Credit Opinion

4 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g
Outlook	Stable

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Sichuan Xinyao Industrial Integration Industry Investment & Development Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g to Sichuan Xinyao Industrial Integration Industry Investment & Development Group Co., Ltd., with stable outlook

Summary

The BBB_g long-term credit rating of Sichuan Xinyao Industrial Integration Industry Investment & Development Group Co., Ltd. ("XIDG" or the "Company") reflects (1) Mianyang Economic and Technological Development Zone ("Mianyang ETDZ") Government's strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the Mianyang ETDZ Government's capacity to provide support reflects Mianyang ETDZ's status as a National Economic and Technological Development Zone, with relatively fast economic growth and good fiscal stability, but constrained by its small scale of economic and fiscal income.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) status as the most important infrastructure construction entity in Mianyang ETDZ; (2) high sustainability of public business sectors; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) moderate debt management with rapid debt growth; and (3) weak asset liquidity.

The stable outlook on XIDG's rating reflects our expectation that Mianyang ETDZ Government's capacity to provide support will remain stable, and the Company will maintain its important strategic role in infrastructure construction in Mianyang ETDZ over the next 12 to 18 months.

Rating Drivers

- The most important infrastructure construction entity in Mianyang ETDZ
- High sustainability of public business sectors
- Medium exposure to commercial activities
- Moderate debt management with rapid debt growth
- Weak asset liquidity
- Low reliance on non-standard financing
- Good track record of receiving government support

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Mianyang ETDZ Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as material reduction in commercial business exposure, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Mianyang ETDZ Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as a material decrease in government payments, or deteriorated debt management.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	17.0	25.2	28.4	29.7
Total Equity (RMB billion)	6.0	12.3	12.3	12.2
Total Revenue (RMB billion)	2.0	2.6	3.3	0.4
Total Debt/Total Capital (%)	58.2	43.3	48.5	51.5

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2017, formerly known as Mianyang Jingkai Construction Equipment Leasing Co., Ltd., after the consolidation of various local state-owned enterprises, XIDG became the most important infrastructure construction entity in Mianyang ETDZ. It is primarily engaged in infrastructure construction, resettlement housing construction, land consolidation, and commodity sales within the zone. The Company also undertakes other activities, such as self-operating projects, asset leasing, landscaping maintenance, and labor services. As of 31 December 2024, the Company was wholly owned and controlled by the Mianyang Economic and Technological Development Zone Management Committee ("Mianyang ETDZ Committee").

Exhibit 1. Revenue structure in 2024

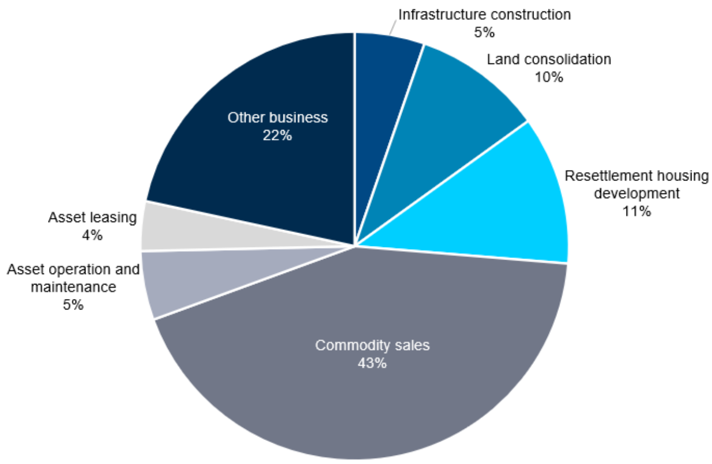
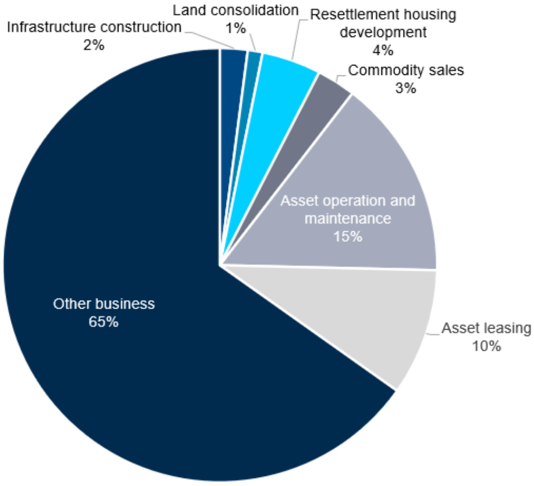


Exhibit 2. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Mianyang ETDZ Government has a strong capacity to provide support, given Mianyang ETDZ's relatively fast economic growth and good fiscal stability, but is constrained by its small scale of economic and fiscal income.

Sichuan Province is a leading economic province and is recognized as one of the most developed provinces in China. In 2024, Sichuan recorded a gross regional product ("GRP") of RMB6.5 trillion, with a GRP growth rate of 5.7% year-on-year ("YoY"). Its general budgetary revenue increased to RMB563.5 billion, up by 1.9% YoY.

Mianyang City is located in the north of Sichuan Province, in the heartland of the "West Triangle" of Chengdu, Chongqing, and Xi'an. It is also one of the central cities of the Chengdu-Chongqing urban agglomeration and an important national defense scientific research and electronic industry production base in China. Mianyang City has formed six key industries, including electronic information, automobiles, new materials, energy conservation and environmental protection, high-end equipment manufacturing, and food and beverage. With the support of such pillar industries, its economy continued to grow, and its financial strength continued to increase. In 2024, Mianyang City achieved a GRP of RMB434.4 billion, a YoY increase of 7.0%, ranking 2nd in Sichuan Province. Supported by increased tax revenue, the Mianyang Municipal Government's general budgetary revenue increased from RMB16.0 billion in 2022 to RMB21.7 billion in 2024. However, its financial self-sufficiency is relatively weak, with a low average fiscal balance ratio of 36.5% over the past 3 years. The government debt increased from RMB85.1 billion in 2022 to RMB129.7 billion in 2024, representing 29.9% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Mianyang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	362.7	403.9	434.4
GRP Growth (%)	5.0	8.0	7.0
General Budgetary Revenue (RMB billion)	16.0	20.1	21.7
General Budgetary Expenditure (RMB billion)	50.1	57.8	59.3
Local Government Debt (RMB billion)	85.1	106.6	129.7

Source: Finance Bureau of Mianyang City, CCXAP research

Situated in the southern urban area of Mianyang City, Mianyang ETDZ has been a National ETDZ since 2012. Mianyang ETDZ has formed a convenient transportation network and has been building a modern industrial system focusing on advanced manufacturing. It has three pillar industries, smart terminals, new functional materials, and intelligent equipment, as well as two specialized industries, fine chemicals and electronic components. Although Mianyang ETDZ has a small scale of economic and fiscal income, it has maintained a fast growth over the past few years. Its GRP increased from RMB12.2 billion in 2022 to RMB15.7 billion in 2024, with a high average GRP growth rate of 7.9% in the past three years. Its general budgetary revenue increased from RMB1.1 billion in 2022 to RMB1.4 billion in 2024, with a high economic stability rate, as the tax revenue accounted for more than 80% of the total general budgetary revenue on average in the past three years. Mianyang ETDZ also had a good average self-sufficiency rate of 83.4% over the past 3 years. The government fund income fluctuated due to factors such as real estate market volatility and government land transfer plans. Nevertheless, subsidies from higher-level authorities have shown steady growth, serving as a beneficial supplement to fiscal revenue. As of 31 December 2024, Mianyang ETDZ's outstanding government debt was at a manageable level of RMB3.1 billion, accounting for 19.9% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Mianyang ETDZ

	2022FY	2023FY	2024FY
GRP (RMB billion)	12.2	13.9	15.7
GRP Growth (%)	5.3	9.8	8.7
General Budgetary Revenue (RMB billion)	1.1	1.3	1.4
General Budgetary Expenditure (RMB billion)	1.4	1.6	1.6
Local Government Debt (RMB billion)	1.5	2.1	3.1

Source: Statistic Bureau of Mianyang ETDZ, CCXAP research

Government's Willingness to Provide Support

Most important infrastructure construction entity in Mianyang ETDZ

After consolidating Mianyang Jingkai Investment Holding Group Co., Ltd. ("MJIH") and receiving government capital injection and asset transfer, the Company became the most important infrastructure construction entity in Mianyang ETDZ. The Company has strong regional franchise advantages in various public-related activities in Mianyang ETDZ, such as infrastructure construction, resettlement housing construction, and land consolidation. Considering the Company's strategic position in Mianyang ETDZ, we believe that the replacement cost for the Company's role is high, as these public services are essential for residents and regional development.

High sustainability of public business sectors

The infrastructure construction business is carried out through the agency construction model, with self-raised funds. The Company signs entrusting construction agreements with Mianyang ETDZ Committee and other related entities, who would reimburse the Company annually for the project investment cost plus a predetermined margin. As of 31 December 2024, the Company had 42 infrastructure construction projects under construction or planning, with a total planned investment of RMB6.4 billion and an outstanding amount of RMB5.7 billion, exerting certain capital expenditure pressure.

The Company is responsible for the land development and consolidation in Mianyang ETDZ, with self-raised funds. Upon completion, the consolidated land is transferred to Mianyang Municipal Government Services and the Public Resources Trading Service Center for public listing. The net proceeds after deducting tax and certain fees are then returned to the Company. As of 31 December 2024, the Company had lands of around 7.0 million square meters under consolidation, with an invested amount of RMB3.1 billion. The Company plans to consolidate land parcels with a total area of 4.2 million square meters and a total investment of RMB1.9 billion. Nevertheless, this business remains susceptible to government land transfer policies and real estate market conditions, resulting in a degree of uncertainty regarding its land transfer income.

The Company also undertakes resettlement housing construction in the region with self-raised funds. Upon completion, the properties are transferred to the Mianyang ETDZ Committee or a designated state-owned enterprise for repurchase. Any remaining unsold units are then marketed by the Company. For certain resettlement housing projects, the Company adopts a self-operated model, where it independently finances and constructs the properties. As of 31 December 2024, the Company had 3 agency resettlement housing construction projects under construction or planning, with a total planned investment amount of RMB1.6 billion and an outstanding balance of RMB1.3 billion, posing certain capital expenditure pressure on the Company.

Overall, the Company has a highly sustainable business with abundant projects under construction or in pipelines, but it also faces future capital expenditure pressure and is susceptible to the macroeconomy and government policies.

Medium exposure to commercial activities

XIDG is also engaged in commercial activities such as self-operating projects, commodity sales, asset leasing, landscaping maintenance, and labor services. We consider XIDG’s commercial business exposure to be medium, as its market-driven businesses account for 20% of its total assets, though significant capital expenditure pressure from self-operating projects remains a challenge.

XIDG’s self-operated projects include industrial parks, transportation hubs, parking lots, and sewage treatment plants. The Company constructs these projects with self-raised funds and government fiscal funds and achieves breakeven through receiving operating income. As of 31 December 2024, the Company had 9 major self-operated projects under construction or planning, with a total estimated investment of RMB3.8 billion, and an outstanding balance of RMB3.4 billion, exerting certain capital expenditure pressure.

XIDG engages in the commodity sales business with a market-oriented procurement and sales model. The main products of the commodity sales business are steel products, building materials, and kitchen equipment. Over the past few years, the Company has established stable upstream and downstream partnerships, and the commodity sales revenue has increased rapidly. In 2024, the Company’s revenue from this segment was around RMB1.4 billion, with 82.0% YoY growth, accounting for 43.1% of its total revenue. However, the gross profit margin of the commodity sales business was low at around 1.6%. This segment also faces certain concentration risk. As of 31 December 2024, the top 5 suppliers and top 5 customers accounted for 50.9% and 54.6% of total procurement and sales value, respectively.

The Company's leasing business includes office building leasing and vehicle leasing, with rental income recognized based on the actual lease period. The buildings leased are mainly industrial parks and residential properties, with a total leasable area of 466.4 thousand square meters, and an average occupancy rate of 78.4% as of 31 December 2024. The leasing revenue increased steadily from RMB49.2 million in 2022 to RMB124.3 million in 2024. The leasing business maintains strong gross profit margins, reaching 60.8% in 2024.

The Company is also responsible for the maintenance and operation of municipal assets within Mianyang ETDZ, including roads, trees, and greenbelts. Revenue is calculated annually at 10% of the book value of municipal assets. This business has strong regional exclusivity, generating stable revenue, and is one of the main gross profit contributors for the Company. In 2024, the Company recorded asset maintenance and operation revenue of RMB172.7 million, with a high gross profit margin of 68.9%.

Moreover, the Company also engages in other businesses such as landscaping maintenance and property management, which provide supplementary income to the Company. However, the small operating scale of these businesses limits their contribution to the Company's overall cash flow and profit. We expect that the launch of sand and gravel sales in the future will further diversify the Company's revenue sources and boost both sales and gross profit.

Moderate debt management with rapid debt growth

XIDG has moderate debt management, as reflected by its rapid debt growth and modest debt structure. XIDG has demonstrated an increasing debt amount as a result of relatively large capital demands for the construction projects. Its total debt increased from RMB8.3 billion at end-2022 to RMB13.0 billion at 2025Q1. However, its total capitalization ratio decreased from 58.2% to 51.5% over the same period, due to the significant increase in equity benefiting from large-scale government capital injections. Moreover, the Company has a modest debt structure. As of 31 March 2025, its short-term debt amounted to RMB4.3 billion, accounting for 33.1% of its total debt, and its cash-to-short-term-debt ratio was around 0.4x, indicating certain short-term debt servicing pressure. We expect the Company will maintain a fast debt growth in the next 12 to 18 months, given its large number of construction projects in the pipeline.

The Company bears low contingent credit risk arising from external guarantees. As of 31 December 2024, the Company had an outstanding external guarantee of RMB1.6 billion, representing 13.1% of its net assets. The guaranteed parties are all state-owned enterprises in the region.

Weak asset liquidity

The Company's asset liquidity is weak as its total assets mainly consist of assets with low liquidity. These include costs from construction projects (recorded as inventories, construction in progress, and other non-current assets), investment properties, receivables, and lands (recorded as intangible assets), which accounted for 73.5% of total assets as of 31 March 2025. It is noteworthy that low asset liquidity may undermine the Company's financing flexibility. In addition, as of 31 December 2024, the amount of restricted assets was RMB3.0 billion, which was mainly used as bank collateral and accounted for 10.4% of total assets.

Low reliance on non-standard financing

XIDG has access to diversified funding, given its strong banking relationships and access to the debt capital market. As of 31 December 2024, the Company had obtained total credit facilities of around RMB12.0 billion and available credit facilities of RMB2.1 billion from major domestic policy banks or commercial banks. The Company also has access to both the onshore and offshore bond markets. In March 2025, the Company issued an offshore bond of USD110 million, with a coupon rate of 7.0%. In 2022, MJIH issued onshore corporate bonds of RMB730 million, with a coupon rate of 6.9%. As of 31 December 2024, bank loans and bonds accounted for 79.1% and 19.7% of the Company's total debt, respectively. In addition, the Company has low reliance on non-standard financing, with non-standard financing accounting for 1.2% of the total debt. In 2024, the average funding cost of the Company was around 6.1%.

Good track record of receiving government payments

XIDG has received continuous support from the local government, including capital injections, asset transfers, project grants, and financial subsidies. From 2022 to 2024, the Company received a total capital injection of RMB4.5 billion, mainly including cash, gravel operating rights, sewage treatment plant operating rights, parking lots, and commercial properties. The Company also received total government subsidies of RMB59.2 million over the same period. Regarding the equity transfer, in 2023, Mianyang ETDZ Committee transferred 90% of its equity in MJIH with a value of RMB2.1 billion to the Company. In addition, the Company receives regular project repayment from infrastructure construction, land consolidation, and resettlement housing development business. From 2022 to 2024, the Company received total project repayment of RMB810.1 million. The continuous support from the local government has enhanced its capital strength. Overall, given the Company's important position and contribution to regional economic development, we believe XIDG will continue to receive support from the government.

ESG Considerations

XIDG assumes environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

As a public services provider in Mianyang ETDZ, the Company also faces social risks. Demographic changes, public awareness, and social priorities shape the government's target for XIDG, which may affect the government's propensity to support the Company.

XIDG's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public policy role and status as a government-owned entity.

Rating Methodology

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

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.

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