

## **CCXAP affirms Changge Urban Construction Investment Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

Hong Kong, 11 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Changge Urban Construction Investment Co., Ltd.’s (“CUCI” or the “Company”) long-term credit rating at BBB<sub>g</sub>-, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating (guaranteed) at A<sub>g</sub>+. The bonds (ISIN: XS3073641071, HK0001110987, HK0001064549) are unconditionally and irrevocably guaranteed by Henan Zhongyu Credit Promotion Co., Ltd. (“HZCP”) (A<sub>g</sub>+/stable).

The BBB<sub>g</sub>- long-term credit rating of CUCI reflects Changge City Government’s (1) strong capacity to provide support, and (2) very high willingness to provide support based on our assessment of the Company’s characteristics. Changge City Government’s capacity to support reflects Changge City’s good economic fundamentals ranking top among all the counties or districts in Xuchang City with moderate fiscal metrics.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important role in urban construction of Changge City; and (2) track record of receiving government support. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) medium exposure to contingent liability risk.

### **Corporate Profile**

Established in 2016, CUCI is one of the major local infrastructure investment and financing companies (“LIIFCs”) in Changge City and is mainly responsible for urban construction in Changge City. CUCI is the second largest LIIFC in terms of total assets in Changge City. The Company has also diversified into other commercial business, including self-operated construction and leasing. As of 30 June 2025, the State-owned Assets Administration Commission of Changge City directly owned 100% shares of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**Important role in urban construction of Changge City.** CUCI is one of the major LIIFCs in Changge City and is mainly responsible for urban construction in Changge City. As the second large LIIFC by total assets, the Company plays an important role in social and economic development of Changge City, which is close to the development blueprint of local government.

**Track record of receiving government support.** CUCI has track record of receiving support from the local government in the form of project payments and equity transfer to support its investments and the operation of its businesses. Considering the Company’s important role in the development of Changge City, we expect CUCI will continue receiving support from the local government.

## Credit Challenges

**Moderate exposure to commercial activities.** CUCI participates in different commercial activities, mainly including self-operated project and property development. CUCI's exposure to commercial activities is relatively low, accounting for around 10% of total assets. However, the Company has relatively large-scale of self-operated projects under construction, which may bring more capital expenditure pressure to the Company in the future, thereby increasing the Company's exposure to commercial activities.

**Increasing debt burden and moderate asset liquidity.** CUCI's total debt continuously increased over the past three years due to the ongoing investment for construction projects. Meanwhile, the Company also faces certain short-term debt pressure. Considering the ongoing investment for construction projects, we expect the Company would continue to rely on external financings such as bank loans, and the total debt would further increase over the next 12-18 months.

**Medium exposure to contingent liability risk.** CUCI has moderate exposure to contingent risk resulting from relatively large external guarantees. Majority of its external guarantees were concentrated in the local state-owned enterprises ("SOE"). The practice of mutual guarantees among local SOEs is common in Changge City. However, in case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

## Rating Outlook

The stable outlook on CUCI's rating reflects our expectation that the Changge City Government's capacity to provide support will be stable, and the Company's characteristics such as its important position in social and economic development of Changge City will remain unchanged over the next 12 to 18 months.

### What could upgrade the rating?

The rating could be upgraded if (1) Changge City Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as improved debt management or increased financing ability.

### What could downgrade the rating?

The rating could be downgraded if (1) Changge City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decreased regional significance or increased exposure to commercial activities.

## Rating Methodology

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

The methodology used in HZCP's rating is the Rating Methodology for [Financial Guarantors](#)



[\(January 2022\).](#)

## **Regulatory Disclosures**

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