

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub> to Chengdu Aerotropolis City Development Group Co., Ltd, with positive outlook.**

Hong Kong, 29 July 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time BBB<sub>g</sub> long-term credit rating to Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD” or the “Company”), with positive outlook.

The BBB<sub>g</sub> long-term credit rating of CACD reflects Chengdu Shuangliu District (“Shuangliu District”) Government’s strong capacity and very high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Shuangliu District Government’s capacity to support reflects its status as the 32<sup>nd</sup> Top 100 Economic District in China in 2021, with good economic fundamentals and fiscal strength.

CACD’s rating is also underpinned by the local government’s willingness to support, which is based on the Company’s (1) monopolistic position in the transportation infrastructure construction in Shuangliu District, as well as the only construction, development, and industrial investment entity in the Chengdu International Airport Business District; (2) solid track record of receiving ongoing government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) high debt growth driven by a large number of construction projects; and (2) medium exposure to commercial activities.

### **Corporate Profile**

Founded in 2008, CACD was formerly known as Shuangliu Transportation Construction Investment Co., Ltd., then Chengdu Shuangliu District Transportation Construction Investment Co., Ltd. The Company is the only transportation infrastructure construction entity and only public transportation operator in Shuangliu District. CACD is primarily engaged in the development and services of city infrastructure projects in Shuangliu District. It also undertakes commercial activities such as talent services, asset leasing, and hotel services.

As of 31 March 2022, the Chengdu Shuangliu District State-owned Assets Supervision, Administration and Financial Bureau (“Shuangliu SASAFB”) and the Department of Finance of Sichuan Province held 90% and 10% of the Company’s shares, respectively. The Company is directly controlled by Shuangliu SASAFB.

### **Rating Rationale**

#### **Credit Strengths**

**Monopolistic position in transportation infrastructure construction in Shuangliu District.** CACD is a key LIIFC with the second largest total assets in Shuangliu District. It has clear positioning and strong regional franchise rights. As the major infrastructure construction and the only public transportation company in the district, CACD has high business significance to the development of local economy and public activities. Entrusted by the local government, CACD is solely responsible for the construction and operation of transportation infrastructure in Shuangliu District, including (1) city upgrading and development, and the construction of city



infrastructure and transportation infrastructure; (2) city transportation services, mainly public transportation operations.

**Undertaking the provision of important public activities.** CACD focuses on the development of major infrastructure construction projects in the Airport Business District and the Yixin Lake Area, as well as major transportation infrastructure construction projects in Shuangliu District. The Company also provides high quality transport logistics services in Shuangliu District, developing airport and urban transportation networks with a focus on providing public transportation services. CACD has successfully delivered a series of large-scale transportation infrastructure projects and public welfare facilities over the past few years, including schools, hospitals, roads, and bridges in Shuangliu District.

**Solid track record of receiving ongoing government payments** CACD has received ongoing support from the Shuangliu District Government including asset injections, capital injections, financial subsidies, and project grants. From 2019 to 2021, the Company received capital reserve injections of RMB7.7 billion, RMB1.6 billion and RMB17.5 billion from the local government, respectively, including the transfer of operating assets, engineering project funds, natural gas company equity, state-owned construction land use rights, and state-owned assets ownership. In 2021, the Company received a cash injection of RMB50 million. From 2019 to 2021, the Company received a total of RMB1.2 billion in government financial subsidies. In terms of project payments, CACD received RMB1.5 billion in 2021.

**Good access to funding.** The Company has good access to onshore and offshore debt capital market and maintains good relationships with large domestic banks. It held a total credit facility of RMB28.0 billion and available credit facilities of RMB13.3 billion from 26 banks as of 31 March 2022. From 2021 to the first half of 2022, the Company raised RMB6.0 billion through onshore debt market, with a coupon rate from 3.45% to 4.5%; the Company raised USD300.0 million on offshore debt market with coupon rate of 2.8%.

### Credit Challenges

**Medium exposure to commercial activities.** In addition to public activities, CACD is also involved in other commercial activities such as self-operated project construction, parking, vehicle inspection, fuel trading, and modern service business. CACD's commercial business exposure is moderate as its market-driven nature accounts for around 30% of its total assets.

**High debt growth driven by large number of construction projects.** CACD has high debt growth owing to its debt-driven business expansion over the past few years. As of 31 December 2021, the Compound Annual Growth Rate ("CAGR") of its debt over the past 3 years was 31.7%. The reason behind the high debt growth was mainly because of the fast expansion of Infrastructure construction.

### Rating Outlook

The positive outlook on CACD's rating reflects our expectation that the local government's capacity to support the Company will continue to strengthen. As the regional economic strength



of Shuangliu District and Chengdu City grows, the Company will maintain its strategic role, being the provider of infrastructure construction in Shuangliu District.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the local government's ability to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as increased government payments or improved debt management.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the local government's ability to support weakens; or (2) changes in company characteristics decreases the local government's willingness to support, such as reduced strategic 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**

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