax revenue to the general budgetary revenue over the past three years was 72.8%. Meanwhile, around 39.5% of Jilin Province's tax revenue comes from Changchun City in 2024.

However, in 2024, Changchun City's tax revenue dropped to RMB26.9 billion from RMB42.3 billion in 2023, primarily due to intensified competition in the automotive industry and sluggish performance of regional automobile sector. Its general budget revenue also experienced a modest decline to RMB42.8 billion in 2024, reflecting the impact of reduced tax revenue. Moreover, Changchun Municipal Government's self-sufficiency was moderate. Its average budgetary self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) was around 47.1% over the past three years. The government fund income of Changchun City decreased from RMB42.3 billion in 2023 to RMB33.3 billion in 2024, mainly due to the real estate market downturn and the revenue from state-owned land use right transfers fell short of expectations. As of 31 December 2024, Changchun City reported government debt of RMB315.8 billion, accounting for 41.4% of its GRP, demonstrating certain debt pressure.

### Exhibit 3. Key economic and fiscal indicators of Changchun City

	2022FY	2023FY	2024FY
GRP (RMB billion)	674.5	700.2	763.2
GRP Growth (%)	-4.5	6.6	4.8
General Budgetary Revenue (RMB billion)	46.0	57.7	42.8
General Budgetary Expenditure (RMB billion)	97.7	107.5	105.6
Local Government Debt (RMB billion)	232.0	286.3	315.8

Source: Changchun Municipal Government, CCXAP research

### Government Willingness to Provide Support

#### 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. Since 2017, the Company has undertaken a number of major construction projects in Changchun City, such as urban renewal, automobile industrial park and smart city industrial base.

CCDG primarily engages in the urban construction business with a project management model. The government will repurchase the projects within five to eight years after the projects are completed. The Company is commissioned by the Changchun Municipal Government to act as the main entity in undertaking various infrastructure construction and land development projects in Changchun City, involving the construction of municipal roads, transportation hubs, bridges, and stadiums. As of 31 March 2025, eight projects had been completed and all repayments had been substantially collected. Meanwhile, there were 8 projects under construction with a total investment amount of RMB10.9 billion and uninvested amount of RMB377.0 million.

The Company also adopts the PPP model for urban renewal projects and it is responsible for the financing, investing, development, operation, and maintenance of the project. As of 31 March 2025, the urban renewal project is the key construction project under PPP model, with an invested amount of RMB17.3 billion. This project has obtained China Development Bank project loan with credit facility of RMB20.0 billion and interest rate of 3.85%, with utilized amount of RMB13.0 billion. This project has been completed and no additional investment would be made in the future.

Moreover, CCDG participates in welfare housing construction under the government purchase model, agency construction model and self-sale model. Under government purchase model, the government will pay the

Company 30% of the project's construction cost during the development period and will pay the rest of the construction cost with a 10% total cost mark-up in the next 12 years after project completion. Under the agency construction model, the Changchun Municipal Government signed an entrusted construction agreement with the Company. Upon project completion, the government will repurchase the project and transfer it to relevant entities for subsequent leasing or sales operations. Under self-sale model, the Company is responsible to develop housing projects on the land resources that are allocated by the Changchun Municipal Government and the Company directly sells the projects to residents at the selling prices specified by the local government.

Cash collection from the completed construction projects under the government purchase and agency construction models is lagging. As of 31 March 2025, the Company had 4 major welfare housing projects under government purchase and agency construction models, with gross investment of RMB9.2 billion and the total cash collection was RMB3.6 billion. Some projects received special loans from China Development Bank, resulting in lower cost of funding costs. Therefore, the low cost of capital can to some extent alleviate the funding pressure brought about by the slow return of project investment.

### **Essential role in utility services**

The Company leases its drainage pipelines in Changchun City to the Changchun Municipal Government, after entering into long-term lease agreements. As of 31 March 2025, it had the leasable amount of RMB24.0 billion and these state-owned assets were transferred by the local government. For the past three years, the annual income had stabilized at around RMB4.0 billion, which was recorded as non-operating subsidies and other incomes in its income statement, supporting the Company's ongoing development.

Due to the adjustments in government planning, the water supply and sewage treatment segment of CCDG was transferred to Changchun SASAC in February 2024. The Company is no longer engaged in water supply and sewage treatment business. Changchun SASAC transferred 39.83% of the shares of Changchun Changgang Gas Co., Ltd. ("Changgang Gas") to CCDG in compensation. The Company will directly hold 51% of the shares of Changgang Gas after the transfer. Changgang Gas is an important gas supplier in Changchun City, with a market share of about 50% in Changchun City. Changgang Gas was the major shareholder of the listed company Changchun Gas Co., Ltd. ("Changchun Gas", stock code: 600333.SH), holding 58.75% of its shares. Changchun Gas's main business is urban pipeline gas operation, and it conducts urban pipeline franchise business in 8 cities and 1 national development zone. In 2024, Changgang Gas's total revenue and gross profit were RMB2.2 billion and RMB378.0 million, respectively.

Changgang Gas primarily supplies gas to industrial and residential customers. In recent years, gas selling prices have remained relatively stable while the number of both industrial and residential consumers has increased annually. The gas business revenue has shown consistent YoY growth, and post-consolidation, this business is expected to deliver stable ongoing income and cash flows for the Company. As of 31 March 2025, the Company has a pipeline network project under planning, with a total investment of around RMB64.0 million. It is expected to add 80 kilometers of new pipeline network upon completion.

### **Good track record of receiving government's support**

Changchun Municipal Government has a proven track record of providing support to CCDG such as equity transfer, asset injection, financial subsidies, and government payment for construction projects. In 2023, the local government transferred 2 reservoirs with a total book value of RMB13.1 billion to CCDG, which enhances its capital strength. The 2 reservoirs would generate revenue through sales of raw water. Moreover, the Changchun SASAC transferred the equity shares of Changgang Gas to the Company in 2024, further increasing

CCDG's asset quality. In terms of project payments, the Company has received totaling RMB16.0 billion payments from the local government for infrastructure and welfare housing construction projects as of 31 March 2025. In addition, the Company received financial and operating subsidies totaling RMB7.2 billion from the local government in 2024.

As the largest local state-owned enterprise in Changchun City, we expect the Company to play a vital role in its development and operation, and the Changchun Municipal Government will provide support to the Company when necessary. However, decreasing government fund income of Changchun City due to the downturn of the real estate market may adversely affect the government payments.

### **Increasing exposure to commercial activities**

Apart from public businesses, CCDG has diversified its business into commercial activities such as product sales, leasing, property development and financial services. Based on the Company's business positioning strategy, the Company's commercial assets have increased in recent years. The assets in commercial activities accounted for around 20% of the total assets as of end-2024. These commercial activities can generate supplement income for CCDG, but may be more sensitive to market fluctuations.

CCDG engages in the production and sales of concrete, as well as sales of other building materials including steel. This business is the Company's largest source of income source, accounting for over 60% of total revenue in 2024. In 2024, product sales revenue increased by 16.0% YoY to RMB7.9 billion, while this figure has increased by 151.0% YoY in 2023. This income source has shown relatively high volatility and is highly dependent on local construction projects.

CCDG also conducts general rental business including building, car park, farm, shops in railway station and airport, recording as operating revenue of RMB781.0 million in 2024. Additionally, as of 31 March 2025, the Company had two self-operated infrastructure projects, with gross investment of RMB8.8 billion and uninvested amount of RMB860.0 billion. These two projects are the Changchun Automobile Economic Development Zone Prosperity Intelligent Manufacturing Industrial Park Project and the Changchun Jingyue Intelligent City Industry Base Project, which are expected to provide the Company with recurring rental income after completion.

CCDG's financial service business involves the provision of financial services to agricultural and small and medium-sized enterprises, providing guarantees, financial leasing, securities services, commercial factoring, and equity investment. However, the Company faces higher operational risk exposure to private-owned enterprises in this business. Moreover, the Company plans to acquire 20.81% of the shares of Northeast Securities Co., Ltd. ("Northeast Securities") from Jilin Yatai (Group) Co., Ltd., which is the related party of CCDG. Northeast Securities is one of the national comprehensive listed securities firms and has strong regional competitive advantages in Jilin Province. In 2024, the total asset and the net income of Northeast Securities was RMB89.0 billion and RMB927.9 million, respectively. After successful acquisition, CCDG will be expected to become the largest shareholder of Northeast Securities. In our views, acquisition of Northeast Securities would enlarge CCDG's business scope and increase its revenue, but also bring higher operation risk and investment risk due to the fluctuations of securities market and changes in regulatory policy.

### **High debt level driven by ongoing project investments**

CCDG maintained a high debt level driven by ongoing project investments. In 2024, CCDG's total debt was RMB129.3 billion, RMB17.4 billion higher than that in 2023. Thanks to the ongoing support from the local government, CCDG maintained moderate debt leverage. In 2024, the total capitalization ratio of CCDG was

45.7%. The Company also maintained a balanced debt structure. Bank loans and bond issuance accounted for the majority of its total debt and there was also minor exposure to non-standard products. In addition, 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.

### **Weakened liquidity position but mitigated by good access to funding**

CCDG's liquidity position has been weakened due to the increasing amount of short-term debt. The Company's short-term debt increased from RMB35.9 billion at the end of 2023 to RMB51.0 billion in 2024, while its cash/short-term debts ratio weakened from 0.4x to 0.2x. 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.

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 2025, the Company had total credit facilities of RMB144.6 billion, of which the unutilized credit facilities amounted to RMB34.7 billion. Moreover, the Company has good access to both onshore and offshore debt capital markets. From April 2024 to May 2025, the Company raised RMB8.7 billion and USD480.0 million through the onshore and offshore debt markets, respectively. Taking into account the strong support from the local government as well as the Company's liquidity buffer, we believe that the Company still has a relatively low liquidity risk over the next 12 to 18 months.

## **ESG Considerations**

CCDG is exposed to environmental risks because it has undertaken infrastructure construction projects and public services. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close supervision during the construction phase. The Company is required to comply with various environmental, as well as health and safety, laws and regulations promulgated by the PRC government. CCDG successfully issued a green bond in the offshore market on 14 June 2022. The Company developed Green Finance Framework and received NDRC Certificate. Its Green Finance Framework is also in compliance with the Green Bond Principle 2021 of the International Capital Market Association.

CCDG bears social risks as it plays a crucial role in the social welfare of the residents in Changchun City by providing public services, including water supply, sewage treatment, affordable housing, and building and leasing of public infrastructures. As the largest state-owned entity in Changchun City, the Company has also launched multiple measures to ensure the provision of utility and the daily needs of the residents during the pandemic control period.

In terms of corporate governance, CCDG has established a sound and effective internal control framework and has also set up a corporate governance structure, with the shareholders, directors, supervisors, senior management team, and internal departments performing their duties collectively and efficiently. The Company is subject to oversight and reporting requirements to the Changchun SASAC, which has full control and supervision of the Company's operation.

## **Structural Considerations**

CCDG's senior unsecured debt rating is in line with its long-term credit rating. We believe that government support will flow through the Company given its dominant role in the regional development and provision of public services in Changchun City, thereby mitigating any differences in an expected loss that could result from structural subordination.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).



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