

CCXAP assigns first-time long-term credit rating of BBB_g+ to Chengdu Xingjin Construction Development & Investment Group Co., Ltd., with stable outlook.

Hong Kong, 20 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g+ to Chengdu Xingjin Construction Development & Investment Group Co., Ltd. (“XCDI” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of XCDI reflects Jinjiang District Government’s very strong capacity to provide support, and its very high willingness to support the Company based on our assessment of the Company’s characteristics. Our assessment of Jinjiang District Government’s capacity to provide support reflects that Jinjiang District is one of the five core districts of Chengdu City, with stable economic growth and good fiscal strengths.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) regional franchising of public projects within the Third Ring Road of Jinjiang District; (2) high sustainability of the public projects; (3) good access to funding, with low financing cost; and (4) track record of receiving government payments. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities, with capital expenditure pressure and investment return volatility; and (2) rapid debt growth and moderate assets liquidity.

Corporate Profile

Founded in 2015, formerly known as Chengdu Hengrongjin Investment Co., Ltd., XCDI is one of the major Infrastructure construction and asset operation entities in Jinjiang District. The Company is primarily responsible for infrastructure construction, and urban renewal in Jinjiang District. Apart from public projects, the Company also derives revenue from commercial businesses such as property sales, shantytown renovation, regional comprehensive development, property leasing and capital lending. As of 31 December 2022, XCDI was wholly owned by Chengdu Jinjiang Investment Development Group Co., Ltd. (“JJID”), and ultimately controlled by the Jinjiang State-owned Assets Supervision and Administration Commission (“Jinjiang SASAC”).

Rating Rationale

Credit Strengths

Regional franchising of public projects within the Third Ring Road of Jinjiang District. The Company is the largest subsidiary of JJID by total assets, with a strong regional franchise within the Third Ring Road of Jinjiang District. The Company is responsible for infrastructure construction, urban renewal, and other public activities within the Third Ring Road of Jinjiang District. Considering the Company’s high strategic significance to the development of Jinjiang District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of the public projects. We expect that the considerable projects in the pipelines can ensure the sustainability of the public policy business, but the overall project settlement cycle is generally long, and most of the funds need to be raised by the Company itself, which exerts large capital expenditure pressure on the Company.

Track record of receiving government payments. XCDI has a track record of receiving payments from the Jinjiang District Government. These payments take various forms, such as government subsidies and capital injections. XCDI's important strategic role, the government's ownership and tight control over XCDI reinforce our expectations that extraordinary government support would be extended if needed.

Good access to funding. XCDI has good access to funding as mainly reflected by its good banking relationships and access to the debt capital market, with bank loans accounting for about 85% and bonds accounting for about 15% of its total debt at end-2022.

Credit Challenges

Moderate exposure to commercial activities. In addition to public activities, XCDI is also involved in various commercial activities such as property sales, shantytown renovation, urban renewal, property leasing and capital lending. We consider XCDI's commercial business exposure to be medium.

Rapid debt growth and moderate asset liquidity. With ongoing financing for its construction projects in recent years, XCDI has a rapid debt growth. The Company's total debt had increased from RMB27.6 billion at end-2020 to RMB41.3 billion at end-2022, and its total capitalization amounted to 56.9% in 2022. Furthermore, XCDI has moderate asset liquidity. The Company's total asset mainly consists of receivables and inventories, which accounted for 71.0% of its total assets as of 31 December 2022.

Rating Outlook

The stable outlook on XCDI's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its dominant position in the infrastructure construction in Jinjiang District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance the local government's willingness to provide support, such as improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as higher commercial business risk and reduced government payments.



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

CCXAP's Rating Symbols and Definitions are available on its website at:

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

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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