

# Chengdu Airport Xingcheng Investment Group Co., Ltd.

## Surveillance Report

### Summary

Issuer Rating	BBB
Outlook	Positive
Location	China
Industry	Local Investment and Development Companies
Date	16 May 2023

### Key Figures of Shuangliu and CAXIG

(RMB billion)	2021	2022
Shuangliu		
GDP	113.1	113.1
GDP growth rate (%)	8.7	0.6
Budgetary revenue	9.0	9.6
Government fund	11.1	14.2
Transfer payment	3.0	4.1
Budgetary expenditure	11.2	13.1
CAXIG	2021	2022
Assets	100.6	118.6
Equity	55.1	56.5
Revenue	4.3	4.2

Source: Public information, CAXIG and Lianhe Global's calculations

**Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer Credit Rating of Chengdu Airport Xingcheng Investment Group Co., Ltd. ("CAXIG" or "the company"); Issuer Rating Outlook remains Positive.**

### Summary

The Issuer Credit Rating reflects a high possibility that the Shuangliu District People's Government of Chengdu ("Shuangliu government") would provide strong support to CAXIG if needed, in light of its majority ownership of CAXIG, CAXIG's strategic position as one of the most important local investment and development companies ("LIDC") in Shuangliu District of Chengdu City ("Shuangliu") and the strong linkage between the Shuangliu government and CAXIG including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Shuangliu government may face significant negative impact on its reputation and financing activities should CAXIG encounter any operational or financial difficulties.

The Positive Outlook reflects our expectation that CAXIG's strategic importance would be strengthened given its strategic development role, while the Shuangliu government will continue to ensure CAXIG's stable operation.

### Rating Rationale

**Government's Ownership and Supervision:** CAXIG's linkage with the local government is strong as the Shuangliu government via the State-owned Assets Supervision and Administration and Finance Bureau of Shuangliu District ("Shuangliu SASAFB") holds 90% of CAXIG, while 10% of CAXIG's shares was transferred to Sichuan Finance Department to subsidize the provincial Social Security Fund. The Shuangliu government is still the actual and ultimate shareholder of CAXIG. The Shuangliu government has strong control and supervision over CAXIG, including control of the board of directors, senior management appointments, and major strategic, investment and financing planning. In addition, the Shuangliu government has formulated a performance appraisal policy for CAXIG, and regularly appoints auditors to review its operating performance and financial position.

**Strategic Importance and Strategic Alignment:** CAXIG is the largest and flagship LIDC platform for the development of Shuangliu. We believe that the Shuangliu government is willing to extend support to CAXIG in view of its strategic important role as one of the most important developers of Shuangliu to support the local economic and urban development. CAXIG's strategic planning and development have been aligned with the local government's economic and social policies, aiming to develop Shuangliu.

**Ongoing Government Support:** CAXIG received ongoing supports from the local government for its business operation, which are not limited to capital injection, subsidies, allocation of land resources or assets and guidance from the government. At end-2022, the paid-in capital of CAXIG increased by RMB256.8 million to c. RMB3.34 billion. CAXIG has received financial subsidies from the local government mainly for supporting projects related to public infrastructure or special projects. CAXIG received c. RMB217 million of government subsidies at end-2022 and the total subsidies amount was c. RMB1,163 million between 2018 and 2022. In addition, the company

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### Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

received a total of RMB4.5 billion of special bond funds from the local government in 2022. Given its role and functions, we believe CAXIG will likely receive timely government support in the form of operational and/or financial subsidies in the future.

**CAXIG's Financials and Liquidity Position:** CAXIG's total assets showed a continuous growth trend in the past few years, with the growth rates of 10.11% and 17.93% in 2021 and at end-2022, respectively. CAXIG's financial leverage (total liabilities to assets) and total debt capitalization were 52.36% and 48.58% at end-2022, respectively. CAXIG mainly relies on external financing for capital expenditure. CAXIG has access to multiple financing channels including bank borrowings, bond issuance and other financing channels such as trust loan and finance lease etc. The total adjusted debt of CAXIG increased by c. 26.1% to RMB53.4 billion at end-2022, of which the short-term and long-term debt accounted for 25.7% and 74.3% of its total debt, respectively. At end-2022, CAXIG had total cash of c. RMB3.2 billion, of which c. RMB2.7 billion was unrestricted and a total credit line of RMB51.3 billion, of which approximately RMB15.9 billion was available, compared with its debt to be due within one year of c. RMB13.7 billion.

**Shuangliu's Economy and Fiscal Condition:** In 2022, due to the impact of the epidemic and the implementation of policy (i.e., power rationing in Sichuan Province), the economic development of Shuangliu was under certain pressures. It realized a GDP of c. RMB113.1 billion in 2022, representing a year-over-year growth rate of 0.6%. Shuangliu's whole-year GDP amount was ranked 8<sup>th</sup> in Chengdu in 2022 (out of 23 county-level cities and districts). Shuangliu's fiscal revenue was c. RMB9.6 billion in 2022, representing a year-on-year increase of 11.7%. The percentage of tax revenue decreased to 78.1% from 88.1% in 2020, mainly due to the impact of the value-added tax (VAT) credit refund policy. The government fund income of Shuangliu increased by 28.2% to RMB14.2 billion in 2022, mainly due to the increase in land transfer income. Shuangliu's financial self-sufficiency rate was insufficient and it recorded a budget deficit of 37.1% in 2022. Nevertheless, Shuangliu continuously received subsidies from higher government. The outstanding debt of the Shuangliu government continued to grow. At end-2022, its outstanding debt was c. RMB25.5 billion, including RMB2.0 billion of general obligations and RMB23.5 billion of special debt.

## Rating Sensitivities

We would consider downgrading CAXIG's rating if (1) there is perceived weakening in support from the Shuangliu government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Shuangliu government's ownership of CAXIG, or (3) there is a downgrade in our internal credit assessment on the Shuangliu government.

We would consider upgrading CAXIG's rating if (1) there is strengthened support from the Shuangliu government, or (2) there is an upgrade in our internal credit assessment on the Shuangliu government.

## Company Profile

CAXIG is a wholly state-owned company established with an initial registered capital of RMB50 million in September 2005. After several capital injections and equity transfers, the registered capital of CAXIG became RMB15 billion, with the paid-in capital of RMB3.34 billion at end-2022. In August 2022, the Shuangliu SASAFB transferred its 10% stake of CAXIG to the Finance Department of Sichuan Province to support the provincial Social Security Fund. The Shuangliu government is still the actual and ultimate shareholder of CAXIG.

CAXIG is responsible for the infrastructure construction and operation, as well as construction and sales of affordable housing and commercial housing in Shuangliu, and it also carries out



other businesses, such as construction materials sales, property management, labour services, leasing, etc., to support the local economic and urban development in the region.

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