

Credit Opinion

6 February 2025

Chengdu Airport Xingcheng Investment Group Co., Ltd.

Initial credit rating report

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Positive

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CCXAP assigns first-time long-term credit rating of A_g- to Chengdu Airport Xingcheng Investment Group Co., Ltd., with positive outlook.

Summary

The A_g- long-term credit rating of Chengdu Airport Xingcheng Investment Group Co., Ltd. ("CAXI" or the "Company") (1) Shuangliu District Government's very 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 Shuangliu District Government's capacity to support reflects its vital position in Chengdu City, given its good economic fundamentals and fiscal strength.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) largest entity responsible for infrastructure construction in Shuangliu District; (2) solid track record of receiving ongoing government payments; and (3) stable funding from banks and capital market

However, the rating is constrained by the Company's (1) medium exposure to commercial activities, with investment risk in equity investment; (2) increasing debt leverage with certain short-term repayment pressure; and (3) moderate asset liquidity.

The positive outlook on CAXI's rating reflects our expectation that the local government's capacity to provide support will continue to strengthen, along with Shuangliu District's growing regional economic strength and participated in major municipal projects in Chengdu City, and the Company will maintain its status as the largest infrastructure construction entity in Shuangliu District.

Rating Drivers

- Largest entity responsible for infrastructure construction in Shuangliu District.
- Solid track record of receiving ongoing government payments
- Medium exposure to commercial activities
- Increasing debt leverage with certain short-term repayment pressure
- Moderate asset liquidity
- Stable funding from banks and capital market

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to support strengthens; and (2) changes in the Company's characteristics enhance local government's willingness to support, such as reduced exposure to commercial activities.

What could downgrade the rating?

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

Key Indicators

	2021FY	2022FY	2023FY	2024Q3
Total Asset (RMB billion)	100.6	118.6	140.7	149.7
Total Equity (RMB billion)	55.1	56.5	66.0	65.8
Total Revenue (RMB billion)	4.3	4.2	5.0	3.3
Total Debt/Total Capital (%)	43.5	48.6	50.4	54.0

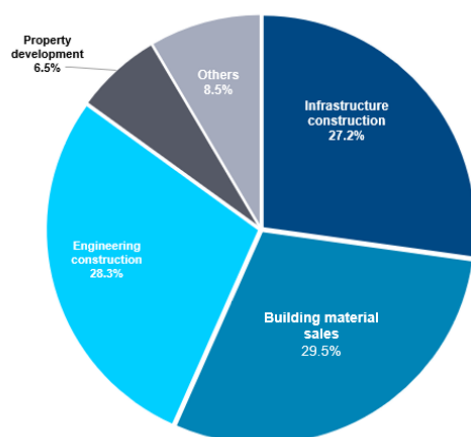
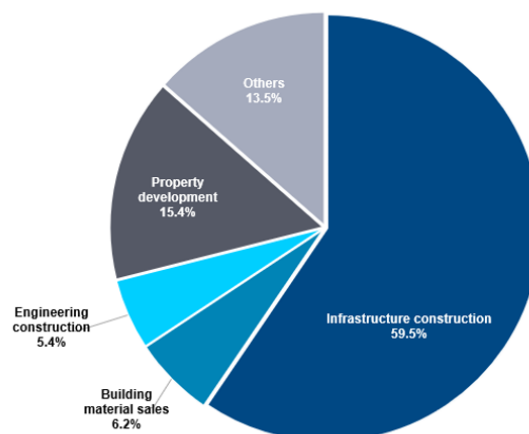
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company information; CCXAP research

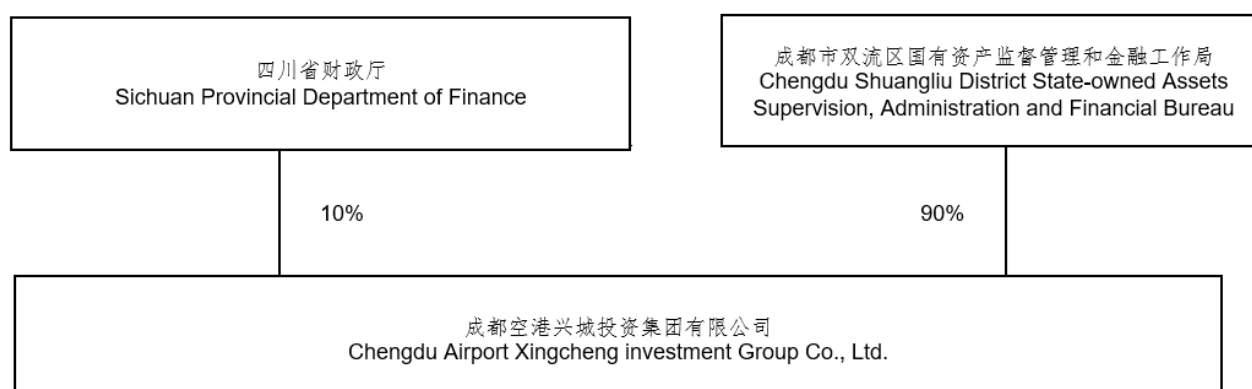
Corporate Profile

Founded in 2005, CAXI is the largest local infrastructure investment and financing company ("LIIFC") in Shuangliu District. The Company is primarily responsible for infrastructure construction in Shuangliu District. In addition to public business, the Company also undertakes commercial activities such as building materials sales business, engineering construction, equity investment, and the construction of self-operating projects.

As of 30 September 2024, Chengdu Shuangliu District State-owned Assets Supervision, Administration and Financial Bureau ("Shuangliu SASAFB"), and Sichuan Provincial Finance Department held 90% and 10% of CACD's shares, respectively. The Company is ultimately controlled by Shuangliu SASAFB.

Exhibit 1. Revenue structure in 2023**Exhibit 2. Gross Profit structure in 2023**

Source: Company information, CCXAP research

Exhibit 3. Shareholding and organization chart as of 30 September 2024

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Shuangliu District Government has a very strong capacity to provide support for the Company given its good economic fundamentals and fiscal strengths.

Sichuan Province is a leading economic province and is recognized as one of the most developed provinces in China. In 2023, Sichuan recorded a gross regional product ("GRP") of RMB6.0 trillion, with a year-on-year ("YoY") increase of 6.0%, ranking 5th in terms of GRP among all provinces in China. The general budgetary revenue of Sichuan increased to RMB522.9 billion in 2023, up by 13.3% YoY. In the first three quarters of 2024, Sichuan recorded a GRP of RMB4.5 trillion, with a YoY increase of 5.3%.

Chengdu City is a sub-provincial city that serves as the capital city of Sichuan Province. Chengdu City is also an important economic and financial center, as well as a transportation and communication hub in Southwest China, with a solid economic foundation. Its economy is characterized by industries such as electronic

information product manufacturing, machinery, automotive, metallurgy, building materials and light industry. Chengdu's GRP increased to RMB2.2 trillion in 2023, representing a YoY increase of 6.0%. The Chengdu government's general budgetary revenue amounted to RMB192.9 billion in 2023, a YoY increase of 12.0%. Its fiscal balance ratio was 74.6%, which was at a moderate level. Chengdu's debt burden is manageable. In 2023, Chengdu's outstanding government debt increased to RMB522.9 billion with an increase trend, accounting for 101.3% of its total fiscal revenue and 23.7% of its GRP. In the first three quarters of 2024, Chengdu City achieved GRP of RMB1.7 trillion, representing a YoY growth of 5.2%.

Exhibit 4. Key Economic and Fiscal Indicators of Chengdu City

	2021FY	2022FY	2023FY
GRP (RMB billion)	1,991.7	2,081.8	2,207.5
GRP Growth (%)	8.6	2.8	6.0
General Budgetary Revenue (RMB billion)	169.8	172.2	192.9
General Budgetary Expenditure (RMB billion)	223.8	243.5	258.7
Local Government Debt (RMB billion)	404.3	464.1	522.9

Source: Statistic Bureau of Chengdu City, CCXAP research

Shuangliu District was established in 2016 and is one of the central urban areas of Chengdu. Shuangliu District is where Chengdu Shuangliu International Airport is located. There are also national-level Tianfu New District, Chengdu Linkong Economic Demonstration Zone, and China (Sichuan) Free Trade Pilot Zone in Shuangliu District. Relying on the development of the three pillar industries of aviation economy, biomedicine, and electronic information, as well as important regional advantages, the economy of Shuangliu District has developed rapidly in recent years. In 2023, the GRP of Shuangliu District amounted to RMB119.7 billion, representing a YoY growth of 5.9% and accounted for 5.4% of the GRP of Chengdu City. Shuangliu District demonstrated ongoing fiscal growth, mainly reflected in general budgetary revenue. Its general budgetary revenue significantly increased from RMB9.6 billion in 2022 to RMB10.2 billion in 2023, ranking 5th among 20 districts and counties in Chengdu City. Meanwhile, due to the fluctuations in land market, the government fund revenue recorded a 20.5% YoY decline to RMB11.3 billion in 2023. Shuangliu District's fiscal balance ratio still maintain a relatively good self-sufficiency of 70.2% in 2023. Shuangliu District Government's outstanding debt amounted to RMB30.9 billion, with a government debt to GRP ratio of 25.8% as of 31 December 2023. In the first three quarters of 2024, Shuangliu District recorded a GRP of RMB87.0 billion, with a YoY increase of 4.5%.

Exhibit 5. Key Economic and Fiscal Indicators of Shuangliu District

	2021FY	2022FY	2023FY
GRP (RMB billion)	113.1	113.1	119.7
GRP Growth (%)	8.7	0.6	5.9
General Budgetary Revenue (RMB billion)	9.0	9.6	10.2
General Budgetary Expenditure (RMB billion)	11.2	13.1	14.6
Local Government Debt (RMB billion)	19.6	25.5	30.9

Source: Statistic Bureau of Shuangliu District, CCXAP research

With the successive establishment of major enterprises including Airbus Corporation, SF Express, and Commercial Aircraft Corporation of China setting up their bases in Shuangliu District, it will further enhance the region's future economic and fiscal strength. Furthermore, the industrial cooperation between Jianyang City and Shuangliu District also serves as a key catalyst for regional economic growth.

Government's Willingness to Provide Support

The largest infrastructure construction entity in Shuangliu District.

There are two major Infrastructure Investment and Financing Companies ("LIIFC") in Shuangliu District, namely Chengdu Aerotropolis City Development Group Co., Ltd. ("CACD") and CAXI, both with clear positioning and strong regional franchise. As the largest LIIFC in Shuangliu District, CAXI is mainly engaged in infrastructure and affordable housing construction, industrial investment, rural revitalization, as well as education and healthcare within Shuangliu District. Meanwhile, CACD is another key LIIFC in Shuangliu District which undertakes the major infrastructure construction projects and is the sole entity responsible for transportation projects in the district. Given its key role, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

The Company's infrastructure construction business covers infrastructure, resettlement housing, shantytown reconstruction projects in Shuangliu District. The Company conducts infrastructure construction projects through agency construction management model. The Company is responsible for the construction and investment of infrastructure construction projects, and received management fee upon project completion. The management fee is calculated based on around 5% of the total investment cost. As of 31 December 2023, the Company received a total project repayment of RMB6.0 billion. Furthermore, as of 31 March 2024, the Company had 19 infrastructure construction projects under construction and planning, with a total investment amount of RMB13.0 billion and uninvested amount of RMB10.6 billion. We expect that the projects in the pipelines can ensure the sustainability of public policy business, but exert large capital expenditure pressure on the Company.

Solid track record of receiving ongoing government payments

CAXI has received ongoing support from the Shuangliu District Government including asset injections, capital injections, financial subsidies, and project repayments. From 2021 to 2024Q3, the Company received a total asset injection of around RMB10.9 billion, mainly cash, properties and equity stake in other local state-owned enterprises injected by the Shuangliu District Government. Over the same period, the Company received a total of RMB977.4 million in government financial subsidies. In terms of project repayment, CAXI received RMB5.0 billion during the same period. In addition, the Company's paid-in capital increased from RMB3.3 billion in 2022 to RMB3.4 billion in 2023. Given the strategic role of CAXI in Shuangliu District, we expect the Company will continue to receive support from the Shuangliu District Government in the future.

Medium exposure to commercial activities

In addition to public activities, CAXI is also involved in other commercial activities such as self-operating projects, equity investment, building material sales, and engineering construction. We estimate that the Company has medium commercial exposure as the proportion of commercial business assets accounts for around 25% of its total assets.

As a result of the rapid development of aviation economy, the Company has a large number of self-operating project construction. CAXI engages in the construction of self-operating projects through self-raised funds, such as financial center, education base, and Airbus Aircraft Life Cycle Service Program project. Some of the self-operating projects play a significant role to the industrial development of Shuangliu District and Chengdu City. The Company mainly achieves a balance between revenue and expense through leasing and sales income. As of end-2023, the Company had 20 major self-operating projects under construction or planning, with an estimated total investment of RMB27.3 billion and an uninvested amount of RMB18.1 billion, exerting a relatively large capital expenditure pressure. The operating performance of self-operating projects face uncertainties due

to market fluctuation, requiring close attention to subsequent capital balance conditions.

The Company played equity investment role in several key industries within Shuangliu District, focusing primarily on significant projects in the electronic information sector. The sources of investment funds included government grants as well as self-raised. The resultant income was predominantly derived from dividend payments. As of 31 March 2024, the Company's major investees include Chengdu BOE Technology Group Co., Ltd ("Chengdu BOE") and Chengdu Tianfu Guoji Investment Co., Ltd. Chengdu BOE is mainly engaged in the development, production, and sales of transistor liquid crystal display (TFT LCD). As the demand in semiconductor display industry is weak, the operating performance of Chengdu BOE has yet to be improved. Due to some of the investees suffered losses, there are uncertainties in the Company's investment return.

The Company's building materials sales business is the largest revenue contributor, accounting for 29.5% of the Company's total revenue. Major trading products involved were steel, sandstone cement, logs. Since 2023, the gross profit margin of the segment fell sharply, mainly due to the impact of the weakening real estate industry, which led to the sluggish building materials market and fierce competition among peers. In 2023, the building materials sales business recorded a gross profit margin of 3.7%. Meanwhile, the Company faces certain concentration risks. As of end-2023, the top 5 suppliers and customers accounting for 72.7% and 63.3% of total procurement and sales, respectively.

Increasing debt leverage with certain short-term repayment pressure

Due to the continuous investment on construction projects, CAXI's total debt had increased from RMB42.3 billion at end-2021 to RMB77.3 billion as of 30 September 2024. Its capitalization ratio increased from 43.5% to 54.0% over the same period. The Company faces certain short-term debt repayment pressure as short-term debt accounted for 29.2% of total debt and cash to short debt was 0.3x as of 30 September 2024. Given the Company's relatively large capital expenditure on self-operating projects, we expect the Company will have fast debt growth and relatively high debt leverage for the next 12-18 months.

Meanwhile, the Company has low contingent risks from external guarantee, as the relevant guarantee only accounted for 7.1% of the net asset as of 30 September 2024. All of the external guarantee were provided to the local state-owned enterprises in Shuangliu District.

Moderate asset liquidity

CAXI's asset quality is moderate, with may undermine its financing flexibility. The Company's total assets mainly consist of less liquid assets such as inventories (mainly development cost and land use rights) and other non-current asset, totally accounting for 73.0% of the Company's total assets as of 30 September 2024. As of the end of 2023, the Company's restricted asset balance was RMB7.1 billion, which was mainly pledged for financing. The proportion of restricted assets to total assets was relatively low, at 5.1%.

Stable funding from banks and capital market

The Company maintains a good relationship with large domestic banks. Around 64.6% of the Company's debt was provided by bank loans. As 30 September 2024, the Company had a total bank facility of RMB89.0 billion while available facility was RMB32.7 billion. The Company is an active issuer on both onshore and offshore market, bond financing accounted for 26.9% of the Company's debt and carries low funding cost at around 3.8%. As of 31 December 2024, the Company had two outstanding offshore bonds, with a total outstanding amount of USD750 million, of which USD500 million will mature in April 2025. The Company has low exposure to non-

standard financing. As of 30 September 2024, non-standard financing accounted for 8.5% of its total debt, with a financing cost of 5.6%. The average financing cost of the Company was 4.9% as of 30 September 2024.

ESG Considerations

CAXI assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction. CAXI's key operations are in material compliance with currently applicable national and local environmental, health and safety laws and regulations.

CAXI is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Shuangliu District. Demographic changes, public awareness and social priorities shape government's development strategy, and it will affect the government's propensity to support the Company.

CAXI's governance considerations are also important as it 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 \(July 2022\)](#).

Appendix

Exhibit 6. Peer Comparison

	Chengdu Airport Xingcheng Investment Group Co., Ltd.	Chengdu Aerotropolis City Development Group Co., Ltd.	Chengdu Aerotropolis Industry Finance & Investment Development Co., Ltd.
Long-Term Credit Rating	A _g -	A _g -	A _g -
Shareholder	Chengdu Shuangliu District State-owned Assets Supervision Administration and Financial Bureau (90%)	Chengdu Shuangliu District State-owned Assets Supervision Administration and Financial Bureau (90%)	Chengdu Aerotropolis City Development Group Co., Ltd. (100%)
Positioning	Largest entity responsible for infrastructure construction in Shuangliu District	Sole transportation infrastructure construction entity in Shuangliu District	Sole construction, development, and industrial investment entity in Chengdu International Airport Business District
Total Asset (RMB billion)	140.7	78.3	34.4
Total Equity (RMB billion)	66.0	29.7	20.2
Total Revenue (RMB billion)	5.0	3.2	3.0
Total Debt/Total Capital (%)	50.4	59.0	37.7

Source: Company information, CCXAP research

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