

CCXAP assigns first-time long-term credit rating of BBB_g to Chengdu Medical City Urban Construction Development Co., Ltd., with stable outlook.

Hong Kong, 14 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g to Chengdu Medical City Urban Construction Development Co., Ltd. (“CMCC” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of CMCC 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) monopoly position in the development of Chengdu Medical City; (2) solid track record of receiving government payments; and (3) relatively low debt burden. However, the rating is constrained by the Company’s (1) moderate asset liquidity; and (2) large capital expenditure pressure associated with construction projects.

Corporate Profile

Founded in 2018, CMCC was set up by its parent Chengdu Jiulian Investment Group Co., Ltd. (“Jiulian Investment”), a major local infrastructure investment and financing company (“LIIFC”) in charge of urbanization projects in the southern part of Wenjiang District of Chengdu City. The Company itself is mainly engaged in agency construction and property leasing business in the Chengdu Medical City. As of 30 June 2023, Jiulian Investment is the sole shareholder of the Company, and Wenjiang District State-owned Assets Supervision and Administration Bureau (“Wenjiang SASAB”) is the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Monopoly position in the development of Chengdu Medical City. There are three major LIIFCs in Wenjiang District, the Company is the largest and most important subsidiary of Jiulian Investment, and is also the sole development and construction entity of Chengdu Medical City.

Solid track record of receiving government payments. CMCC has a proven track record of receiving ongoing government support from Wenjiang SASAB, including government subsidies, debt replacement and equity transfers. In 2022, Jiulian Investment transferred the equity of the three subsidiaries to the Company, which effectively enriched the Company’s asset scale and capital strength.

Relatively low debt burden. Due to a subsidiary being removed from the Company in 2021, CMCC’s total debt decreased significantly from RMB8.3 billion at the end of 2020 to RMB4.0

billion at 30 June 2023, with a total capitalization ratio of 11.8%. In terms of debt structure, the Company had a reasonable short-term debt burden, and the ratio of short-term debt to total debt was 21.1% as of 30 June 2023.

Good access to funding channels. The Company's large investment needs are greatly supported by its financing channels. As of 30 June 2023, around 82.4% of the Company's debt financing was provided by domestic banks, with an available credit facility of RMB2.1 billion.

Credit Challenges

Large future capital expenditure pressure. Given the Company's large capital expenditure pressure of its self-operated projects, we expect the Company's debt will gradually increase over the next 12-18 months.

Moderate asset liquidity. As of 30 June 2023, the Company's total asset consists mainly of inventories, receivables and investment property, accounting for 94.4% of its total asset. Besides, as of 30 June 2023, the Company's total restricted assets (mainly pledged land use rights and receivables) were RMB8.2 billion, representing 15.7% of total assets.

Rating Outlook

The stable outlook on CMCC'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 sole infrastructure construction entity in Chengdu Medical City.

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.

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

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