

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Xinjin City Industry Development Group Company Ltd.

HONG KONG, 11 November 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Chengdu Xinjin City Industry Development Group Company Ltd. (“CXCID” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Xinjin District (“Xinjin government”) would provide strong support to CXCID if needed, in light of its full ownership of CXCID, CXCID’s strategic position as the major LGFV participating in infrastructure construction and state-owned asset operation in Xinjin District (“Xinjin”) of Chengdu City, as well as the strong linkage between the Xinjin government and CXCID, including control of the board of directors, management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Xinjin government may face significant negative impact on its reputation, business and financing activities should CXCID encounter any operational or financial difficulties.

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

Key Rating Rationales

Xinjin Government’s Ownership and Supervision: CXCID is wholly owned by the Xinjin government through the State-owned Assets Supervision and Administration Bureau of Xinjin government (“Xinjin SASAB”). The Xinjin government has strong control and supervision over CXCID, including control of the board of directors, management supervision, decision on its strategic development and investment plan, supervision of its major funding decisions and daily operation, etc. In addition, the Xinjin government has assessment mechanism over the company and it appoints auditor to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: As the largest and the major LGFV in Xinjin, CXCID is responsible for infrastructure construction, industrial park development, as well as resettlement housing construction, transportation operation and comprehensive development for Transit-Oriented Development (“TOD”) project with commercial nature to promote the development of urban community in Xinjin. The TOD project will generate more revenue and investment return for CXCID. With the implement of integration plan of state-owned assets under the Xinjin SASAB, the business and role of CXCID have expanded and improved. It mainly undertakes the management, investment, safeguard and increase the value of state-owned assets with a franchise advantage in the region. CXCID’s strategic planning and

development have been aligned with the local government's economic and social policies. It carries out the directions and policies of urban development by the Xinjin government to support the local economy growth.

Ongoing Government Support: CXCID has received several capital injections since its establishment. The paid-in capital increased from the initial of RMB3 million to RMB100 million at end-June 2022, mainly through cash injection from the Xinjin SASAB. Meanwhile, CXCID also received supports such as physical assets, mineral exploration right and state-owned equity transfers under government's approvals or announcements. In addition, CXCID has continued to receive financial subsidies from the local government. Given the franchise advantage in infrastructure construction, industrial park development and transportation projects construction in the region, CXCID and its subsidiaries have advantages to obtain land resources and major projects. We believe CXCID is likely going to receive government support in the form of operational and/or financial subsidies in the future.

Financials and Liquidity of CXCID: CXCID was the largest LGFV in terms of asset size in Xinjin, which had a total asset of RMB69.8 billion at end-June 2022. CXCID's financial leverage as measured by total liabilities/total assets decreased from 51.0% at end-2019 to 41.2% at end-2020, mainly due to the substantial increase in the total assets after the consolidation of subsidiaries in 2020, but it increased slightly to 45.2% at end-June 2022. CXCID has mostly relied on borrowings to fund its capital expenditure, and that the short-term and long-term borrowings accounted for the most (c. 40%) of its total liabilities at end-June 2022. The liquidity of CXCID was tight as it had a cash balance of approximately RMB1.7 billion and unused credit facilities of RMB863.9 million, compared with debt due within one year of c. RMB7.0 billion at end-June 2022. However, CXCID currently has a total onshore bond issuance quota of RMB8 billion under application. CXCID has access to various financing channels including bank loans, bond issuances and non-traditional financing etc., to support its debt repayment and business operation.

Economic and Fiscal Conditions of Xinjin: Xinjin is located in the south of Chengdu City. Xinjin realized GDP of RMB44.4 billion in 2021, representing a year-on-year growth rate of 8.6%. Xinjin's GDP was mostly fueled by secondary and tertiary industries in the past few years. The Xinjin government's aggregate fiscal revenue was mainly derived from budgetary revenue and government-managed fund. The tax revenue accounted for 56.5% of its budgetary revenue in 2021, down from 60.7% in 2020 and 65.4% in 2019. The fiscal self-sufficiency rate of the Xinjin government was insufficient, hence it continuously received a certain number of subsidies from higher government authorities. The Xinjin government's debt ratio (total debt outstanding /aggregate fiscal revenue) was relatively high in 2021, due to the increase of total debt outstanding from RMB7.2 billion at end-2020 to RMB7.9 billion at end-2021, which was mainly due to an increase in government special debt.

Rating Sensitivities

We would consider downgrading CXCID's rating if (1) there is perceived weakening in support from the Xinjin government, particularly due to its reduced strategic importance with

diminished government functions, or (2) there is a significant reduction of the Xinjin government's ownership of CXCID, or (3) there is a downgrade in our internal credit assessment on the Xinjin government.

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

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, 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 CXCID's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 31 December 2021, which can be found at the website 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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