Wuhan Chedu Corporation Ltd.'s 2019-1 Medium-term Notes

Ratings:
Long-term credit rating of the issuer: AA+
Credit rating of the medium-term notes (MTN): AA+
Rating outlook: Stable

Scale of the MTN: CNY 1 billion
Maturity of this issue: No more than 5 years
Debt servicing method: Annual interest payment, repayment of principal at maturity
Purpose of this offering: Repayment of interest-bearing debts
Date of rating: December 28, 2018

Financial data

Item	2015	2016	2017	Sept 2018
Cash assets (CNY 100mn)	41.14	25.04	43.26	43.73
Total assets (CNY 100mn)	193.58	196.27	321.34	358.52
Owners' equity (CNY 100mn)	124.15	139.48	156.20	160.12
Short-term liabilities (CNY 100mn)	9.98	5.34	7.19	8.09
Long-term liabilities (CNY 100mn)	45.20	33.67	107.60	140.87
Total liabilities (CNY 100mn)	55.19	39.01	114.80	148.95
Revenue (CNY 100mn)	44.83	44.07	43.00	20.33
Total profit (CNY 100mn)	4.64	4.68	3.57	0.87
EBITDA (CNY 100mn)	9.33	9.78	9.46	--
Net cash flow from operating activities (CNY 100mn)	-3.89	-12.73	-51.04	-12.96
Operating profit margin (%)	5.88	4.63	5.75	7.11
ROE (%)	3.43	3.13	2.14	--
Debt-to-asset ratio (%)	35.87	28.93	51.39	55.34
Total debt capitalization ratio (%)	30.77	21.86	42.36	48.19
Current ratio (%)	681.57	724.71	537.90	766.67
Operating cash flow-to-current liabilities ratio (%)	-16.13	-55.40	-97.08	--
Total liabilities/EBITDA (x)	5.91	3.99	12.14	--

Note: 1. Financial data for the third quarter of 2018 has not been audited; 2. Long-term liabilities include financing lease in long-term payables, borrowings from non-banking financial institutions and financing of usufruct in other non-current liabilities; 3. According to the data provided by the Company, Lianhe Ratings adjusted long-term loans and long-term payables due within one year to short-term liabilities in the third-quarter financial report.

Analysts
GU Zhebin, HAO Yizhe, XUE Linxia
Email: lianhe@lhratings.com
Tel.: 010-85679696
Fax: 010-85679228
Address: 17/F PICC Tower, No. 2 Jianguomenwai Avenue, Chaoyang District, Beijing (100022)
Website: www.lhratings.com

Rationale

Wuhan Chedu Corporation Limited (hereinafter referred to as the "Company"), undertakes important urban infrastructure construction tasks such as the costruction of municipal roads and bridges in the zone, acting as the main entity responsible for infrastructure construction and operation management of Wuhan Economic & Technological Development Zone (hereinafter referred to as "WEDZ"). The Company has received strong support from the State-owned Assets Supervision and Administration and Finance Bureau of WEDZ in capital injection, assets allocation and financial subsidies. At the same time, Lianhe Ratings also noted the adverse factors which have significant impact on the Company's overall capacity to repay debt. For example, the Company has an average performance in asset liquidity, with infrastructure construction projects and receivables obviously taking up quite a significant portion of its funds. Due to poor collection of payment, the Company has witnessed a rapid increase in debt scale and relatively great pressure in future investments.

With the total size of the economy of WEDZ continues to grow and an increasing demand for municipal infrastructure in the future, the Company will enjoy a favorable external environment for development, and its overall revenue is expected to keep growing. Lianhe Ratings' rating outlook for the Company is stable.

Lianhe Ratings concludes that the risk of default on repayment of the MTN is very low, based on a comprehensive assessment of the issuer's long-term credit history and its ability to repay the debts associated with this MTN.

Strengths

1. Wuhan city and WEDZ have a stable economic development, with increasing financial strength, both of which will provide a conducive external environment for the

Company.

2. As the main entity for WEDZ's infrastructure construction and operation management, the Company has received strong support from the WEDZ government in terms of capital injection, asset allocation and financial subsidies.
3. Protection for repayment of this MTN is relatively high given the Company's strong net operating cash flows.

Concerns

1. Infrastructure construction projects and account receivables take up a large proportion of the Company's assets, some land mortgages in inventory have a certain impact on the liquidity of its assets, and the overall asset quality of the Company is normal.
2. The payment for the Company's infrastructure construction projects is greatly affected by the WEDZ government's budget allocation schedule, resulting in the Company's significant decline in cash flow due to poor collection of payment; however, its operating cash outflows expanded significantly.
3. As the Company's debt has been rising rapidly and the size of its investment is relatively large in both projects under construction and the planned projects, the Company will be under certain external financing pressures in the future, with an obvious rising trend of debts.