

CCXAP assigns first time long-term credit rating of BBB_g- to Chengdu Xingdong Rural Development Group Co., Ltd., with stable outlook.

Hong Kong, 20 June 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Chengdu Xingdong Rural Development Group Co., Ltd. (“CXRD” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of CXRD reflects Longquanyi District Government’s strong capacity to provide support, and its high willingness to support the Company, based on our assessment of the Company’s characteristics. Our assessment of Longquanyi District Government’s capacity to provide support reflects that Longquanyi District ranked 2nd among 12 districts by gross regional product in Chengdu City in 2022, as a high-end manufacturing center in southwest China, with good economic fundamentals and fiscal strength.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strategic role as the sole agricultural infrastructure constructor and service provider in Longquanyi District; (2) good sustainability of infrastructure construction business; and (3) track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities; (2) high debt leverage and moderate assets liquidity; and (3) large reliance on non-standard financing.

Corporate Profile

Founded in 2019, formerly known as Chengdu Jingkai Xingdong Construction Development Co., Ltd., CXRD has a clear positioning of rural revitalization and agricultural development in Longquanyi District. The Company is primarily responsible for agricultural infrastructure development and land consolidation in Longquanyi District. Apart from public projects, the Company also derives revenue from businesses such as agricultural sales, property leasing and self-operating projects. As of 31 December 2022, CXRD was wholly owned by Chengdu Economic Development Industrial Investment Group Co., Ltd. (“CEDI”), and the ultimate controller of the Company is the Management Committee of Chengdu Economic and Technological Development Zone (“Chengdu ETDZ Management Committee”).

Rating Rationale

Credit Strengths

Strategic role as the sole agricultural infrastructure constructor and service provider in Longquanyi District. The Company has a clear positioning of investment, construction, operation, and management of the local agricultural industry in Longquanyi District. It is responsible for the agricultural infrastructure construction, land consolidation and agricultural product sales. Considering the Company’s high strategic significance to the development of Longquanyi District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Good sustainability of infrastructure construction business. TCXRD had successfully delivered a series of large-scale agricultural infrastructure projects and public welfare facilities over the past few years, such as roads, rural demolition and resettlement projects, agricultural industry projects and tourism projects. In addition, CXRD is an important primary land developer in Longquanyi District, and is responsible for the development of collectively-owned land parcels.

Track record of receiving government payments. CXRD has a track record of receiving payments from the Longquanyi District Government. These payments take various forms, such as government subsidies and capital injections. The Company also regularly receives repurchase payments for its public policy projects. Given CXRD's important strategic role, we expect the Company will continue to receive support from the Longquanyi District Government in the future.

Credit Challenges

High debt leverage and moderate asset liquidity. CXRD has a high debt leverage. The Company's total debt had increased from RMB20.7 billion at end-2021 to RMB25.3 billion at end-2022, and its total capitalization was as high as 61.5% in 2022. Furthermore, CXRD has moderate asset liquidity. The Company's total asset mainly consists of receivables and non-current assets, which accounted for 86.9% of its total asset as of 31 December 2022.

Moderate exposure to commercial activities. In addition to public activities, CXRD is also involved in various commercial activities such as agricultural product sales, property leasing and self-operating projects. We consider CXRD's commercial business exposure to be medium, as its market-driven businesses account for around 15% of its total assets.

Large reliance on non-standard financing. Around 39% of the Company's debt was provided by bank loans. However, the Company has a relatively high reliance on non-standard financing. Around 47% of debt financing was provided by non-standard financing, including financial leasing, trust financing and asset management financing.

Rating Outlook

The stable outlook on CXRD's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its dominant position in the agricultural infrastructure construction in Longquanyi District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance local government's willingness to provide support, such as improved debt management and increased asset liquidity.

What could downgrade the rating?



The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as higher commercial business risk and reduced government payments.

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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