

## **CCXAP assigns A<sub>g</sub>- to Weifang Urban Construction and Development Investment Group Co., Ltd.'s proposed USD bond**

Hong Kong, 16 August 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A<sub>g</sub>- to the proposed USD bond to be issued by Weifang Urban Construction and Development Investment Group Co., Ltd. (“WUCD” or the “Company”) (A<sub>g</sub>-/stable).

The bonds constitute direct, unsubordinated, unconditional, and unsecured obligations of WUCD, 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 proceeds for repayment of its offshore indebtedness.

### **Corporate Profile**

Established in May 2013, WUCD is the important entity in the investment and financing of infrastructure construction and the operation and management of state-owned assets in Weifang City and plays a strong strategic policy role in the regional development of Weifang City. WUCD is responsible for major public policy projects, including infrastructure construction, land transfer, and water and heat supply. It also engages in commercial activities such as water conservatory construction, trading, financial investment, financial services, as well as leasing. As of 31 March 2024, the State-owned Assets Supervision and Administration Commission of Weifang Municipal Government (“Weifang SASAC”) directly held 90% ownership of WUCD and the remaining shares were held by Shandong Caixin asset operation Co., Ltd. The Weifang Municipal Government was the actual controller of WUCD.

### **Rating Rationale**

The rating of the senior unsecured bonds is equivalent to WUCD’s long-term credit rating. We believe that government support will flow through the Company given its strategic importance position in regional development of Weifang City, thereby mitigating any differences in an expected loss that could result from structural subordination.

The A<sub>g</sub>- long-term credit rating of WUCD reflects Weifang Municipal Government’s very strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Weifang Municipal Government’s capacity to support reflects Weifang City’s status as the fourth largest city in Shandong Province by gross regional product (“GRP”) and general budgetary revenue, with good economic and industrial development.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strategic policy role in the regional development of Weifang City, especially in infrastructure construction and utility services; and (2) solid track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) high debt burden and relatively high recovery

risk for its account receivables; and (3) high exposure to contingent liability risk due to large external guarantees to local state-owned enterprises (“SOEs”).

### **Rating Outlook**

The stable outlook on WUCD’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company will maintain its strategic importance position in Weifang City over the next 12-18 months.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) Weifang Municipal Government’s capacity to provide support strengthens; or (2) the Company’s characteristics change in a way that strengthens the local government’s willingness to provide support, such as improved debt management or lower exposure to contingent liability risk.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) Weifang 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 reduced strategic significance or weakened funding ability.

### **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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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.

Vincent Tong

*Assistant Director of Credit Ratings*

+852-2860 7125

[vincent\\_tong@ccxap.com](mailto:vincent_tong@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



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**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