

CCXAP affirms Chengdu Xisheng Investment Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook

Hong Kong, 29 April 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Chengdu Xisheng Investment Group Co., Ltd. (“CXIG” or the “Company”) at BBB_g, with stable outlook.

The BBB_g long-term credit rating of CXIG reflects Chengdu Pidu District Government’s strong capacity and high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Pidu District Government’s capacity to provide support reflects Pidu District’s vital position in Chengdu City, given its good industrial resources, as well as increasing economic and financial strength.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role as the major infrastructure constructor in Pidu District; (2) high sustainability for public policy projects; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt leverage; and (3) moderate assets liquidity.

Corporate Profile

Founded in 2010, CXIG, formerly known as Pi County Xingcheng Investment Co., Ltd., is the most important local infrastructure investment and financing company (“LIIFC”) in Pidu District, with the largest asset size among other local state-owned enterprises. The Company is primarily responsible for infrastructure construction, resettlement housing construction and shantytown renovation in Pidu District. Apart from public development projects, the Company also derives revenue from businesses such as property sales, material and agricultural product trading, property leasing and management, medical services, carparking services, municipal planning and surveying. As of 30 September 2023, the Company was wholly owned and ultimately controlled by Chengdu Pidu District State-owned Assets Supervision and Administration and Financial Bureau (“Pidu SASAFB”).

Rating Rationale

Credit Strengths

Important role as the major infrastructure constructor in Pidu District. CXIG is the most important infrastructure construction and state-owned capital investment operation entity in Pidu district, with the largest total assets among the local state-owned enterprises. Considering the Company’s high strategic significance to the development of Pidu District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability for public policy projects. The Company has regional franchise in the construction of public policy projects, having successfully delivered a series of large-scale infrastructure construction projects and public welfare facilities over the past few years. The

Company has demonstrated strong business sustainability through its sufficient public project reserves.

Solid track record of receiving government payments. As the most important infrastructure construction and state-owned capital investment operation entity in Pidū district, CXIG has a track record of receiving payments from the Pidū District government. These payments take various forms, such as government subsidies and capital injections. Given CXIG's important strategic role, we expect the Company will continue to receive support from the Pidū District Government in the future.

Good access to funding. The Company has good access to the debt capital market and maintains a good relationship with large domestic banks. As of 30 September 2023, around 34.5% of the Company's debt financing was provided by domestic banks. The debt capital market provides around 48.3% of the Company's debt financing.

Credit Challenges

Medium exposure to commercial activities. In addition to public activities, CXIG is also involved in various commercial activities such as engineering construction, property development, building material trading, agricultural product sales, property leasing, medical services, car parking services, municipal planning and surveying. We consider CXIG's commercial business exposure to be medium, as its market-driven businesses account for around 15-30% of its total assets.

Increasing debt leverage and weak asset liquidity. CXIG's total debt had increased from RMB49.4 billion at end-2022 to RMB61.1 billion as of 30 September 2023, its total capitalization increased from 56.1% to 61.2% over the same period. Furthermore, CXIG has weak asset liquidity. The Company's total asset mainly consists of inventories and receivables, which accounted for 68.3% of its total asset as of 30 September 2023.

Rating Outlook

The stable outlook on CXIG'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 Pidū 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 local government's willingness to provide support, such as decreased exposure to commercial activities 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 regional significance.

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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