

## **CCXAP assigns BBB<sub>g</sub>- to Chengdu Xinjin City Industry Development Group Company Ltd.'s proposed offshore bonds**

Hong Kong, 12 December 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned an expected senior unsecured debt rating of BBB<sub>g</sub>- to the offshore bonds to be issued by Chengdu Xinjin City Industry Development Group Company Ltd. (“XCID” or the “Company”) (BBB<sub>g</sub>-/stable).

The bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of XCID, which shall at all times rank pari passu with all the Company’s other present and future unsecured and unsecured obligations. The Company intends to use the gross proceeds for project development and supplement of working capital.

### **Corporate Profile**

Founded in 2005, and after consolidating 3 state-owned companies, XCID has become the largest state-owned infrastructure construction and assets operation entity in Xinjin District as of 30 June 2022. XCID is primarily responsible for infrastructure construction, public transport operation, construction of resettlement housing, construction of industrial parks and other self-operating projects. Apart from its main business, the Company is also engaged in other self-operated businesses, such as gravel sales, parking, and construction quality testing. As of 30 June 2022, the Company is directly and wholly owned by the Xinjin District State-owned Assets Supervision and Administration Bureau (“Xinjin District SASAB”).

### **Rating Rationale**

The senior unsecured debt rating of the bonds is equal to XCID’s long-term credit rating. We believe that government support will flow through XCID given its strategic role, as the key investment and operating entity in Xinjin District, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB<sub>g</sub>- long-term credit rating of XCID reflects Chengdu Xinjin District Government’s relatively strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Xinjin District Government’s capacity to provide support reflects Xinjin District’s status as one of the most advanced districts in Sichuan Province’s rural revitalization strategy, with a good gross regional product per capita and fiscal self-sufficiency.

The willingness of support is underpinned by the Company’s (1) important strategic position in the development of Xinjin District; (2) solid track record of receiving government supports; and (3) large undertakings in infrastructure construction projects, with sufficient project reserves. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; (2) high debt growth driven by a large number of construction projects; and (3) moderate access to financing channels.

## Rating Outlook

The stable outlook on XCID's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic role as the key investment and operating entity in Xinjin District.

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as strengthening financing channels or improving debt management.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in company characteristics weaken the local government's willingness to support, such as reducing strategic significance or increasing 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

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