

CCXAP assigns first-time long-term credit rating of A₉- to Zhejiang South Taihu City Development Holding Group Co., Ltd., with stable outlook.

Hong Kong, 18 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of A₉- to Zhejiang South Taihu City Development Holding Group Co., Ltd. (“STCD” or the “Company”), with stable outlook.

The A₉- long-term credit rating of Zhejiang South Taihu City Development Holding Group Co., Ltd. (“STCD” or the “Company”) reflects (1) Huzhou Municipal Government’s very strong capacity to provide support, and (2) the local government’s very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Huzhou Municipal Government’s capacity to provide support reflects Huzhou City’s geographic advantage, with ongoing economic growth and good fiscal stability. However, the capacity to provide support is constrained by its relatively weak debt profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strong market position in infrastructure construction of South Taihu New District (“STND”); (2) good access to funding and; (3) good track record of receiving ongoing government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) fast debt growth and moderate asset liquidity and (3) medium contingent risks resulting from external guarantees.

Corporate Profile

Reorganized and merged with Zhejiang South Taihu Holdings Group Co., Ltd. (“STHG”) in December 2022, STCD is the most important municipal infrastructure construction and development entity in STND. The Company is mainly responsible for infrastructure construction and cultural tourism projects. It has also engaged in other commercial activities such as property development, trading, and self-operated projects. As of 30 June 2023, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Huzhou Municipal Government (“Huzhou SASAC”).

Rating Rationale

Credit Strengths

Strong market position in infrastructure construction of STND. As the most important infrastructure construction and district development entity in STND, the Company is authorized to undertake construction projects including infrastructure, as well as land acquisition and demolition projects in the STND. The Company is also responsible for area development, and the construction and operation of cultural tourism project in STND. With the ongoing development needs of STND, the Company has sufficient projects with strong business sustainability.

Good track record of receiving ongoing government payments. As the most important infrastructure construction entity in STND, the Company has a proven track record of receiving

government support in the form of capital injection, asset transfers, and financial subsidies. Since 2019, the local government has transferred large amount of tourism assets and equity interests of state-owned enterprises such as STHG to the Company. Given its essential position in STND, we expect the local government will continue to support the Company in the future.

Good access to funding. STCD has good access to funding from banks and bond market. The Company has sufficient standby liquidity. The Company also has access to debt capital markets. From 2020 to October 2023, the Company has raised RMB2.7 billion on the onshore bond market through its subsidiary STHG.

Credit Challenges

Medium exposure to commercial activities. STCD's commercial businesses mainly include commercial property development, and trading business. We consider the Company's exposure to commercial businesses to be medium, accounting for 15% to 20% of its total assets.

Fast debt growth and moderate asset liquidity. STCD has increasing debt leverage along with the expansion in business scale and continuous investment in construction projects. The Company's asset liquidity is moderate as there were large amount of inventories with weak liquidity.

Rating Outlook

The stable outlook on STCD's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its most important position in infrastructure construction projects of STND.

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 leverage or assets 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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