CCXAP assigns A_g+ to Beijing Capital Group Co., Ltd.'s proposed USD bonds issuing under keepwell structure

Hong Kong, 26 March 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a senior unsecured debt rating of A_g+ to the proposed USD bonds to be issued by Central Plaza Development Ltd. (the "Issuer"), and unconditionally and irrevocably guaranteed by BCG Chinastar International Investment Limited ("Chinastar").

In addition, the proposed bonds will be provided with a keepwell deed by Beijing Capital Group Co., Ltd. ("BCG" or the "Company", A_g+/stable). Chinastar is BCG's sole directly and wholly owned offshore financing platform and it has a high credit quality given its close overall linkages with BCG. The Issuer is an indirect wholly-owned subsidiary of BCG.

The bonds constitute direct, general, unconditional, unsubordinated, and unsecured obligations of the Issuer and Chinastar, which shall at all times rank pari passu with all their other present and future unsecured and unsubordinated obligations. The net proceeds of the bonds will be used for the Issuer's refinancing of the mid-term to long-term offshore indebtedness due within one year, including, but not limited to, for funding the Concurrent Tender Offer.

Corporate Profile

Established in 1994, BCG is a leading state-owned conglomerate in Beijing. It is wholly-owned owned by the Beijing Municipal Government and directly under the supervision of the State-owned Assets Supervision and Administration Commission of the Beijing Municipality ("Beijing SASAC"). The Company aims to promote the economic development and urban management of Beijing to establish it as a "world class city". It has formed "3+1" major business segments, covering environmental protection, city development, financial services, and cultural and creative industries. As of 31 December 2023, BCG reported total assets of RMB400.9 billion.

Rating Rationale

The rating of the bonds is referencing to BCG's rating. We expect BCG has strong willingness to support the Issuer and Chinastar in meeting their debt obligations. A default by the Issuer and Chinastar would have significant negative impact on BCG's reputation and future offshore funding activities, which underpins BCG's intention to support the repayment of the bonds. However, there could be some difficulties in enforcing the keepwell deed, which is not as strong as the guarantee. Furthermore, BCG's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given BCG's strategic role for the Beijing Municipal Government, thereby mitigating any differences in an expected loss that could result from structural subordination. We also consider that the Company's diversified business profile (with cash flow generation across its operating subsidiaries) can help mitigate structural subordination risk.

The A_g+ long-term credit rating of BCG is underpinned by the Company's (1) diversified business profile that tempers industry risk and provides some synergies; (2) stable and recurring cash flow from the water and infrastructure businesses; and (3) strong financing ability with various funding channels. However, the rating is constrained by the Company's (1) real estate business that suffers from the lingering weak property market; and (2) modest financial metrics with high debt leverage.

The rating also reflects a high likelihood of government support from the Beijing Municipal Government, when needed, which is based on the Company's (1) direct ownership and ultimate control by the Beijing Municipal Government; (2) strong strategic role in China's development plan for the Beijing-Tianjin-Hebei region; (3) solid track record of receiving ongoing government support, including subsidies, capital injections and asset transfers; and (4) high reputation risk to the government.

Rating Outlook

The stable outlook on BCG's rating reflects our expectation that the Company will continue to receive solid support from the Beijing Municipal Government. We also expect the Company to maintain a stable operation and financial profile over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support from the Beijing Municipal Government increases such as higher policy roles or greater strategic importance; and (2) the Company's standalone credit profile improves, such as materially improved financial metrics and demonstrated a stronger recurring cash flow from its business segments and investments.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases such as weakened strategic importance and reputation influence to the Beijing Municipal Government; or (2) the Company's standalone credit profile worsens, such as hindered access to funding and eroded liquidity profile.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Investment Holding Companies (December 2016).

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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