

Chengdu Airport Xingcheng Investment Group Co., Ltd.

Surveillance Report

Summary

Issuer Rating	A-
Outlook	Positive
Location	China
Industry	Local Investment and Development Companies
Date	7 February 2024

Key Figures of Shuangliu and CAXIG

(RMB billion)	2021	2022
Shuangliu		
GDP	113.1	113.1
GDP growth rate (%)	8.7	0.6
Budgetary revenue	9.0	9.6
Government fund	11.1	14.2
Transfer payment	3.0	4.1
Budgetary expenditure	11.2	13.1
CAXIG	2022	2023.9
Assets	118.6	135.5
Equity	56.5	57.0
Revenue	4.2	2.7

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

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Chengdu Airport Xingcheng Investment Group Co., Ltd. (“CAXIG” or “the company”) to ‘A-’ from ‘BBB+’; Issuer Rating Outlook Revised to Positive.

Summary

The Issuer Credit Rating upgrade reflects the increased strategic importance of CAXIG in the development of the Shuangliu District (“Shuangliu”), Chengdu City (“Chengdu”), as demonstrated in the establishment of a joint venture company with two local investment and development companies (“LIDC”) of Jianyang City (“Jianyang”) for joint development of Shuangliu and Jianyang in Chengdu, which undertakes major construction projects in both Shuangliu and Jianyang. Moreover, CAXIG is undertaking projects under the guidance of the Chengdu Municipal People’s Government (“Chengdu government”). It is aligned with the development plans of the Shuangliu District People’s Government of Chengdu (“Shuangliu government”) and strengthens CAXIG’s role in supporting the local economic and urban development in the region.

We believe there is a high possibility that the Shuangliu government would provide very strong support to CAXIG if needed. This mainly considers the Shuangliu government’s majority ownership of CAXIG, CAXIG’s strategic importance as the flagship LIDC for investment and financing for infrastructure construction in Shuangliu, and the strong linkage between the Shuangliu government and CAXIG including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Shuangliu government may face significant negative impact on its reputation and financing activities should CAXIG encounter any operational or financial difficulties.

The Positive Outlook reflects our expectation that CAXIG’s importance would be strengthened given its strategic development role in involving in projects under the guidance of the Chengdu government and receiving support from both Chengdu and Shuangliu governments, while the Shuangliu government will continue to ensure CAXIG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: CAXIG’s linkage with the local government is strong as the Shuangliu government via the State-owned Assets Supervision and Administration and Finance Bureau of Shuangliu District (“Shuangliu SASAFB”) holds 90% of CAXIG, while 10% of CAXIG’s shares was transferred to Sichuan Finance Department to subsidize the provincial Social Security Fund. The Shuangliu government is the actual and ultimate shareholder of CAXIG. The Shuangliu government has strong control and supervision over CAXIG, including control of the board of directors, senior management appointments, and major strategic, investment and financing planning. In addition, the Shuangliu government has formulated a performance appraisal policy for CAXIG, and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: CAXIG is still the largest and flagship LIDC platform for the development of Shuangliu. Its business scope covers the core area of Shuangliu, maintaining a strong business competitiveness. CAXIG’s strategic Importance have been further

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Applicable Criteria

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

strengthened as it funded and established a joint venture company (by holding 60% of the shares) with two LIDCs of Jianyang to implement the government's plan for the joint development of Shuangliu and Jianyang in Chengdu in November 2023. We believe that the Shuangliu government is willing to extend support to CAXIG in view of its strategic important role as the most important entities for investment and financing for infrastructure construction in Shuangliu, to support the local economic and urban development. CAXIG's strategic planning and development have been aligned with the local government's economic and social policies, aiming to develop Shuangliu.

Ongoing Government Support: CAXIG continued to receive financial subsidies and asset/capital injections from the local government to support its business operations. CAXIG has received financial subsidies and special bond funds from the local government mainly for supporting projects related to public infrastructure or special projects. CAXIG received RMB281 million of financial subsidies at end-September 2023 and the total subsidies amount was RMB1,072 million between 2020 and the first nine months of 2023. In addition, the company received asset and capital injections in the form of cash, equity transfers, properties, land resources, and other assets, which reached a total of RMB9.9 billion between 2020 and the first nine months of 2023. Given its role and functions, we believe CAXIG will likely receive timely government support in the form of operational and/or financial subsidies in the future.

CAXIG's Financials and Liquidity Position: CAXIG's total assets showed a continuous growth trend in the past few years, with the growth rates of 17.9% and 14.2% at end-2022 and end-September 2023, respectively. CAXIG's financial leverage (total liabilities to assets) and total debt capitalization were 57.9% and 53.1% at end-September 2023, respectively. CAXIG mainly relies on external financing for capital expenditure and debt repayment. CAXIG has access to multiple financing channels including bank borrowings, bond issuance and other financing channels such as trust loan and finance lease etc. The total adjusted debt of CAXIG increased by 20.6% from RMB53.4 billion at end-2022 to RMB64.4 billion at end-September 2023, of which the proportion of short-term debt increased from 25.7% at end-2022 to 30.2% at end-September 2023 of its total debt, mainly due to the increased short-term borrowings for construction projects. The liquidity of CAXIG was weak. At end-September 2023, CAXIG had unrestricted cash balance and unused credit facilities of RMB7.6 billion and RMB30.7 billion, respectively, compared with its debt to be due within one year of RMB19.5 billion.

Shuangliu's Economy and Fiscal Condition: 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 CAXIG'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 CAXIG, or (3) there is a downgrade in our internal credit assessment on the Shuangliu government.



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

Company Profile

CAXIG is a wholly state-owned company established with an initial registered capital of RMB50 million in September 2005. After several capital injections and equity transfers, the registered capital of CAXIG became RMB15 billion, with the paid-in capital of RMB3.34 billion at end-September 2023. In August 2022, the Shuangliu SASAFB transferred its 10% stake of CAXIG to the Finance Department of Sichuan Province to support the provincial Social Security Fund. The Shuangliu government is the actual and ultimate shareholder of CAXIG.

CAXIG is responsible for the infrastructure construction and operation, as well as urban development, industrial investment, shantytown renovation and resettlement housing construction in Shuangliu, and it also carries out other businesses, such as construction materials sales, property management, labour services, leasing, etc., to support the local economic and urban development in the region.

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