

CCXAP affirms Chongqing Fuling Industrial Development Group Co., Ltd's BBB_g+ long-term credit rating, with stable outlook.

Hong Kong, 17 October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Chongqing Fuling Industrial Development Group Co., Ltd (“FIDG” or the “Company”) at BBB_g+, with stable outlook.

The long-term credit rating of FIDG reflects Chongqing Fuling District Government's strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of the Fuling District Government's capacity to support reflects that Fuling District, as a national shale gas demonstration zone in China, has a good industrial foundation and economic strength.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) strong strategic position as the most important state-owned assets operation entity in Fuling District; (2) solid track record of receiving government payments; (3) increasing operating profit, with a large portfolio of high-quality equity in listed companies. However, the Company's rating is constrained by the Company's (1) medium exposure to commercial business; and (2) fair debt growth and moderate assets liquidity.

Corporate Profile

Founded in 2011, formerly known as Chongqing Zhanxin Investment Co., Ltd., FIDG is the most important state-owned capital investment and assets operation entity in Fuling District. The Company has played an important role in operating and investing in the incubator industry in Fuling District as well as undertaking a number of strategically important urban infrastructure construction and land development projects. FIDG engages in diversified business segments, it is mainly responsible for public policy projects such as land consolidation, resettlement housing, and shantytown reconstruction in Fuling District; as well as market-oriented business such as food processing, aluminum product processing and sales, sales of shale gas, and other businesses.

As of 31 March 2023, the State-owned Assets Supervision and Administration Commission of Fuling District (“Fuling SASAC”) is the sole shareholder and actual controller of the Company.

Rating Rationale

Credit Strengths

Strong strategic position as the most important state-owned assets operation entity in Fuling District. FIDG is the largest state-owned assets operation entity by assets scale in Fuling District, having strong capital strength with functions of land consolidation, infrastructure construction, and state-owned assets operation. As an important entity of land consolidation and development in Fuling District, it is mainly responsible for the demolition and reconstruction of shanty towns in the old urban area and land consolidation in industrial parks.

Solid tracked record of receiving government payments. As a state-owned enterprise controlled by the Fuling SASAC, FIDG has a solid track record of receiving government payments from the Fuling District government. Given the Company's strong strategic position, we expect the Company will continue to receive support from the Fuling District Government in the future.

Diversified financing channels. FIDG has diversified financing channels, including both onshore and offshore debt capital markets, and maintains a good relationship with large domestic banks. FIDG has expanded its funding channel to the offshore debt capital market in 2023. In the first six months of 2023, the Company has issued a total amount of RMB2.7 billion offshore bonds, with a coupon rate of 4.9%.

Credit Challenges

Commercial business with high operating profits but medium risk. We consider FIDG's commercial business exposure to be medium as its market-driven nature accounts for over 30% of its total assets. Nevertheless, most of the Company's commercial projects have a monopoly nature, with certain public service functions, and bring good profit to the Company.

Fair debt growth and moderate asset liquidity. The Company's total debt increased from RMB49.4 billion in 2020 to RMB62.3 billion as of 31 March 2023, while its total capitalization ratio maintained around 47% over the same period. The Company also held a large number of land use rights, which are considered low liquidity. As of 31 December 2022, land use rights from investment property recorded RMB24.2 billion, accounting for 17.2% of the Company's total assets.

Rating Outlook

The stable outlook on FIDG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its key role as an important state-owned capital investment and assets operation entity in Fuling District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to support strengthens; and (2) changes in company's characteristics enhance local government's willingness to support, such as reduced exposure to commercial business or 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 decrease the local government's willingness to support, such as reduced regional significance or increased debt growth.

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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