

**Lianhe Global has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Aerotropolis City Development Group Co., Ltd.**

HONG KONG, 28 December 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A-’ global scale Long-term Issuer Credit Rating to Chengdu Aerotropolis City Development Group Co., Ltd. (“CACD” 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 (“Shuangliu government”) would provide very strong support to CACD if needed, in light of its majority ownership of CACD, CACD’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for transportation infrastructure construction in Shuangliu District, Chengdu City (“Shuangliu”) (“Chengdu”), construction development and industrial investment in the Chengdu International Airport Business District (“Airport BD”), and the linkage between the Shuangliu government and CACD, 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 significant negative impact on its reputation and financing activities if CACD encounters any operational and financial difficulties.

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

**Key Rating Rationales**

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

***Strategic Importance to Shuangliu and Strategic Alignment:*** CACD, as the sole LIDC for transportation infrastructure construction in Shuangliu and construction development and industrial investment in the Airport BD, is mainly responsible for construction of transportation infrastructure projects and state-owned assets operation in the region with regional advantages. It also engaged in service business and merchandise sales. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government’s development plans.

**Ongoing Government Support:** CACD continued to receive financial subsidies and asset/capital injections from the Shuangliu government to support its business operations. We believe the government support will remain intact given the company's strategic role in the economic development of Shuangliu. Between 2020 and the first nine months of 2023, the local government injected cash capital into CACD, enlarging its paid-in capital to RMB2.06 billion. Meanwhile, the company received RMB12.9 billion worth of assets, such as cash, equity transfers, lands, buildings, shops and other assets from the local government. The local government provided financial subsidies amounting to about RMB1.2 billion over the same period to CACD to support its activities in relation to business operation.

**CACD's Financial and Liquidity Position:** CACD's total assets grew moderately to RMB76.7 billion at end-September 2023 from RMB52.9 billion at end-2020, largely attributed to the increase of other non-current assets. Its overall asset liquidity was weak, primarily due to the large proportion of other non-current assets, inventories and other receivables.

CACD's financial leverage (total liabilities to assets) increased steadily in the past few years, which increased from 48.8% at end-2020 to 61.4% at end-September 2023. At end-September 2023, CACD had unrestricted cash balance and unused credit facilities of RMB4.5 billion and RMB12.4 billion, respectively, compared with its debt due within one year of RMB11.1 billion. In addition, CACD has accessed to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayments 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 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 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 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 CACD'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 CACD, or (3) there is a downgrade in our internal credit assessment on the Shuangliu government.

We would consider upgrading CACD's rating if 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 CACD'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](http://www.lhratingsglobal.com).

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

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