

## **CCXAP assigns first-time long-term credit rating of A<sub>9</sub> to Hunan Xiangjiang New Area Development Group Co., Ltd., with stable outlook.**

Hong Kong, 15 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of A<sub>9</sub> to Hunan Xiangjiang New Area Development Group Co., Ltd. (“XNDG” or the “Company”), with stable outlook.

The A<sub>9</sub> long-term credit rating of XNDG Changsha Municipal Government’s (1) very strong capacity to provide support; and (2) very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Changsha Municipal Government’s capacity to provide support reflects the Changsha City’s status as a provincial capital, with good economic fundamentals.

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 Xiangjiang New Area; (2) good track record of receiving government support; and (3) good access to funding from banks and bond markets. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) moderate debt growth and asset liquidity.

### **Corporate Profile**

Established in 2016, XNDG has played an important role in the development of the Xiangjiang New Area in Changsha City. The Company is mainly engaged in infrastructure construction and primary land development projects in Xiangjiang New Area. It has also participated in other commercial activities such as property management and financial services business. As of 30 September 2023, XNDG was 90% directly owned by the State-owned Assets Supervision and Administration Commission of the Changsha City Government (“Changsha SASAC”), its ultimate controlling shareholder, and 10% owned by Hunan State-owned Investment Operation Co., Ltd.

### **Rating Rationale**

#### **Credit Strengths**

**Important strategic position in the development of Xiangjiang New Area.** The Company is the important entity to carry out land development and infrastructure construction in Meixi Lake area, Dawangshan area, and Dakecheng area within the Xiangjiang New Area. It has played an important role in various aspects of the development of the Xiangjiang New Area, in activities such as primary land development, resettlement housing, and infrastructure projects. In addition, the Company plans to cooperate with the Xiangtan Economic Development Zone Management Committee and Xiangtan Jiu Hua Investment Holding Group Co., Ltd. to develop the Xinglong Lake area, expanding the development area in the Xiangjiang New Area.

**High sustainability for public policy businesses.** As an important functional platform in Xiangjiang New Area, XNDG has strong competitive advantage in undertaking infrastructure construction and land development projects in the region. It has undertaken a large number of

construction projects in Xiangjiang New Area, making great contributions to the economic and industrial development of the region. With large projects in the pipeline and sufficient developable land, we believe that the Company's public policy businesses are highly sustainable.

**Good track record of receiving government support.** XNDG has regularly received support from the local government in the form of operating subsidies and capital injection. The Company has received ongoing capital injection, significantly enhancing its capital strength. Given its strategic position in the development of Xiangjiang New Area, we believe that the Changsha Municipal Government will continue to provide support to the Company.

**Good access to funding from banks and bond markets.** XNDG has good access to funding from banks and bond markets. The Company has sufficient approved line of credit from diversified banks. The Company also has access to onshore and offshore bond markets. In addition, the Company has low exposure to non-standard debt, accounting for less than 10% of the total debt.

#### Credit Challenges

**Medium exposure to commercial activities.** In addition to public activities, XNDG is also engaged in commercial businesses, mainly including property development, supply chain services and financial services businesses. We consider the Company's exposure to commercial businesses to be medium, accounting for 15% to 20% of its total assets.

**Moderate debt growth and asset liquidity.** XNDG's debt burden has grown moderately over the past three years, due to the ongoing financing for the construction projects. The Company's total debt had increased from RMB35.2 billion at end-2020 to RMB49.5 billion at mid-2023, with total capitalization ratio of 55.8%. XNDG has moderate asset liquidity, which may undermine its financing flexibility. As of 30 September 2023, the Company's total asset mainly consisted of inventories and investment properties, accounting for 61.1% of its total asset.

#### Rating Outlook

The stable outlook on XNDG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important strategic position in the development of Xiangjiang New Area.

#### What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as reduction in the exposure to commercial activities.

**What could downgrade the rating?** The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or weakened access to funding.



## 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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