

**Lianhe Global has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Airport Industry Xingcheng Investment Development Co., Ltd.**

HONG KONG, 7 February 2024– Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A-’ global scale Long-term Issuer Credit Rating to Chengdu Airport Industry Xingcheng Investment Development Co., Ltd. (“CAIXID” 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 CAIXID if needed, in light of its indirect majority ownership of CAIXID, CAIXID’s strategic importance as the major local investment and development company (“LIDC”) that is responsible for infrastructure construction in Shuangliu District (“Shuangliu”), Chengdu City (“Chengdu”), and the linkage between the Shuangliu government and CAIXID, 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 CAIXID encounters any operational and financial difficulties.

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

**Key Rating Rationales**

***Shuangliu Government’s Ownership and Supervision:*** The Shuangliu government indirectly holds the majority ownership of CAIXID through Chengdu Airport Xingcheng Investment Group Co., Ltd. (“CAXIG”), via the Chengdu Shuangliu District State-owned Assets Supervision and Administration and Financial Work Bureau (“Shuangliu SASAFB”). The Shuangliu SASAFB is 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, via the CAXIG. In addition, the Shuangliu government has assessment mechanism over the company via the CAXIG and appoints auditor to supervise the operating performance and financial position on a periodic basis.

***Strategic Importance to Shuangliu and Strategic Alignment:*** CAIXID, an important LIDC for infrastructure construction in Shuangliu, and as the largest and the most important subsidiary of CAXIG, is mainly responsible for core infrastructure construction projects, zone development and industrial investment in Shuangliu. Its business scope covers the core area of Shuangliu. It is also engaged in building materials sales and project construction. Overall, the company has strong business competitiveness and regional advantages. 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:** CAIXID continued to receive financial subsidies and asset/capital injections from both the Shuangliu government and CAXIG to support its business operations. We believe the support from both the Shuangliu government and CAXIG 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 of RMB434.0 million into CAIXID through CAXIG, enlarging its paid-in capital to RMB2.0 billion from RMB1.6 billion. Meanwhile, CAIXID received financial subsidies amounting to RMB868.0 million from both the Shuangliu government and CAXIG to maintain CAIXID's business operation. The company also received asset and capital injections in the form of cash, equity transfers, buildings, sand and gravel mining rights, and other assets, which reached a total of RMB11.9 billion between 2020 and 2022, expanding its asset size and diversifying its business.

**CAIXID's Financial and Liquidity Position:** CAIXID's total asset increased rapidly to RMB77.8 billion at end-September 2023 from RMB32.4 billion at end-2020, as the company actively participates in the infrastructure development in Shuangliu. The company relied on both borrowings and capital injections from the local government to fund its asset expansion. CAIXID's total debt reached RMB32.3 billion at end-September 2023, almost quadrupled compared with RMB7.7 billion at end-2020, mainly due to the increasing debt borrowings. The company's financial leverage, as measured by debt/capitalization, increased to 49.9% at end-September 2023 from 25.0% at end-2020.

The liquidity of CAIXID was weak. At end-September 2023, CAIXID had unrestricted cash balance and unused credit facilities of RMB5.0 billion and RMB18.4 billion, respectively, compared with its debt due within one year of RMB12.2 billion. Nevertheless, CAIXID 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 CAIXID'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 CAIXID, or (3) there is a downgrade in our internal credit assessment on the Shuangliu government.

We would consider upgrading CAIXID'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 CAIXID'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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