

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.

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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

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