

## **CCXAP upgrades Chengdu Aerotropolis City Development Group Co., Ltd.'s long-term credit rating to BBB<sub>g</sub>+, with stable outlook.**

Hong Kong, 21 July 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD” or the “Company”) to BBB<sub>g</sub>+ from BBB<sub>g</sub>, with stable outlook. At the same time, CCXAP has upgraded the Company’s senior unsecured debt rating to BBB<sub>g</sub>+

The BBB<sub>g</sub>+ long-term credit rating of CACD reflects the enhancing regional fiscal metrics of Shuangliu District, which strengthens the local government’s capacity to support the Company. It also reflects the important position of the Company, as the sole entity of transportation infrastructure construction in Shuangliu District.

The long-term credit rating of CACD reflects Shuangliu District Government’s very strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Shuangliu District Government’s capacity to support reflects its vital position in Chengdu City, given its 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) monopolistic position in the transportation infrastructure construction in Shuangliu District; (2) solid track record of receiving ongoing government payments; and (3) sufficient project reserves with good sustainability. However, the Company’s rating is constrained by the Company’s (1) high debt growth driven by a large number of construction projects; (2) medium exposure to commercial activities; and (3) medium contingent liability risk from external debt guarantees.

### **Corporate Profile**

Founded in 2008, CACD was formerly known as Shuangliu Transportation Construction Investment Co., Ltd., then Chengdu Shuangliu District Transportation Construction Investment Co., Ltd. The Company is the only transportation infrastructure construction entity and only public transportation operator in Shuangliu District. CACD is primarily engaged in the development and services of city infrastructure projects in Shuangliu District. It also undertakes commercial activities such as talent services, asset leasing, and hotel services.

As of 31 March 2023, the Chengdu Shuangliu District State-owned Assets Supervision, Administration and Financial Bureau (“Shuangliu SASAFB”), and Sichuan Provincial Finance Department held 90% and 10% of the Company’s shares, respectively. The Company is directly controlled by Shuangliu SASAFB.

## Rating Rationale

### Credit Strengths

**Monopolistic position in transportation infrastructure construction in Shuangliu District.**

CACD is a key Local Infrastructure Investment and Financing Company with the second-largest total assets in Shuangliu District. It has clear positioning and strong regional franchise rights. As the major infrastructure construction and the only public transportation company in the district, as well as the sole construction, development, and industrial investment entity in Chengdu International Airport Business District, CACD has high business significance to the development of the local economy and public activities.

**Sufficient project reserves with good sustainability in public activities.**

CACD continues to focus on the development of major infrastructure construction projects in the Airport Business District and the Yixin Lake Area, as well as major transportation infrastructure construction projects in Shuangliu District. The Company also provides high-quality transport logistics services in Shuangliu District, developing the airport and urban transportation networks with a focus on providing public transportation services.

**Solid track record of receiving ongoing government payments.**

CACD has received ongoing support from the Shuangliu District Government including asset injections, capital injections, financial subsidies, and project grants. Given the monopoly and strategic role of CACD in Shuangliu District, we expect the Company will continue to receive support from the Shuangliu District Government in the future.

**Good access to funding.**

The Company maintains good relationship with large domestic banks. Around 50% of the Company's debt was provided by bank loans. The Company has diversified its funding channel to both onshore and offshore debt capital markets, which accounted for 38% of the Company's total debt. In addition, the Company's exposure to non-standard financing is relatively low, at about 12%.

### Credit Challenges

**Medium exposure to commercial activities.**

In addition to public activities, CACD is also involved in other commercial activities such as self-operated project construction, parking, vehicle inspection, fuel trading, and modern service business. We estimate that the Company has medium commercial exposure as the proportion of commercial business assets accounts for around 30% of its total assets.

**High debt growth driven by large number of construction projects.**

CACD has high debt growth owing to its debt-driven business expansion over the past few years. Its total debt had increased from RMB22.0 billion at end-2020 to RMB39.3 billion as of 31 March 2023, while its capitalization ratio increased from 44.8% to 57.4% over the same period.

**Medium contingent liability risk from external debt guarantees.**

CACD has medium contingent liability risk, which may increase its repayment obligations given its relatively large number of external guarantees. As of 31 March 2023, the Company had outstanding external

guarantees of RMB7.0 billion, accounting for 24% of its net assets. However, the counterparties of external guarantees are all local state-owned enterprises with relatively low default risks.

### **Rating Outlook**

The stable outlook on CACD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in public policy projects in Shuangliu District.

#### **What could upgrade the rating?**

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

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the local government's ability to support weakens; or (2) changes in company characteristics decreases the local government's willingness to support, such as reduced strategic significance or increased 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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