

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>+ to Chengdu Aerotropolis Industry Finance & Investment Development Co., Ltd., with stable outlook.**

Hong Kong, 28 September 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub>+ to Chengdu Aerotropolis Industry Finance & Investment Development Co., Ltd. (“CAID” or the “Company”), with stable outlook.

The BBB<sub>g</sub>+ long-term credit rating of CAID 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 support, which is based on the Company’s (1) strategic role as the major urban functional area development and transportation infrastructure construction entity in Shuangliu District; (2) solid track record of receiving ongoing government payments; and (3) reasonable debt leverage. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) relatively large capital expenditure pressure; and (3) debt structure needs to be improved.

### **Corporate Profile**

Founded in 2019, CAID is the major infrastructure and supporting facilities construction, area development, as well as the urban function operation entity in Shuangliu District. CAID is primarily engaged in functional area development, and transportation infrastructure construction projects in Shuangliu District. It also undertakes commercial activities such as self-operating projects, commodity sales, modern services, and car parking services.

As of 31 June 2023, the Company is wholly owned by Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD”). Chengdu Shuangliu District State-owned Assets Supervision, Administration and Financial Bureau (“Shuangliu SASAFB”), and Sichuan Provincial Finance Department held 90% and 10% of CACD’s shares, respectively. The Company is ultimately controlled by Shuangliu SASAFB.

### **Rating Rationale**

#### **Credit Strengths**

**Major urban functional area development and transportation infrastructure construction entity in Shuangliu District.** After the consolidation of other subsidiaries of CACD, the Company is the most important subsidiary of CACD, and the sole construction, development, and industrial investment entity in Chengdu International Airport Business District. The Company has a clear positioning of the construction of transportation infrastructure and affordable housing, as well as the urban functional development in Shuangliu District.

**Solid track record of receiving ongoing government payments.** CAID has received ongoing support from the Shuangliu District Government including asset injections, capital injections, financial subsidies, and project grants. Given the strategic role of CAID in Shuangliu District, we expect the Company will continue to receive support from the Shuangliu District Government in the future.

**Reasonable debt leverage.** Due to the consolidation of other subsidiaries of CACD, CAID's total debt had increased from RMB1.9 billion at end-2020 to RMB10.4 billion as of 30 June 2023. Its capitalization ratio increased from 15.9% to 34.3% over the same period, maintained at a reasonable level.

### Credit Challenges

**Medium exposure to commercial activities.** In addition to public activities, CAID is also involved in other commercial activities such as self-operating projects, commodity sales, modern services, and car parking services. We estimate that the Company has medium commercial exposure as the proportion of commercial business assets accounts for around 20% of its total assets.

**Debt structure optimization is required.** The Company maintains a good relationship with large domestic banks. Around 72.6% of the Company's debt was provided by bank loans. However, the Company has a relatively high exposure to non-standard financing. As of 30 June 2023, non-standard financing accounted for 27.4% of its total debt. In addition, the Company has not issued any bonds in the public debt capital market.

### Rating Outlook

The stable outlook on CAID'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; and (2) changes in the Company's characteristics enhance local government's willingness to support, such as reduced exposure to commercial activities.

#### What could downgrade the rating?

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

### 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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