

Chengdu Jiaozi Modern Urban Industrial Development Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	12 June 2024

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Chengdu Jiaozi Modern Urban Industrial Development Co., Ltd. (“CJMU” or “the company”); The Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jinniu District (“the Jinniu government”) would provide strong support to CJMU if needed, in light of its indirect full ownership of CJMU, the strategic importance of CJMU as a major urban development and operation entity in Chengdu’s Jinniu District (“Jinniu”), and the linkage between the Jinniu government and CJMU, including management appointment, supervision over CJMU’s strategic development, major investment and financing plans through its shareholder, strategic alignment and ongoing operational and financial support. In addition, the Jinniu government may face significant negative impact on its reputation and financing activities if CJMU encounters any operational and financial difficulties.

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

Rating Rationale

Government’s Ownership and Supervision: The Jinniu government indirectly holds 100% ownership of CJMU through Chengdu Jinniu Urban Construction Investment and Operation Group Co., Ltd. (“JUCI”), one of the largest local investment and development companies (“LIDC”) in terms of asset size in Jinniu, which is fully owned by State-owned Assets Supervision, Administration and Finance Bureau of Jinniu (“Jinniu SASAFB”).

The Jinniu government has strong supervision over CJMU, including management appointment and supervision of the strategic development, major investment and financing plans through JUCI. In addition, the local government has formulated a performance assessment mechanism for the company and regularly appoints auditors to review the company’s financial position.

Strategic Importance to Jinniu and Strategic Alignment: CJMU is the most important subsidiary of JUCI and a major development and operation entity. Its business operation has been aligned with the local government’s development plans. The company is mainly responsible for developing and operating industrial parks in Jinniu to facilitate local industry development. This is a key initiative of the Jinniu government.

Ongoing Government Support: CJMU has received ongoing support from JUCI and the Jinniu government, including capital and assets injection, operational subsidies, etc. In 2022, CJMU received a capital injection of RMB300 million, enlarging its paid-in capital to RMB500 million from RMB200 million. The company also received asset injections of RMB3.5 billion between 2020 and 2023 from the local government. In addition, the Jinniu government provides financial subsidies of RMB333 million between 2021 and 2023 through JUCI to

Key Figures of Jinniu and CJMU

(RMB billion)	2022	2023
Jinniu District		
GDP	149.9	160.1
GDP growth rate (%)	0.6	6.2
Budgetary revenue	9.5	10.1
Government fund	2.8	0.5
Transfer payment	3.1	2.6
Budgetary expenditure	8.8	9.1
CJMU		
Asset	38.1	50.6
Equity	24.5	25.8
Revenue	1.8	1.7

Source: Public information, CJMU and Lianhe Global’s calculations

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Applicable Criteria

China Local Investment and Development Criteria (5 December 2022)

support CJMU's operations. We expect CJMU to receive strong support from the JUCI and the local government in light of its strategic importance.

Economy and Fiscal Strength of Jinniu: Jinniu is a municipal district under the jurisdiction of Sichuan Province's Chengdu City ("Chengdu"). It is located in the north of main urban area of Chengdu, with rail transit equipment, electronic information, medicine and health as its leading industries.

Jinniu's GDP reached RMB160.1 billion in 2023, ranking 3rd among 20 districts and counties under the administration of Chengdu. The GDP growth rate rebounded to 6.2% in 2023 from 0.6% in 2022. Over the same period, the budgetary revenue of the Jinniu government increased to RMB10.1 billion from RMB9.5 billion, with the budget surplus widening to 10.0% from 6.7% in 2022.

The Jinniu government continued to issue government debt, mainly to support its public projects. By the end of 2023, the Jinniu government's outstanding debt was RMB6.5 billion, up from RMB4.7 billion at end-2022. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, was lifted to 49.2% at end-2023 from 26.3% at end-2022.

CJMU's Financial Matrix and Liquidity Position: CJMU's total asset showed a strong growth trend in the past three years. With the multiple asset injections, CJMU's equity base was enlarged to RMB25.8 billion at end-2023 from RMB11.9 billion at end-2021. Nevertheless, CJMU's total debt also increased rapidly to RMB23.6 billion from RMB4.5 billion over the same period, representing a compound annual growth rate of 64.5%. The company's financial leverage, as measured by total debt/capitalization stayed at a manageable level of 47.8% at end-2023. However, the company's debt burden remained high, given that its assets (mainly project related), might lack liquidity and face a long monetization period.

CJMU's liquidity was moderately tight. At end-2023, the company had a cash balance of RMB3,424 million, compared with its short-term debt of RMB6,074 million. Its financing channel was limited, merely relying on bank borrowings and non-traditional financings, with unused credit lines of RMB1,987 million at end-2023.

Rating Sensitivities

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

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

Company Profile

CJMU was established in 2019, and the Jinniu government indirectly holds 100% ownership of CJMU through JUCI, the largest LIDC in terms of asset size in Jinniu. CJMU is the most important subsidiary of JUCI, mainly responsible for developing and operating industrial



parks in Jinniu, aiming to promote local industrial development. It also participates in product sales, information technology services, property management and other businesses.



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