

CCXAP assigns first-time long-term credit rating of BBB_g- to Shaanxi Xixian New Area Airport New City Development & Construction Group Co., Ltd., with stable outlook.

Hong Kong, 28 March, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g- to Shaanxi Xixian New Area Airport New City Development & Construction Group Co., Ltd. (“ANCD” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of ANCD reflects Xixian New Area Government’s (1) very strong capacity to provide support, and (2) relatively high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Xixian New Area’s status as one of 19 state-level new areas with sound fundamentals, but is constrained by its high debt burden of government and local state-owned enterprises (“SOEs”).

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strategic importance in the infrastructure construction and affordable housing development of Airport New City, with sufficient project reserves; and (2) track record of receiving government supports. However, the rating is constrained by its (1) medium exposure to commercial activities; (2) high debt leverage with large capital expenditure pressure; and (3) high contingent liability risk arising from large external guarantees to SOEs.

Corporate Profile

Founded in 2011, ANCD is one of the key local infrastructure investment and financing company (“LIIFCs”) of Xixian New Area and plays a significant role in the development of Airport New City. As the most important and largest LIIFC in Airport New City in terms of total assets, the Company mainly engages in infrastructure construction and affordable housing construction. It also engaged in commercial businesses such real estate development, self-owned projects construction and operation, commodity sales, and leasing. As of 30 September 2023, the Development and Construction Management Committee of Xixian New Area of Shaanxi Province (“Management Committee of Xixian New Area”) indirectly held 51% of ANCD’s shares through Shaanxi Xixian New Area Development Group Co., Ltd. (“XXDG”), while the Management Committee of Airport New City of Xixian New Area of Shaanxi Province (“Management Committee of Airport New City”) held 49% of its shares. The Management Committee of Xixian New Area was the ultimately controller of ANCD.

Rating Rationale

Credit Strengths

Strategic importance in the infrastructure construction and affordable housing development of Airport New City, with sufficient project reserves. As an important LIIFC in Airport New City, ANCD plays a strategic role in infrastructure construction and affordable housing development of Airport New City. These projects could promote the local economic

development and improve the living quality of local people. Considering its large project reserves, we believe the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

Track record of receiving government supports. As the most important and largest LIIFC in Airport New City, the Company has received comprehensive supports from the government, in terms of asset and capital injections, project repayments, and operating subsidies. Overall, we expect the local government would continuous to provide government supports to ANCD in the next 12-18 months given its significant strategic position role in the development of Airport New City.

Credit Challenges

Medium exposure to commercial activities. ANCD also engages in commercial activities including real estate development, self-owned projects construction and operation, commodity sales, and leasing. Based on our assessment, ANCD's exposure to commercial activities is medium with assets accounting for around 30% of total assets as of 30 September 2023. However, with the ongoing investment in real estate projects, we expect its exposure to commercial activities would increase especially during the downturn of the real estate market.

High debt leverage with large capital expenditure pressure. ANCD demonstrated ongoing debt growth and high debt leverage. As of 30 September 2023, the Company's total debt increased to RMB43.2 billion from RMB31.4 billion as of end-2020 driven by continuous investment in construction projects. Meanwhile, the Company has maintained high debt leverage, its capitalization ratios were over 70% over the past three years. As of 30 September 2023, the Company had relatively large future investment in key projects. We expect the Company's total debt would further increase and its debt leverage will be maintained at a high level in the next 12 to 18 months.

High exposure to contingent liability risk arising from large external guarantees to local SOEs. ANCD's exposure to contingent liabilities is high from substantial external guarantees, which constrains the credit profile of the Company. As of 30 September 2023, the Company's external guarantee was RMB12.4 billion, accounting for 72.9% of its net assets. It is common phenomenon of the cross-guarantee by local SOEs within the 5 regions of Xixian New Area, which exposes the Company to substantial contingent liabilities. If a credit event occurs in the Xixian New Area, it may lead to large-scale cross-effects.

Rating Outlook

The stable outlook on ANCD's rating reflects our expectation that Xixian New Area Government's capacity to provide support will remain stable, and the Company will maintain its significant strategic position in the development of Airport New City.

What could upgrade the rating?

The rating could be upgraded if (1) Xixian New Area Government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens local

government's willingness to provide support, such as improved debt management or increasing financing ability or reduced exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Xixian New Area 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 increased exposure to commercial activities.

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.

Christy Liu

Credit Analyst

+852-2860 7130

christy_liu@ccxap.com

Elle Hu



Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2024 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