

CCXAP assigns first-time long-term credit rating of BBB_g+ to Meishan Tianfu New Area Investment Group Co. Ltd., with stable outlook.

Hong Kong, 26 October 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g+ to Meishan Tianfu New Area Investment Group Co. Ltd. (“MTAI” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of MTAI reflects Meishan Municipal Government’s (1) strong capacity to provide support, and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Meishan Municipal Government’s capacity to support reflects that Meishan City, as a crucial part of the national-level Tianfu New Area, Chengdu Economic Zone and Greater Emei International Tourism Zone as well as a key area of the Cheng (Du) Le (Mountain) Golden Corridor, has growing economic and fiscal strengths.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) monopoly role in the development of Meishan Tianfu New Area; (2) solid track record of receiving government support; and (3) strong access to funding from banks and bond markets. However, the rating is constrained by the Company’s (1) medium commercial business risks in self-operated projects and property development; and (2) rapid debt growth and certain liquidity pressure.

Corporate Profile

MTAI was established by the Meishan State-owned Assets Supervision and Administration Commission (“Meishan SASAC”) in December 2018 with registered capital of RMB5.0 billion. The Company is the sole entity responsible for infrastructure construction, investment and financing activities in Meishan Tianfu New Area. Its business scope covers infrastructure construction, water affairs, real estate development, engineering construction, trade, smart equipment service and sales, fund investment, and small loans. As of end-2022, Meishan SASAC was the Company’s actual controller and largest shareholder, holding 97.9% of the shares.

Rating Rationale

Credit Strengths

Monopoly role in the development of Meishan Tianfu New Area. MTAI is the sole entity responsible for local infrastructure construction in Meishan Tianfu New Area, as well as an important state-owned assets investment and operation entity in Meishan City.

Solid track record of receiving government payments. As the sole entity in charge of infrastructure construction in the Meishan Tianfu New Area, the Company has a good track record of receiving support from the local government in the past few years. The Meishan Municipal Government and the Meishan SASAC support the Company’s business diversification strategy by providing regular subsidies to its various segments ranging from

water supply to school construction. In light of MTAI's important regional position in infrastructure construction and investment attraction in the Meishan Tianfu New Area, we expect the Company to receive ongoing support from the local government over the coming 12-18 months.

Strong access to funding from banks and bond markets. MTAI's large capital needs can be alleviated through its diversified financing channels. MTAI has good access to diversified funding such as bank loans, and onshore bond financing. Around 65.8% of the Company's debt was from bank loans and bond financing accounted for 32.3% of its total debts as of 31 December 2022. The financing cost of the Company is reasonable. The overall financing cost was 5.1%.

Credit Challenges

Medium exposure to commercial activities. MTAI is also engaged in commercial activities such as self-operated construction, property sales, trading, engineering construction as well as smart equipment service sales. Diversified businesses bring a lot of supplementary income to the Company, but it has also significantly increased the Company's commercial business risks. We consider the Company's commercial business risk to be medium, because its commercial activities accounted for around 30% of its total assets.

Rapid debt growth and certain liquidity pressure. Due to the large amount of projects constructed by the planning under the local government, MTAI's total debt had increased significantly from RMB9.0 billion in 2020 to RMB24.0 billion in 2022, with a debt growth rate of 166.7%. Its capitalization ratio was 46.5% in 2022. Since the unrestricted cash/short-term debt ratio was merely 0.29, implying a certain liquidity pressure on the Company. The Company has moderate asset liquidity, its total restricted assets were RMB15.8 billion which accounted for 23.4% of total assets and were mainly used for financing as of the end of 31 December 2022.

Rating Outlook

The stable outlook on MTAI's rating reflects our expectation that the Meishan Municipal Government's capacity to provide support will remain stable, and the Company's characteristics as its monopoly role in the development of Tianfu New Area will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Meishan Municipal Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as materially reduced exposure to risky commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Meishan Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as weakened market position, deteriorated access to fundings, or material decreased government support.

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

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Olivia Feng

Senior Credit Analyst

+852-2860 7133

olivia_feng@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com



Client Services: +852-2860 7111



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656