

Chengdu Sino French Ecological Park Investment Development Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	3 January 2024

Key Figures of Longquanyi and CSID

(RMB billion)	2021	2022
Longquanyi		
GDP	150.4	154.6
GDP growth rate (%)	7.2	1.8
Budgetary revenue	8.0	7.5
Government fund	9.8	6.6
Transfer payment	3.2	5.9
Budgetary expenditure	11.1	20.2
CSID	2022	2023.9
Assets	36.0	38.2
Equity	9.7	10.4
Revenue	3.6	0.7

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB-' global scale Long-term Issuer Credit Rating of Chengdu Sino French Ecological Park Investment Development Co., Ltd. ("CSID"); Issuer Rating Outlook is Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Longquanyi District, Chengdu City ("Longquanyi government") would provide strong support to CSID if needed, in light of its majority ownership of CSID, CSID's strategic importance as the sole state-owned entity for infrastructure investment, construction and operation in Chengdu Sino French Ecological Park ("Ecological Park"), and the linkage between the Longquanyi government and CSID, including control and supervision over the management, strategic alignment and ongoing operational and financial support. In addition, the Longquanyi government may face significant negative impact on its reputation, business and financing activities if CSID encounters any operational and financial difficulties.

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

Rating Rationale

Longquanyi Government's Ownership and Supervision: The Longquanyi government indirectly holds the majority ownership of CSID through Chengdu Economic Development Industrial Investment Group Co., Ltd. ("CEDI"), via the Chengdu Economic and Technological Development Zone Management Committee ("ETDZMC"). The Longquanyi government, as the ultimate controller, supervises the company, including control and supervision over the management, decisions on strategic development and investment and financing plans etc. In addition, the Longquanyi government has assessment mechanism over the company and it will appoint auditor to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: CSID is still the important state-owned entity in Longquanyi District, Chengdu City ("Longquanyi") and the sole infrastructure investment, construction and operation entity in Ecological Park, mainly responsible for the construction of municipal projects, public service projects, as well as industry-city integration projects in the Ecological Park and surrounding areas with franchise advantages. CSID is also responsible for soil disposal business in the region, so as to promote the economic and social development and regional industrial upgrading, and enhance the comprehensive service capability of Longquanyi, especially the Ecological Park and the surrounding areas. CSID's business operation and development have been aligned with the government's development plans.

Ongoing Government Support: CSID received support from the Longquanyi government, including capital injection, operation subsidy, special debt and policy support. Meanwhile, as the sole state-owned entity for infrastructure investment, construction and operation in Ecological Park, CSID has certain advantages in project and resource acquisition. The Longquanyi government also continued to inject capital, as well as special debt as project funds, to the

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Applicable Criteria

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

company, while CSID also enjoyed a variety of policy support. CSID had received a total subsidy amount of c. RMB27.8 million from 2020 to the first nine months of 2023. We believe CSID is likely going to receive government support in the form of operational and/or financial subsidies, to support its daily business operation and related infrastructure investment and construction.

CSID's Financial Matrix and Liquidity Position: CSID's total assets increased to RMB38.2 billion at end-September 2023. The asset structure of CSID was largely unchanged compared with that at end-2021. CSID's financial leverage (total liabilities to assets) remained stable at 72.7%-74.2% since 2020. We expect CSID's financial leverage would remain at this level considering the government's supervision.

The liquidity of CSID was tight. CSID had a total cash balance of RMB1.7 billion and unused credit line of RMB2.4 billion at end-September 2023, compared with its debt to be due within one year of RMB12.3 billion. Having said that, CSID has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels such as finance lease.

Economy and Fiscal Strength Underpin Longquanyi: Longquanyi's GDP reached RMB154.6 billion, representing a year-on-year growth rate of 1.8%. The GDP growth was mainly fueled by the secondary and tertiary industries, which accounted for 61.9% and 36.2% of total GDP in 2022, respectively. The district's residential population reached c. 1.4 million with an urbanization rate of 94.3% at end-2022. The fixed asset investment of Longquanyi decreased by 8.5% year-over-year to RMB59.7 billion in 2022, due to the plummet of infrastructure investment.

The aggregate fiscal revenue of the Longquanyi government was mainly derived from the budgetary revenue and government fund income. The Longquanyi government's budgetary revenue decreased to RMB7.5 billion in 2022 from RMB8.0 billion in 2021, due to the large-scale value-added tax credit refund policies to support the economy. Meanwhile, the proportion of tax revenue over aggregate fiscal revenue dropped to 77.9% in 2022 from 85.7% in 2021. The fiscal self-sufficiency of the Longquanyi government deteriorated in 2022, with its budgetary deficit further widening to 54.2%. In addition, the Longquanyi government's fund income slumped by 32.8% year-over-year to RMB6.6 billion in 2022, owing to the weak property market. The total outstanding amount of government debt further increased to RMB26.3 billion at end-2022, including RMB8.7 billion of general obligations and RMB17.6 billion of special debts. The debt ratio (i.e. total government debt divided by aggregate revenue) of the Longquanyi government was lifted to 130.4% in 2022 from 121.0% in 2021.

Rating Sensitivities

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

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

Company Profile

CSID was designated by the Longquanyi government in 2018 and established as a wholly-owned subsidiary of CEDI with full capital contribution. Chengdu Economic and Technological Development Zone Management Committee ("ETDZMC") indirectly held the majority of CSID's shares through CEDI at end-September 2023, and is the ultimate controller of the company.



CSID is the sole LIDC responsible for infrastructure investment, construction and operation in Ecological Park, mainly including a series of strategically important projects. It plays an important role in promoting the economic and industrial development of Longquanyi. In addition, CSID is also responsible for the soil disposal projects in the region.

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