

CCXAP affirms Chengdu Xinjin City Industry Development Group Company Ltd.'s BBB_g- long-term credit rating, with stable outlook.

Hong Kong, 3 November 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Chengdu Xinjin City Industry Development Group Company Ltd. (“XCID” or the “Company”) at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of XCID reflects Chengdu Xinjin District Government’s 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 rural revitalization strategy in Sichuan Province, with a good gross regional product (“GRP”) per capita.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important strategic position in the development of Xinjin District; (2) solid track record of receiving government support; and (3) high sustainability for infrastructure projects. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; (2) high debt growth and large capital expenditure pressure driven by a large number of construction projects; and (3) moderate access to financing channels.

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 2023. 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 commercial businesses, such as gravel sales, parking lot operation, and construction quality testing. As of 30 June 2023, the Company is directly and wholly owned by the Chengdu Xinjin District State-owned Assets Supervision and Administration Bureau (“Xinjin District SASAB”).

Rating Rationale

Credit Strengths

Important strategic position in the development of Xinjin District. XCID is the largest Local Infrastructure Investment and Financing Company (“LIIFC”) in Xinjin District by total assets. The Company has a clear positioning in the new planning layout of Xinjin District. The Company undertakes local public activities such as the construction of local infrastructure and resettlement housing projects. We believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future

High sustainability for infrastructure projects. The Company has also demonstrated strong business sustainability through its sufficient public project reserves, as well as resettlement housing projects. We expect the payback period of these projects to be relatively long, and the

large construction project reserves may bring great pressure on the Company's capital expenditure at the same time.

Solid track record of receiving government support. XCID has a proven track record of receiving ongoing government support from Xinjin District Government, including government subsidies, capital injections and equity transfers. Considering the strategic role of XCID, we expect the Company will continue to receive support from Xinjin SASAB in the future.

Credit Challenges

Increasing exposure to commercial activities. In addition to public welfare activities, XCID is also involved in other commercial activities such as resettlement housing projects, gravel sales, parking, leasing and construction quality testing businesses. We consider XCID's commercial business exposure to be low, as its market-driven businesses account for around 20% of its total assets.

High debt growth driven by a large number of construction projects and moderate asset liquidity. XCID has had high debt growth due to its debt-driven business expansion over the past few years. The Company's total debt increased from RMB18.7 billion at the end of 2021 to RMB25.5 billion in mid-2023, while its total capitalization ratio increased from 33.1% to 39.2% over the same period. XCID has moderate asset liquidity. As of 30 June 2023, the Company's total asset consists mainly of inventories, investment properties and receivables, accounting for 83.1% of its total asset.

Moderate access to financing channels. As of 30 June 2023, around 65.6% of the Company's debt financing was provided by domestic banks, with an available credit facility of RMB863.9 million. Around 17.8% of debt financing was provided by the debt capital market. However, the Company has a certain exposure to high-cost non-standard financing, which accounted for 17.8% of its total debt.

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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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



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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