

CCXAP assigns first-time long-term credit rating of BBB_g- to Sichuan Jianzhou Airport Industrial & Finance Investment Development Group Co., Ltd., with stable outlook.

Hong Kong, 26 February 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Sichuan Jianzhou Airport Industrial & Finance Investment Development Group Co., Ltd. (“JAIF” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of JAIF reflects Jianyang City Government’s relatively strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Jianyang City Government’s capacity to provide support reflects Jianyang City’s vital position in Chengdu City, given its good industrial base, but constrained by relatively small economic scale and heavy debt burden.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strategic role as the major industrial developer in Jianyang City; (2) high sustainability of infrastructure construction business; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) rapid debt growth and weak assets liquidity; (2) high capital expenditure pressure from construction projects; and (3) moderate contingent liability risk.

Corporate Profile

Founded in 2013, the Company is formerly known as Jianyang Wulong Tourism Development Co., Ltd. After the consolidation of other local infrastructure investment and financing companies (“LIIFCs”) in 2022, JAIF has a clear positioning of industrial investment and development in Jianyang City. The Company is primarily responsible for infrastructure construction in Jianyang City, especially in the Aerospace Industry Functional Zone and Linkong Economic and Industrial Park. Apart from public development projects, the Company also derives revenue from businesses such as material trading and self-operating projects. As of 30 June 2023, JAIF was wholly owned and ultimately controlled by the Jianyang State-owned Assets Management Committee (“Jianyang SAMC”).

Rating Rationale

Credit Strengths

Strategic role as the major industrial developer in Jianyang City. AIF has a clear positioning of industrial development in Jianyang City, and the construction and operation of the Aerospace Industry Functional Zone, and Linkong Economic and Industrial Park in Jianyang City. The consolidation of LIIFCs has significantly enhanced the Company’s capital strength and broadened its business scope in industrial development. Considering the Company’s high strategic significance to the industrial development of Jianyang City, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of infrastructure construction business. As of 30 June 2023, the Company had 11 infrastructure construction projects under construction, with a total estimated investment amount of RMB18.9 billion and an outstanding amount of RMB11.9 billion. We expect that the considerable projects in the pipelines can ensure the sustainability of the infrastructure construction business, but exert large capital expenditure pressure on the Company.

Track record of receiving government payments. JAIF has a track record of receiving payments from the Jianyang City Government. These payments take various forms, such as government subsidies, cash injections and asset injections. Given JAIF's important strategic role in the industrial development of Jianyang City, we expect the Company will continue to receive support from the Jianyang City Government in the future.

Credit Challenges

Rapid debt growth. Due to business expansion, JAIF's total debt had increased from RMB18.9 billion at end-2020 to RMB29.0 billion as of 30 June 2023, and its total capitalization slightly increased from 45.0% to 45.7% over the same period.

Weak asset liquidity. JAIF has weak asset liquidity. The Company's total asset mainly consists of inventories and receivables, which accounted for 73.0% of its total assets as of 30 June 2023. In addition, the Company's restricted assets accounted for 9.0% of its net assets as of 30 June 2023, which are mainly used for pledging.

Moderate contingent liability risk. The Company has moderate contingent liability risk given its relatively large amount of external guarantees. As of 30 June 2023, the total amount of external guarantee was RMB12.7 billion, which accounted for 36.9% of its net assets. Most of them were provided to the local state-owned enterprises or institutions in Jianyang City, while private-owned enterprises only accounted for around 1.9% of the total external guarantee amount.

Rating Outlook

The stable outlook on JAIF'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 position in the industrial development in Jianyang City.

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 local government's willingness to provide support, such as improved debt management and increased asset liquidity.



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 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

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