

Lianhe Global publishes ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Airport Industry and Finance Investment and Development Co., Ltd.

HONG KONG, 19 October 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, publishes ‘BBB+’ global scale Long-term Issuer Credit Rating to Chengdu Airport Industry and Finance Investment and Development Co., Ltd. (“CAIFID” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Shuangliu District, Chengdu City (“the Shuangliu government”) would provide strong support to CAIFID if needed, in light of its indirect majority ownership of CAIFID, CAIFID’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Shuangliu District (“Shuangliu”), especially in the Chengdu International Airport Business District (“Airport BD”), and the linkage between the Shuangliu government and CAIFID, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Shuangliu government may face negative impact on its reputation and financing activities if CAIFID encounters any operational and financial difficulties

The Stable Outlook reflects our expectation that CAIFID’s strategic importance would remain intact while the Shuangliu government will continue to ensure CAIFID’s stable operation.

Key Rating Rationales

Shuangliu Government’s Ownership and Supervision: The Shuangliu government indirectly holds the majority ownership of CAIFID through Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD”), via the Chengdu Shuangliu District State-owned Assets Supervision and Administration and Financial Work Bureau (“Shuangliu SASAFB”), and is the actual controller of the company. The Shuangliu government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions, via the CACD. In addition, the Shuangliu government has assessment mechanism over the company via Shuangliu SASAFB, and appoints auditor to supervise the operating performance and financial position on a periodic basis via the Audit Bureau of Shuangliu District.

Strategic Importance to Shuangliu and Strategic Alignment: CAIFID, as an important LIDC in Shuangliu, especially in Airport BD, is mainly responsible for infrastructure construction, area development and urban function operation in the region. CAIFID is extending its responsibility for functional businesses such as transportation related

infrastructure construction and area development in Airport BD, Jiujiang New City Future Park Community Area, West Ring Road Area and Shuangliu West Station Area, covering the core area of Shuangliu. CAIFID also undertakes self-supporting projects, merchandise sales, modern services, parking lot services and other commercial activities and plays an important role in local urban construction. As an important entity in the operation of state-owned assets in Shuangliu, especially in the Airport BD, CAIFID also plays an important role in promoting the economic and social development of the region. CAIFID's business operation and development have been aligned with the government's development plans.

Ongoing Government Support: CAIFID received operational and financial support from the government. CAIFID had received a total subsidy amount of c. RMB24.4 million from 2020 to the first six months of 2023, mainly including daily operating subsidies. The Shuangliu government, through Shuangliu SASAFB and relevant departments, continued to inject cash, assets, infrastructure related projects, special purpose debt, general debt and other kind of assets into CAIFID to expand its asset size and diversify its business. Also, the Shuangliu government provides policy supports to CAIFID to ensure its business operation. Given the regional advantage in infrastructure construction and state-owned asset management in Airport BD, CAIFID has advantages to obtain land resources and major projects. We believe CAIFID is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

CAIFID's Financial Matrix and Liquidity Position: CAIFID's total assets showed a continuous growth trend in the past years and reached RMB32.1 billion at end-June 2023, mainly due to the increase in other receivables resulting from capital lent to related parties and other non-current assets. The non-current assets of CAIFID accounted for c. 60.9% of the total assets at end-June 2023, and the overall assets were less liquid. CAIFID's financial leverage (total liabilities to total assets) was 37.9% and its adjusted debt increased to c. RMB10.4 billion at end-June 2023. The liquidity of CAIFID was sufficient. CAIFID had a cash balance and unused credit facilities of c. RMB653.3 million and RMB3.5 billion at end-June 2023, respectively, compared with its debt due within one year of c. RMB2.2 billion. Besides, CAIFID has access to various financing channels, including bank loans and non-traditional financing (e.g., finance leasing), to support its debt repayment and business operations.

Economy and Fiscal Condition of Shuangliu: Shuangliu is located in the southwest of the central of Chengdu. It is one of the 11 urban districts of Chengdu. Shuangliu recorded an economic growth in 2022, achieving a GDP of c. RMB113.1 billion, with a year-on-year growth of 0.6%. The growth rate has slowed down compared to previous years. The aggregate fiscal revenue of the Shuangliu government was mainly derived from the budgetary revenue and government fund income. In 2022, the budgetary revenue of the Shuangliu government reached c. RMB9.6 billion, with a year-on-year increase of 11.7%. Having said that, tax revenue as a percentage of budget revenue declined slightly. At the same time, the government fund income was c. RMB14.2 billion, up 27.9% year-on-year. However, the Shuangliu government's debt ratio (total outstanding debt/ aggregate fiscal revenue) was relatively high at 90.7% in 2022. The special purpose debt constituted a high percentage of the total debt.

Rating Sensitivities

We would consider downgrading CAIFID'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 CAIFID, or (3) there is a downgrade in our internal credit assessment on the Shuangliu government.

We would consider upgrading CAIFID'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.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this CAIFID's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

Contact Information

Primary Analyst
Toni Ho, CFA, FRM
Director
(852) 3462 9578
toni.ho@lhratingsglobal.com

Secondary Analyst
Jack Li, CESGA
Analyst
(852) 3462 9585
jack.li@lhratingsglobal.com

Committee Chairperson
Joyce Huang, CFA
Managing Director
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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