CCXAP upgrades Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd.'s long-term credit rating to BBB_g+, with stable outlook.

Hong Kong, 18 September 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has upgraded the long-term credit rating of Chengdu Wenjiang Xingrongxi City Operation Group Co., Ltd. ("WXCO" or the "Company") to BBB_g+ from BBB_g, with stable outlook.

The rating upgrade reflects Wenjiang District Government's increasing capacity to provide support given Wenjiang District's ongoing economic growth and industrial development.

The BBB_g+ long-term credit rating of WXCO reflects Chengdu Wenjiang District Government's very strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Wenjiang District Government's capacity to provide support reflects Wenjiang District's gross regional product maintains a moderate level in Chengdu City, with relatively good fiscal self-sufficiency.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strong position in the infrastructure construction and city operation in Wenjiang District; (2) solid track record of receiving government payments; and (3) good access to funding channels. However, the rating is constrained by the Company's (1) medium exposure to commercial activities, associated with large capital pressure; (2) increasing debt burden and moderate asset liquidity; and (3) medium contingent risks resulting from external guarantees.

Corporate Profile

Founded in 2016, WXCO is a major local infrastructure investment and financing company in charge of most major infrastructure and resettlement housing projects in Wenjiang District of Chengdu City. The Company has a diverse business portfolio and primarily engages in agency construction business. In addition, the Company generates operating income from other businesses such as self-operated project construction, leasing and asset management, and real estate sales. In December 2023, two state-owned enterprises, Chengdu Jincheng Guanghua Investment Group Co., Ltd. (responsible for the operation of transportation assets and other urban infrastructure construction business in Wenjiang District) and Chengdu Jintaihe Investment Co., Ltd. (responsible for relocation and resettlement of housing projects, construction and maintenance of roads and infrastructure in Wenjiang District) were transferred to the Company. In 2025, 80% of equity interest in Chengdu Longke Urban and Rural Development Group Co., Ltd. ("LURD") was transferred to the Company as part of the restructuring of local state-owned enterprises under government planning.

In December 2025, Wenjiang District State-owned Assets Supervision and Administration Bureau ("Wenjiang SASAB") transferred its 100% shareholding in WXCO to Chengdu Wenjiang Development Holding Group Co., Ltd. ("Wenjiang Development"). As of 31 March 2026, the ultimate controller was Wenjiang SASAB.

Rating Rationale

Credit Strengths

Strong position in the infrastructure construction and city operation in Wenjiang District. WXCO is a major infrastructure construction and urban operation subsidiary of Wenjiang Development, with LURD incorporated into its consolidated scope in 2025. The transfer of LURD into the Company further boosted its infrastructure construction business and strengthened the Company's dominant role in the public projects in Wenjiang District. Given the Company's strong position in the infrastructure construction and resettlement housing development in Wenjiang District, we believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Solid track record of receiving government payments. WXCO has a proven track record of receiving ongoing government support from Wenjiang SASAB, including government subsidies, and equity transfers. In 2024 and 2025, Wenjiang SASAB provided financial subsidy of RMB103.2 million and RMB184.2 million to the Company, respectively. In 2025, 80% of equity interest in LURD was transferred to the Company. In light of the Company's strong position in Wenjiang District, we expect the Company will continue to receive ongoing support from the local government over the next 12 to 18 months.

Good access to funding channels. The Company's investment needs are greatly supported by its diversified financing channels, mainly comprising bank loans and onshore bonds. In addition, the Company had an available bank credit facility of RMB17.5 billion at end-March 2026, indicating a good liquidity buffer. From January 2025 to August 2026, the Company issued 2 tranches of onshore bonds of around RMB2.0 billion with a coupon rate of 2.2% and 1.93%.

Credit Challenges

Medium exposure to commercial activities. In addition to public welfare activities, the Company is involved in other commercial activities such as self-operated projects, asset leasing and management, and property sales. In 2025, the subsidiaries engaged in building materials and oil sales were transferred out of the Company. Among them, the construction of self-operated projects brings large pressure on capital expenditure and the risk of payment collection for the Company.

Increasing debt burden and moderate asset liquidity. With the business expansion in the past few years, the Company's total debt increased by 67.3% from end-2024 to RMB73.1 billion at end-March 2026, with a total capitalization ratio of 49.9%. Over the same period, the ratio of short-term debt to total debt increased to 32.2%, with the cash to short-term debt ratio of 0.5x, indicating that cash on hand was insufficient to cover its short-term debt. Given the Company's large capital expenditure pressure on its public and self-operated projects, we expect the Company's debt will gradually increase over the next 12-18 months.

Moderate asset liquidity. As of 31 March 2026, the Company's total assets mainly consisted of inventories, accounts receivables, other receivables and intangible assets, accounting for 80.0% of its total assets. Among them, inventories are mainly land and construction costs, accounts receivables and other receivables are mainly unreceived payments from the agencies of government or other state-owned companies, and intangible assets mainly consist of paid usage rights and land use rights, most of which are considered to be low liquidity.

Medium contingent risks resulting from external guarantees. The Company bears medium contingent risk arising from external guarantees. As of end-2025, the Company had outstanding external guarantees of RMB24.8 billion, representing 34.0% of its net assets. Among them, an outstanding amount of RMB35.8 million was provided to relocated households who entered into mortgage loans. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

Rating Outlook

The stable outlook on WXCO's rating reflects our expectation that, for the next 12 to 18 months, the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic role as the key infrastructure construction entity in Chengdu Wenjiang District.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in the Company's characteristics enhance the local government's willingness to support, such as decreasing exposure to external guarantees or improving assets liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in the Company's characteristics weaken the local government's willingness to support, such as reducing strategic significance or weakening access to financing channels.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

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