

CCXAP assigns A₉ to Yiwu State-owned Capital Operation Co., Ltd.'s proposed USD bonds

Hong Kong, 7 January 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of A₉ to the proposed USD bonds to be issued by Chouzhou International Investment Limited, an indirect wholly-owned subsidiary of Yiwu State-owned Capital Operation Co., Ltd. (“YSCO” or the “Company”, A₉/stable). The bonds will be unconditionally and irrevocably guaranteed by YSCO.

The bonds will constitute direct, unconditional, unsubordinated, and unsecured obligations of YSCO, 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 of existing offshore debt in accordance with the Company's Sustainable Finance Framework.

Corporate Profile

Established in 2013, YSCO is the most important Local Infrastructure Investment and Financing Company in Yiwu City, undertaking public service business including infrastructure construction, affordable housing projects, as well as transportation and utility services. In addition, the Company also engages in commercial business such as property development, commodity trading, and market operation business. As of 30 September 2024, it was ultimately controlled by Yiwu State-owned Asset Supervision and Administration Office, with a registered capital of around RMB2.0 billion.

Rating Rationale

The senior unsecured debt rating of the bonds is equivalent to YSCO's long-term credit rating. We believe that the government support will flow through the Company given the Company's leading role in infrastructure construction and state-owned asset operation in Yiwu City, thereby mitigating any differences in expected loss that could result from structural subordination.

The A₉ long-term credit rating of YSCO reflects Yiwu City Government's very strong capacity to provide support, and extremely high willingness to provide support to the Company based on our assessment of the Company's characteristics. Our assessment of Yiwu City Government's capacity to provide support reflects its position as the world's largest small commodity export base with ongoing economic growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) leading role in the infrastructure construction and state-owned asset operation in Yiwu City; (2) dominant role in providing essential public services with high sustainability; (3) good track record of receiving government payments; and (4) strong access to funding from commercial banks and bond markets. However, the rating is constrained by the Company's (1) large capital expenditure pressure and increasing debt burden; (2) operating risk arising from medium commercial business exposure; and (3) medium contingent liability risk associated with external guarantees.

Rating Outlook

The stable outlook on YSCO's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and that the Company will maintain its leading role in the infrastructure construction and state-owned asset operation in Yiwu City.

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 improvement in debt management and asset quality.

What could downgrade the rating?

The rating could be downgraded if (1) the local 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 decrease in its strategic significance; decrease in government payments; or increase in 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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