

## Credit Opinion

20 March 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

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## Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd. ("WXCO" or the "Company") reflects Chengdu Wenjiang 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 Wenjiang District Government's capacity to provide support reflects Wenjiang District's gross regional product ("GRP") maintains a moderate level in Chengdu City, with relatively good fiscal self-sufficiency.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strong position in the infrastructure construction and city operation in Wenjiang District; (2) solid track record of receiving government payments; and (3) good access to funding channels.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities, associated with large capital pressure; (2) increasing debt burden with large capital expenditure pressure; and moderate asset liquidity.

The stable outlook on WXCO'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 infrastructure construction entity in Chengdu Wenjiang District.

## Rating Drivers

- Strong position in the infrastructure construction and city operation in Wenjiang District
- Medium exposure to commercial activities
- Large capital expenditure pressure associated with self-operated construction projects
- Solid track record of receiving government payments
- Increasing debt burden and moderate asset liquidity
- Good access to funding channels

## Rating Sensitivities

### 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 the local government's willingness to support, such as decreasing exposure to external guarantees or improving assets liquidity.

### 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 weakening access to financing channels.

## Key Indicators

	2021FY	2022FY	2023FY	2024Q3
Total Asset (RMB billion)	75.6	93.4	101.2	112.4
Total Equity (RMB billion)	45.6	54.7	55.2	55.3
Total Revenue (RMB billion)	2.8	2.8	4.0	3.0
Total Debt/Total Capital (%)	35.3	37.0	40.9	42.4

All ratios and figures are calculated using CCXAP's adjustments.

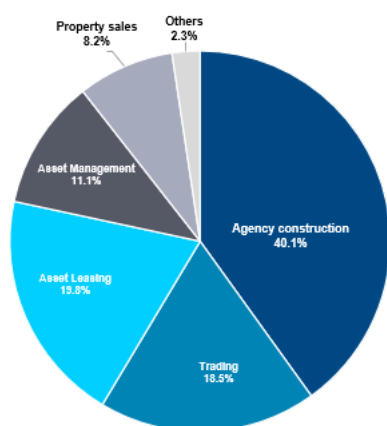
Source: Company data, CCXAP research

## Corporate Profile

Founded in 2016, WXCO is a major local infrastructure investment and financing company ("LIIFC") in charge of most major infrastructure and resettlement housing projects in Wenjiang District of Chengdu City. The Company has a diverse business portfolio and primarily engages in agency construction business, resettlement housing development, and self-operated project construction. In addition, the Company also generates operating income from other businesses such as building materials sales, leasing and asset management, and real estate sales. In December 2023, another two state-owned enterprises, Chengdu Jincheng Guanghua Investment Group Co., Ltd. ("Guanghua", responsible for the operation of transportation assets and other urban infrastructure construction business in Wenjiang District) and Chengdu Jintaihe Investment Co., Ltd. ("Jintaihe", responsible for relocation and resettlement of housing projects, construction and maintenance of roads and infrastructure in Wenjiang District) were transferred to the Company.

As of 30 September 2024, the Company is wholly owned and ultimately controlled by Wenjiang District State-owned Assets Supervision and Administration Bureau ("Wenjiang SASAB").

## Exhibit 1. Revenue Structure in 2023



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Wenjiang District Government has a strong capacity to provide support for the Company, given its moderate GRP level in Chengdu City and good fiscal self-sufficiency.

Sichuan Province is a leading economic province and is recognized as one of the most developed provinces in China. In 2024, Sichuan's GRP was RMB6.5 trillion, a YoY increase of 5.7%; Its general budgetary revenue increased to RMB563.5 billion, up by 1.9% YoY.

Chengdu City is a sub-provincial city that serves as the capital city of Sichuan Province. Chengdu City is also an important economic and financial center, as well as a transportation and communication hub in Southwest China, with a solid economic foundation. Its economy is characterized by industries such as electronic information product manufacturing, machinery, automotive, metallurgy, building materials and light industry. In 2024, Chengdu achieved a GRP of RMB2.4 trillion, a YoY increase of 5.7%. The Chengdu Municipal Government's general budgetary revenue amounted to RMB195.0 billion in 2024, a YoY increase of 1.1%. However, the increase in general budgetary revenue was due to an increase in non-tax revenue, which is considered to be less sustainable. In 2024, tax revenue of Chengdu City declined to RMB137.4 billion from RMB145.0 billion in 2023. In 2024, its fiscal balance ratio was 74.7%, which was at a relatively good level. In 2022, Chengdu's outstanding government debt increased to RMB620.7 billion with an increasing trend, accounting for 26.4% of its GRP.

**Exhibit 2. Key Economic and Fiscal Indicators of Chengdu City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	2,081.8	2,207.5	2,351.1
GRP Growth (%)	2.8	6.0	5.7
General Budgetary Revenue (RMB billion)	172.2	192.9	195.0
General Budgetary Expenditure (RMB billion)	243.5	258.7	261.0
Local Government Debt (RMB billion)	464.1	522.9	620.7

Source: Statistic Bureau of Chengdu City, CCXAP research

Wenjiang District is located in northwest of Chengdu City, with a total area of 277 square kilometers. Relying on its advantageous natural environment, Wenjiang District has been recognized as a national ecological system construction demonstration zone and a model city of green development in China. Supported by its pillar industries, such as flowers and plants, biopharmaceuticals, food and beverage, medical health and eco-tourism industries, Wenjiang District demonstrated ongoing economic growth in the past few years. In 2024, the GRP of Wenjiang District increased by 4.1% to RMB77.1 billion; its general budgetary revenue was recorded as RMB5.9 billion. Wenjiang District had a relatively good fiscal self-sufficiency rate of 75.3% in 2024. Its tax revenue was RMB4.2 billion, accounting for 71.3% of its general budgetary revenue in 2024, indicating good fiscal quality. However, Wenjiang District has a moderate debt profile, with a government debt to GRP ratio of 28.5% as of 31 December 2024.

**Exhibit 3. Key Economic and Fiscal Indicators of Wenjiang District**

	2022FY	2023FY	2024FY
GRP (RMB billion)	71.7	72.9	77.1
GRP Growth (%)	3.0	5.5	4.1
General Budgetary Revenue (RMB billion)	5.2	5.6	5.9
General Budgetary Expenditure (RMB billion)	7.8	8.2	7.8
Local Government Debt (RMB billion)	18.4	20.1	22.0

Source: Statistic Bureau of Wenjiang District, CCXAP research

**Government's Willingness to Provide Support****Strong position in the infrastructure construction and city operation in Wenjiang District**

There are three major LIIFCs in Wenjiang District, including WXCO, Chengdu Jiulian Investment Co Ltd. ("Jiulian Investment") and Chengdu Longke Urban and Rural Development Group Co., Ltd. ("LURD"). LURD is committed to promoting the rural revitalization and integrated development of urban and rural areas in the northern part of Wenjiang District; while Jiulian Investment is mainly responsible for part of infrastructure construction and industry operation in the southern part of Wenjiang District and Chengdu Medical City; WXCO is mainly responsible for infrastructure construction and urban comprehensive operation service in the southern part of Wenjiang District.

The Company's agency construction business can be further divided into two sub-segments: infrastructure construction business and resettlement housing development business. In recent years, the agency construction business has been the largest contributor to the Company's revenue. The transfer of Guanghua into the Company further boosted the revenue of agency construction business and strengthened the Company's dominant role in the public projects in Wenjiang District. However, this segment faces certain

volatility as revenue is recognized based on the uneven project progress. As of 30 September 2024, the Company has completed projects with an actual investment of RMB3.6 billion, of which RMB2.6 billion has yet to be repaid, implying that the payment progress was relatively prolonged. As of 30 September 2024, the Company has an uninvested amount of RMB2.7 billion in the projects under construction and planning, which demonstrates the relatively strong sustainability of the Company's public projects. Meanwhile, the relatively large amount to be invested also exerts certain capital expenditure pressure in the future. Given the Company's strong position in the infrastructure construction and resettlement housing development in Wenjiang District, we believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

The Company remained responsible for sewage treatment in the region as of end-2024Q3. Meanwhile, in 2023, the Company started bus operation business as Chengdu Wenjiang Public Transport Co., Ltd. was transferred to the Company. However, given the public welfare nature of these segments, these two segments remain operational loss. In the future, the Company is expected to receive support from the government in terms of financial subsidies.

### **Medium exposure to commercial activities**

In addition to public welfare activities, the Company is also involved in other commercial activities such as self-operated projects, building materials and oil sales, asset leasing and management, and property sales. We consider the Company's commercial business exposure to be medium, as its market-driven businesses account for around 35% of its total assets. Among them, the construction of self-operated projects brings large pressure on capital expenditure and the risk of payment collection for the Company.

The Company has self-operated business, including Wenjiang Parking Lot Project and Fengqi Valley Administrative College Urban Organic Renewal Project. As of 30 September 2024, the Company had 4 major self-operated projects under construction, with a total investment of RMB7.9 billion and an uninvested amount of RMB4.6 billion. Upon completion of these projects, the Company plans to realize capital recovery through commercial leasing, residential sales, rental of parking spaces and charging piles, and rental of advertising spaces. Overall, the Company's self-owned projects have a long construction period and a large upfront capital investment, which exerts certain capital expenditure pressure on the Company.

The Company engages in asset leasing and management business. For the leasing business, The Company enters into leasing agreements with local government institutions as well as private enterprises, with leased assets encompassing school, resettlement housing, shops, as well as pipelines. This segment has generated stable cash flow over the past few years. In 2023, the revenue from asset leasing business recorded revenue of RMB793.0 million, a steady growth from RMB597.0 million in 2022. The Company's asset management business covers the maintenance of transportation infrastructure in Wenjiang District. The service period normally ranges from 15 to 20 years; hence the sustainability of this segment is high. However, this segment is unlikely to incorporate new assets other than transportation infrastructure due to policy changes.

WXCO also engages in building materials sales, including sand and concrete. The government has been supportive of its sands sales business, as it granted exclusive sands concession rights to the Company. The building materials sales business faces certain concentration risk. As of 30 September 2024, the top 5 customers of the sands business contributed 46.2% of the revenue from the Company's trading business. In 2023, the Company initiated gas station refined oil sales. The customers of oil sales are mainly individual customers. In 2023, the oil sales business contributed a revenue of RMB145 million to the Company.

The Company also conducts property sales business in Wenjiang District. The revenue from this segment faces certain uncertainty due to the fluctuations in the land market. Currently, the Company has one real estate projects under construction, with a total investment of RMB2.2 billion and uninvested amount of RMB1.1 billion.

### **Solid track record of receiving government payments**

WXCO has a proven track record of receiving ongoing government support from Wenjiang SASAB, including government subsidies, and equity transfers. In 2023 and the first three quarters of 2024, Wenjiang SASAB provided financial subsidy of RMB130.0 million and RMB 60.6 million to the Company. In December 2023, Wenjiang SASAB transferred two state-owned enterprises (Guanghua and Jintaihe), which effectively enhanced the Company's business strength and capital position. In light of the Company's strong position in Wenjiang District, we expect the Company will continue to receive ongoing support from the local government over the next 12 to 18 months.

### **Increasing debt burden and moderate asset liquidity**

With the business expansion in the past few years, the Company's total debt increased from RMB32.2 billion at the end of 2022 to RMB40.7 billion at 30 September 2024, with a total capitalization ratio of 42.4%. The Company's debt structure is relatively reasonable. As of 30 September 2024, the ratio of short-term debt to total debt was 28.8%. However, given the Company's large capital expenditure pressure on its public and self-operated projects, we expect the Company's debt will gradually increase over the next 12-18 months.

WXCO has moderate asset liquidity. As of 30 September 2024, the Company's total asset consists mainly of inventories, accounts receivables, other receivables and intangible assets, accounting for 80.6% of its total assets. Among them, inventories are mainly land and construction costs, accounts receivables and other receivables are mainly unreceived payments from the agencies of government or other state-owned companies, and intangible assets mainly consist of exclusive sand concession rights and land use rights, most of which are considered to be low liquidity. Besides, as of 30 September 2024, the Company's total restricted assets (mainly accounts receivables and inventory) were RMB5.8 billion, representing 5.1% of total assets.

### **Good access to funding channels**

The Company's investment needs are greatly supported by its diversified financing channels. As of 30 September 2024, bank financing accounted for around 58.1% of the Company's total debt, with an average cost of 5.1%. In addition, the Company had an available bank credit facility of RMB31.2 billion at end-2023, indicating a good liquidity buffer. As of 30 September 2024, bond financing accounted for 29.9% of the Company's total debt. In 2024, the Company issued several onshore bonds with issued amount of RMB3.6 billion with coupon rate ranging from 2.6% to 3.2%. Overall, the financing cost of the Company is relatively low, as the overall funding cost of the Company stays at 4.6%, which demonstrates the recognition of the capital market on the Company's credit profile.

### **Low contingent risks resulting from external guarantee**

The Company bears low contingent risk arising from external guarantees. As of end-2023, the Company had outstanding external guarantees of RMB2.9 billion, representing 5.3% of its net assets. Among them, an outstanding amount of RMB44.4 million was provided to relocated households who entered into mortgage loans. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. However, as most of the guarantees are provided to local state-owned entities, which are likely to be supported by the local government, when necessary, we believe the contingent risk would be

controllable.

## ESG Considerations

WXCO bears environmental risks through its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

WXCO bears social risks as it implements public policy initiatives by building public infrastructure in Wenjiang District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

WXCO's governance considerations are also material as the Company is subject to oversight by the Wenjiang government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

## Appendix

### Exhibit 6. Peer Comparison

	Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd.	Chengdu Longke Urban and Rural Development Group Co., Ltd.	Chengdu Medical City Urban Construction Development Co., Ltd.
Long-Term Credit Rating	BBB <sub>g</sub>	BBB <sub>g</sub>	BBB <sub>g</sub>
Shareholder	Wenjiang District SASAB	Wenjiang District SASAB	Chengdu Jiulian Investment Group Co., Ltd.
Positioning	Responsible for infrastructure construction and urban comprehensive operation service in the southern part of Wenjiang District	Responsible for rural revitalization and integrated development of urban and rural areas in the northern part of Wenjiang District.	Responsible for infrastructure construction in the Chengdu Medical City and industrial investment and operation in Wenjiang District
Total Asset (RMB billion)	101.2	68.9	44.9
Total Equity (RMB billion)	55.2	47.5	19.8
Total Revenue (RMB billion)	4.0	2.1	1.1

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2023.

Source: Company information, CCXAP research



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