

## **CCXAP upgrades Chengdu Xingjin Construction Development & Investment Group Co., Ltd.'s long-term credit rating to Ag-, with stable outlook.**

Hong Kong, 31 July 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Chengdu Xingdong Rural Development Group Co., Ltd. (“XCDI” or the “Company”) from BBB<sub>g</sub>+ to Ag-, with stable outlook. At the same time, CCXAP has upgraded its senior unsecured debt rating to Ag- from BBB<sub>g</sub>+

The rating upgrade reflects that the Company’s strategic importance as the important Infrastructure construction entity in Jinjiang District and the largest subsidiary of Chengdu Jinjiang Investment Development Group Co., Ltd. (“JJID”). It also reflects the Company’s strong regional franchise within the Third Ring Road of Jinjiang District.

The Ag- long-term credit rating of Chengdu Xingjin Construction Development & Investment Group Co., Ltd. reflects Jinjiang District Government’s very strong capacity to provide support, and its extremely 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 March 2024, XCDI was wholly owned by 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 the infrastructure construction, shantytown renovation, urban renewal, and land consolidation 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, the repayment progress shall be closely monitored. Meanwhile, 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 88.2% and bonds accounting for about 9.5% of its total debt at 31 March 2024.

### 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 RMB41.3 billion at end-2022 to RMB45.8 billion at end-2024Q1, and its total capitalization amounted to 59.3% as of 31 March 2024. Furthermore, XCDI has moderate asset liquidity. The Company's total asset mainly consists of receivables and inventories, which accounted for 76.9% of its total assets as of 31 March 2024.

### 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 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**

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