

Chengdu Xinjin City Industry Development Group Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 October 2023

Key Figures of Xinjin and CXCID

(RMB billion)	2021	2022
Xinjin		
GDP	44.4	46.9
GDP growth rate (%)	8.6	4.4
Budgetary revenue	3.3	3.4
Government fund	3.8	3.0
Transfer payment	1.3	1.7
Budgetary expenditure	4.3	4.9
CXCID	2022	2023.6
Assets	70.0	77.8
Equity	38.7	39.5
Revenue	1.9	1.1

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB-' global scale Long-term Issuer Credit Rating of Chengdu Xinjin City Industry Development Group Company Ltd. ("CXCID"); Issuer Rating Outlook Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Xinjin District ("Xinjin government") would provide strong support to CXCID if needed, in light of its full ownership of CXCID, CXCID's strategic position as the major LIDC participating in infrastructure construction and state-owned asset operation in Xinjin District ("Xinjin") of Chengdu City, as well as the strong linkage between the Xinjin government and CXCID, including control of board of directors, management supervision, strategic alignment and ongoing operational and financial support. In addition, the Xinjin government may face significant negative impact on its reputation, business and financing activities should CXCID encounter any operational or financial difficulties.

The Stable Outlook reflects our expectation that CXCID strategic importance would remain intact while the Xinjin government will continue to ensure CXCID's stable operation.

Rating Rationale

Xinjin Government's Ownership and Supervision: CXCID is wholly owned by the Xinjin government through the State-owned Assets Supervision and Administration Bureau of Xinjin government ("Xinjin SASAB"). The Xinjin government has strong control and supervision over CXCID, including control of the board of directors, management supervision, decision on its strategic development and investment plan, supervision of its major funding decisions and daily operation, etc. In addition, the Xinjin government has assessment mechanism over the company and it appoints auditors to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: CXCID is still the largest and the major LIDC in Xinjin that responsible for infrastructure construction, industrial park development, as well as resettlement housing construction, transportation operation and comprehensive development for Transit-Oriented Development project with commercial nature to promote the development of urban community in Xinjin. It mainly undertakes the management, investment, safeguard and increase the value of state-owned assets with a franchise advantage in the region. CXCID's strategic planning and development have been aligned with the local government's economic and social policies. It carries out the directions and policies of urban development by the Xinjin government to support the local economy growth.

Ongoing Government Support: CXCID has received several capital injections since its establishment. The paid-in capital increased from the initial of RMB3 million to RMB610 million at end-June 2022, mainly through cash injection from the Xinjin SASAB. Meanwhile, CXCID also received supports such as physical assets, mineral exploration right and state-owned equity transfers. In addition, CXCID has continued to receive financial subsidies from the local government. Given the franchise advantage in infrastructure construction, industrial park development and transportation projects construction in the region, CXCID and its subsidiaries have advantages in obtaining land resources and major projects. We believe CXCID is likely going to receive government support in the form of operational and/or financial subsidies in the future.

Analysts

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

Joyce Huang, CFA
 (852) 3462 9586
joyce.huang@lhratingsglobal.com

Applicable Criteria

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

Moderate Financials and Liquidity Position: CXCID's total assets increased from RMB67.4 billion at end-2021 to RMB77.8 billion at end-June 2023. The asset structure of CXCID was largely unchanged compared with that at end-2021. CXCID's financial leverage (total liabilities to assets) increased from 43.8% at end-2021 to 49.2% at end-June 2023. We expect CXCID's financial leverage would remain at this level considering the government's supervision. CXCID provided RMB22.2 billion external guarantees to third parties, accounting for 56.2% of its total equities at end-June 2023, indicating a moderately high contingent liability risk. Having said that, the guaranteed companies were all state-owned enterprises.

The liquidity of CXCID was sufficient. CXCID had a total cash balance of RMB3.3 billion and unused credit line of RMB8.2 billion at end-June 2023, compared with its debt to be due within one year of RMB4.5 billion. Besides, CXCID has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels such as finance lease.

Economy and Fiscal Strength Underpin Xinjin: Xinjin's GDP reached RMB46.9 billion in 2022, representing a year-on-year growth rate of 4.4%, and its GDP amount was ranked 18th among 23 jurisdictions of Chengdu. Xinjin's GDP was mostly fuelled by secondary and tertiary industries, accounting for 42.3% and 53.5% of its total GDP in 2022, respectively. Fixed asset investment growth rate of Xinjin slowed down to 5.6% in 2022 from 21.3% in 2021, mainly due to the significant drop in industrial investment.

The Xinjin government's budgetary revenue growth rate slowed down to 2.1% in 2022 from 10.3% in 2021, mainly due to the large-scale value-added tax refund policy to support the economy. The tax revenue accounted for 55.0% of the budgetary revenue in 2022, down from 56.2% in 2021 and 60.7% in 2020. The fiscal self-sufficiency rate of the Xinjin government was insufficient and its budget deficit widened to 43.4% in 2022 from 33.2% in 2021. On the other hand, the revenue from the government-managed fund, which was mainly generated by land use rights transfer, decreased further to RMB3.0 billion in 2022 from RMB3.8 billion in 2021, due to the recession in real estate market and more rigorous regulations. The Xinjin Government's debt ratio, as measured by total government debt outstanding/aggregate revenue, was lifted to 107.0% in 2022 from 87.9% in 2021, mainly due to the increase in special debt and the drop in aggregate revenue.

Rating Sensitivities

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

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

Company Profile

CXCID was established in 2005 with an initial registered capital of RMB3 million in cash fully contributed by the People's Government of Huayuan Town, Xinjin County. The controlling shareholder of CXCID was transformed to Xinjin SASAB in 2007. The registered capital of CXCID was RMB3 billion, while the paid-in capital was RMB610 million at end-June 2023, and it is wholly owned by the Xinjin government through the Xinjin SASAB.

CXCID is responsible for infrastructure construction, as well as resettlement housing construction, transportation operation and comprehensive development for TOD project to promote the development of urban community in Xinjin

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2023.