

**Lianhe Global has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Xiangcheng Investment Group Co., Ltd.**

HONG KONG, 11 April 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating to Chengdu Xiangcheng Investment Group Co., Ltd. (“CXIG” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Xindu District of Chengdu City (“Xindu government”) would provide very strong support to CXIG if needed, in light of its full ownership of CXIG, CXIG’s strategic importance as the only local investment and development company (“LIDC”) in Xindu District of (“Xindu”) of Chengdu City (“Chengdu”), and the linkage between the Xindu government and CXIG, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support, etc. In addition, the Xindu government may face significant negative impact on its reputation and financing activities if CXIG encounters any operational and financial difficulties.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** CXIG was established as a wholly state-owned entity under the approval of the Xindu government in March 2017. The Xindu government via the State-owned Assets Supervision and Administration and Finance Bureau (“Xindu SASAFB”) holds 100% ownership of CXIG and is the actual and ultimate controller of the company. The Xindu government has strong supervision over CXIG, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the Xindu government has formulated a performance appraisal policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** As the only LIDC responsible for infrastructure construction and urban development and operation in the region, CXIG undertakes important functions assigned by the local government, and it has a monopoly position in the construction of urban infrastructure and affordable housing in Xindu. In addition, it also carries out various functions to maintain urban operation such as bus operation, water business and water supply, industrial park development, parking lot operations and charging for street parking spaces in the region, etc. CXIG plays an important role in urban development and operation in Xindu, as well as improve people’s livelihoods. CXIG’s strategic planning and development have been aligned with the local government’s development plans and policies,

aiming to strengthen urban and rural construction, as well as to support the economic and industrial development of Xindu.

**Ongoing Government Support:** CXIG continuously received support from the local government, including but not limit to capital injection, equity transfer and policies support, etc. The company also continuously received operational subsidies from the local government. The subsidies amount was c. RMB889 million, RMB996 million, RMB868 million and RMB461 million in 2019-2021 and nine months ended September 2022, respectively. Given the company's function and importance, we believe that the company is likely going to receive timely government support in the form of operational and/or financial subsidies in the future.

**CXIG's Financial and Liquidity Position:** CXIG's total asset grew rapidly in the past few years, mainly due to assets injection and equity transfer from the local government. At end-September 2022, CXIG's assets were mainly composed of land, construction projects, receivables and investment properties. The financial leverage ratio (total liabilities/ total assets) of CXIG was 58.65% at end-September 2022. At end-September 2022, CXIG had a cash balance of c. RMB10.5 billion, unused credit facilities of c. RMB31.5 billion and unused onshore bonds issuance quota of RMB5.6 billion. CXIG has access to multiple financing channels, including bank loans, onshore and offshore bonds and non-traditional financing (such as trust loan and financial lease). The total outstanding debt of CXIG was c. RMB77.4 billion at end-2022. Bank loans accounted for 45.9% while bonds (including onshore and offshore) and non-traditional financings accounted for 38.9% and 15.1% of total debt, respectively, at end-2022.

**Economy and Fiscal Condition of Xindu:** Xindu is a district of Chengdu of Sichuan Province, and it is located in the north of Chengdu, bordering the main urban area of the city. Xindu maintained economic growth but slightly slowed down in 2022. Its GDP reached c. RMB103.3 billion in 2022, representing a year-on-year growth rate of 2.1%. Xindu's GDP amount was ranked 9th among in Chengdu in 2022 (out of 23 districts). In 2022, affected by the pandemic and power rationing policy in Sichuan that resulting in a shutdown of production, the budgetary revenue of Xindu was c. RMB6.4 billion, representing a year-on-year decrease of 8.5%. The government fund income was another important part of Xindu's aggregate fiscal revenue, but it was vulnerable to market and policy changes, which was c. RMB3.6 billion in 2022. At end-2022, the Xindu government's outstanding debt was c. RMB11.7 billion, including RMB1.6 billion of general obligations and RMB10.1 billion of special debt.

### **Rating Sensitivities**

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

We would consider upgrading CXIG's rating if there is an upgrade in our internal credit assessment on the Xindu 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 CXIG'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.

## **Contact Information**

Primary Analyst

Ben Yau

Senior Director

(852) 3462 9586

[ben.yau@lhratingsglobal.com](mailto:ben.yau@lhratingsglobal.com)

Committee Chairperson

Toni Ho

Director

(852) 3462 9578

[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

Business Development Contact

Joyce Chi

Managing Director

(852) 3462 9569

[joyce.chi@lhratingsglobal.com](mailto:joyce.chi@lhratingsglobal.com)

## Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the company’s website: [www.lhratingsglobal.com](http://www.lhratingsglobal.com)

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2023.