

CCXAP assigns BBB_g+ to Hebei Shunde Investment Group Co., Ltd.'s proposed USD bonds

Hong Kong, 25 September 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 Hebei Shunde Investment Group Co., Ltd. (“HBSD” or the “Company”) (BBB_g+ / stable).

The bonds constitute direct, unsubordinated, unconditional, and unsecured obligations of HBSD, 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 refinancing its offshore indebtedness.

Corporate Profile

Established in 2009, HBSD is one of the major local infrastructure investment and financing companies (“LIIFCs”) in Xingtai City, responsible for urban development and construction, as well as the operation of state-owned assets in Xingtai City. The Company is primarily engaged in infrastructure construction and public utility services such as water supply, sewage treatment and heat supply. It also diversified its businesses into other commercial activities including trading, commercial property development and leasing, and fund investments. As of 30 June 2024, the Company was fully and directly owned by the State-owned Assets Supervision and Administration Commission of Xingtai Municipal Government (“Xingtai SASAC”).

Rating Rationale

The rating of the senior unsecured bonds is equivalent to HBSD’s long-term credit rating. We believe that government support will flow through the Company given its important position in the urban development and public services of Xingtai City, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g+ long-term credit rating of HBSD reflects Xingtai Municipal Government’s very strong capacity and very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Xingtai Municipal Government’s capacity to support reflects Xingtai City’s status as one of the prefectural-level cities in Hebei Province, with relatively good economic and industrial foundations.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in the urban development and public services of Xingtai City; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) high financial leverage and increasing debt level driven by its large investment needs; and (3) moderate asset liquidity.

Rating Outlook

The stable outlook on HBSD's rating reflects our expectation that the local government's capacity to provide support will be stable, and that the Company will maintain its important position in the urban development and public services of Xingtai City in the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Xingtai Municipal Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improved debt management and asset liquidity or decreased exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Xingtai Municipal 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 reduced regional significance or deteriorated refinancing 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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