

**Lianhe Ratings Global Limited has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Changshan County City Investment Group Co., Ltd.**

HONG KONG, 20 January 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Changshan County City Investment Group Co., Ltd. (“CCCI” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Changshan County, Quzhou City (“Changshan government”) would provide strong support to CCCI if needed, in light of its full ownership of CCCI, CCCI’s strategic importance as the important state-owned entity for infrastructure construction and land development, as well as settlement housing construction in Changshan County (“Changshan”), and the linkage between the Changshan government and CCCI, including control and supervision over the management, strategic alignment and ongoing operational and financial support. In addition, the Changshan government may face significant negative impact on its reputation, business and financing activities if CCCI encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that CCCI’s strategic importance would remain intact while the Changshan government will continue to ensure CCCI’s stable operation.

**Key Rating Rationales**

***Changshan Government’s Ownership and Supervision:*** The Changshan government indirectly holds the full ownership of CCCI through Changshan County State-owned Assets Investment and Operation Co., Ltd. (“CCSAI”), via the The Finance Bureau of Changshan County (“Changshan FB”). The Changshan government, as the ultimate controller, supervises the company, including control and supervision over the management, decisions on strategic development and investment and financing plans etc. In addition, the Changshan government has assessment mechanism over the company and it will appoint auditor to supervise the operating performance and financials on a periodic basis.

***Strategic Importance to Changshan and Strategic Alignment:*** As an important state-owned entity in Changshan, CCCI is the key infrastructure construction entity in the area, mainly responsible for the construction of municipal projects, public service projects, as well as transportation and water conservancy related projects in Changshan and surrounding areas with franchise advantages. CCCI is also responsible for settlement house construction and land consolidation business in the region, so as to promote the economic and social development and enhance the comprehensive service capability of Changshan. CCCI’s business operation and development have been aligned with the government’s development plans.

**Ongoing Government Support:** CCCI received support from the Changshan government, including capital injection, operation subsidy, special debt and policy support. Meanwhile, as the important state-owned entity for infrastructure investment, construction and operation in Changshan, CCCI has certain advantages in project and resource acquisition. The Changshan government also continued to inject capital, as well as special debt as project funds, to the company, while CCCI also enjoyed a variety of policy support. CCCI had received a total subsidy amount of c. RMB166 million from 2019 to the first nine months of 2022. We believe CCCI is likely going to receive government support in the form of operational and/or financial subsidies, to support its daily business operation and related infrastructure investment and construction.

**CCCI's Financial Matrix and Liquidity Position:** CCCI's total assets showed a significant growth trend in the past years and reached RMB18.3 billion at end-June 2022, mainly due to the increase of cash at bank and on hand and inventories. CCCI's financial leverage (total liabilities to assets) was 60.5% and its adjusted debt increased to c. RMB6.6 billion at end-June 2022. The liquidity of CCCI was moderate. CCCI had a cash balance and unused credit facilities of c. RMB2.9 billion and RMB5.5 billion at end-September 2022, compared with its debt due within one year of c. RMB430 million. Besides, CCCI has access to various financing channels, including bank loans and bond issuance, to support its debt repayment and business operations.

**Economy and Fiscal Strength of Changshan:** Changshan, as one of the counties under the jurisdiction of Quzhou, is located in southwest of Zhejiang Province. Changshan's economy maintained steady growth, with GDP reaching RMB18.8 billion in 2021, up 9.8% year-on-year. The GDP was mainly fueled by the secondary and tertiary industries, which accounted for 45.5% and 50.1% of total GDP in 2021.

The aggregate fiscal revenue of the Changshan government was mainly derived from the budgetary revenue and government fund. The Changshan government's budgetary revenue grew steadily and increased to RMB1.5 billion in 2021, where its tax revenue accounted for more than 85% of its budgetary revenue in the past two years. Besides, Changshan's government fund income also grew steadily due to the increase in revenue from the transfer of state-owned land use rights and recognized RMB4.4 billion in 2021. The fiscal self-sufficiency rate of the Changshan government was insufficient, thus it continued to receive subsidies from higher governments. At end-2021, the total outstanding amount of government debt increased to c. RMB7.3 billion from c. RMB4.6 billion at end-2019, mainly due to the increase in special purpose bonds. The debt ratio (i.e. total government debt divided by aggregate revenue) of the Changshan government was c. 83% at end-2021, down from c. 91.1% at end-2019.

## Rating Sensitivities

We would consider downgrading CCCI's rating if (1) there is perceived weakening in support from the Changshan government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Changshan government's ownership of CCCI, or (3) there is a downgrade in our internal credit assessment on the Changshan government.

We would consider upgrading CCCI's rating if (1) there is strengthened support from the Changshan government, or (2) there is an upgrade in our internal credit assessment on the Changshan government.

## About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

## Rating Methodology

The principal methodology used in this CCCI's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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