

# Chengdu Dongjin Huaizhou Xincheng Investment Group

## Initial Issuer Report

### Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	14 November 2023

### Key Figures of Jintang and CDHXI (RMB billion)

	2021	2022
<b>Jintang</b>		
GDP	52.4	60.3
GDP growth rate (%)	9.0	6.5
Budgetary revenue	4.2	4.1
Government fund	5.7	4.0
Transfer payment	3.5	4.6
Budgetary expenditure	6.9	6.9
<b>CDHXI</b>		
	<b>2022</b>	<b>2023.6</b>
Assets	83.3	85.8
Equity	47.2	47.6
Revenue	4.1	2.7

Source: Jintang government, Finance Bureau of Jintang, CDHXI and Lianhe Global's calculations

Lianhe Ratings Global Limited ("Lianhe Global") has assigned 'BBB-' global scale Long-term Issuer Credit Rating with Stable Outlook to Chengdu Dongjin Huaizhou Xincheng Investment Group ("CDHXI" or "the company")

### Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Jintang District's ("Jintang government") would provide strong support to CDHXI, in light of its full ownership of CDHXI, CDHXI's strategic position as the core construction and operation entity responsible for project construction and management, residential construction and infrastructure construction and operation in Jintang District ("Jintang"), especially in Huaizhou Xincheng Functional Area ("Xincheng") as well as the linkage between the Jintang government and CDHXI. In addition, the Jintang government may face significant negative impact on its reputation and financing activities if FYIID encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that CDHXI's strategic importance would remain intact while the Jintang government will continue to ensure CDHXI's stable operation.

### Rating Rationale

**Importance to Jintang and Strategic Alignment:** CDHXI is a core construction and operation entity responsible for project construction and management, residential construction and infrastructure construction and operation in Jintang. CDHXI mainly undertakes urban comprehensive development in Xincheng. It also plays an important role in promoting the development strategy of Chengdu's "Eastward" development theme, optimizing industrial resource allocation, and improving industrial operation efficiency in the region. CDHXI's main business focuses on engineering construction, supplemented by building materials sale, transportation operation, and other business. CDHXI's strategic and development plan have been aligned with the government's strategy plan, aiming to promote the comprehensive urban development in Jintang and Xincheng.

**Jintang Government's Full Ownership:** The Jintang government holds 100% stake of CDHXI through the State-owned Assets Supervision, Administration and Finance Bureau of Jintang County, Chengdu City ("Jintang SASAFB"). The Jintang government is the ultimate controller of the company.

**Government Support:** CDHXI received supports from the local government for its business operation historically, including asset and equity transfers and government subsidies. CDHXI received several supports in the form of state-owned asset transfers and equity transfers through its shareholder in past three years. In addition, CDHXI received financial subsidies of RMB1.9 billion from the local government between 2020 and the first six months of 2023, mainly for supporting its business operation. We believe CDHXI is likely going to receive government support.

**Moderate Financials and Weak Liquidity Position:** CDHXI's total assets showed a continuous growth trend in past three years and reached RMB85.8 billion at end-June 2023. The financial leverage (total liabilities to assets) and total debt capitalization ratio of CDHXI

### Analysts

Jack Li, CESGA  
 (852) 3462 9585  
[jack.li@lhratingsglobal.com](mailto:jack.li@lhratingsglobal.com)

Toni Ho, CFA, FRM  
 (852) 3462 9578  
[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

### Applicable Criteria

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

were 44.5% and 35.8% at end-June 2023, respectively. The total adjusted debt of CDHXI increased from RMB23.3 billion at end-2021 to RMB26.5 billion at end-June 2023, mainly due to the increase in long-term payables. CDHXI's liquidity was tight as it had a cash balance of approximately RMB1.6 billion and unused credit facilities of RMB562.9 million at end-June 2023, compared with its outstanding debt of RMB6.1 billion to be due within one year. CDHXI has established cooperative relationship with banks to obtain a certain amount of liquidity support and medium- and long-term loans, and it has maintained a normal bank loan financing ability. CDHXI has access to financing channels including bank borrowings and non-traditional financing channels such as trust loan and finance lease etc.

**Economy and Moderate Fiscal Strength of Jintang:** Jintang realized GDP of RMB60.3 billion in 2022, representing a year-on-year growth rate of 6.5%. Jintang's GDP was mostly fueled by secondary and tertiary industries, accounting for 40.6% and 47.5% of its total GDP in 2022, respectively. Jintang's population reached 0.8 million with an urbanization rate of 42% in 2022.

The Jintang government's budgetary revenue decreased slightly to RMB4.1 billion in 2022 from RMB4.2 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy. Meanwhile, the tax revenue accounted for 37.5% of the budgetary revenue in 2022, down from 48.3% in 2020 and 41.9% in 2021. The fiscal self-sufficiency rate of the Jintang government was insufficient and its budget deficit widened to -70.0% in 2022 from -63.9% in 2021, hence it continuously received a certain number of subsidies from higher government authorities. As another substantial component of the local fiscal revenue, the revenue from the government-managed fund decreased to RMB4.0 billion in 2022 from RMB5.7 billion in 2021 due to the downturn in real estate market and rigorous regulations. The Jintang government's debt ratio (total debt outstanding/aggregate fiscal revenue) was relatively high in 2022 (190.5%), due to the increase of total debt outstanding from RMB17.4 billion at end-2021 to RMB24.2 billion at end-2022, which was mainly caused by the increase of government special debt.

### Rating Sensitivities

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

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

## Operating Environment

### Economic Conditions of Jintang

Jintang is located in the northeast of Chengdu and it is one of the districts of Chengdu with a total land area of 1,155.6 square kilometers. Jintang has jurisdiction over 6 streets and 10 towns. It is a key development county in the "Chengdu Plain Economic Circle" and a "Special Industry Development Zone" in Chengdu, and is one of the top 100 counties in Western China in 2023. Jintang realized GDP of RMB60.3 billion in 2022, representing a year-on-year growth rate of 6.5%. Its GDP scale was ranked 15th among the 23 jurisdictions of Chengdu, while the GDP growth rates in the past three years are higher than that of China and Chengdu's average. Jintang's GDP was mostly fueled by secondary and tertiary industries, accounting for 40.6% and 47.5% of its total GDP in 2022, respectively. Jintang's population reached c. 0.8 million with an urbanization rate of c. 42% in 2022.

Jintang has three major industrial functional areas: Xincheng, Tianfu Water City and Jintang Edible Mushroom Industrial Park, of which Xincheng is the main development focus of Jintang County. Two provincial industrial parks, Cheng'a Industrial Park and Jintang Industrial Park, have been built in Xincheng to promote the industrial upgrading and development in the region. Jintang has continued to integrate into the industrial layout of the twin-city economic circle in the Chengdu-Chongqing region and has actively explored the development direction of Chengdu's "Eastward" theme, where Xincheng has played the role of the main force to implement and follow up related development strategies.

<b>Jintang's GDP and Fixed Asset Investment</b>			
<b>(RMB billion)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
GDP	46.9	52.4	60.3
-Primary industry (%)	14.1	13.2	11.9
-Secondary industry (%)	38.7	39.0	40.6
-Tertiary industry (%)	47.2	47.8	47.5
GDP growth rate (%)	5.8	9.0	6.5
Fixed asset investment	36.7	37.2	39.2
Fixed asset investment growth rate (%)	12.8	19.3	5.3
Population (million)	0.8	0.8	0.8

*Source: Jintang government and Lianhe Global's calculations*

### Fiscal Conditions of Jintang

The Jintang government's budgetary revenue decreased slightly to RMB4.1 billion in 2022 from RMB4.2 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy. Meanwhile, the tax revenue accounted for 37.5% of the budgetary revenue in 2022, down from 48.3% in 2020 and 41.9% in 2021. The fiscal self-sufficiency rate of the Jintang government was insufficient and its budget deficit widened to -70.0% in 2022 from -63.9% in 2021, hence it continuously received a certain number of subsidies from higher government authorities.

As another substantial component of the local fiscal revenue, the revenue from the government-managed fund decreased to RMB4.0 billion in 2022 from RMB5.7 billion in 2021 due to the downturn in real estate market and rigorous regulations. The Jintang government's debt ratio (total debt outstanding/aggregate fiscal revenue) was relatively high in 2022 (190.5%), due to the increase of total debt outstanding from RMB17.4 billion at end-2021 to RMB24.2 billion at end-2022, which was mainly caused by the increase of government special debt.

<b>Jintang's Fiscal Conditions</b>			
<b>(RMB billion)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Budgetary revenue	3.9	4.2	4.1
Budgetary revenue growth rate (%)	8.7	8.7	1.0*
Tax revenue	1.9	1.8	1.5
Tax revenue (% of budgetary revenue)	48.3	41.9	37.5
Government fund income	5.0	5.7	4.0
Transfer payment	3.8	3.5	4.6
<b>Aggregate revenue</b>	<b>12.7</b>	<b>13.4</b>	<b>12.7</b>
Budgetary expenditure	6.5	6.9	6.9
Budget balance <sup>1</sup> (%)	-67.3	-63.9	-70.0

<sup>1</sup> Budget balance = (1-budgetary expenditure / budgetary revenue) \* 100%

\*Excluding the influence of value-added tax credit refund

Source: Finance Bureau of Jintang and Lianhe Global's calculations

## Ownership Structure and Profile

### Government's Ownership and Shareholders

CDHXI, initially named as Chengdu Xingjin Industry Investment Co., was established in January 2018 under the approval of Jintang County State-owned Assets Management Committee ("Jintang SAMC") with an initial registered capital of RMB100 million, while the paid-in capital was RMB100 million at that time, wholly contributed by Jintang SAMC in the form of currency. In February 2018, the company's name was changed to Chengdu Xingjin Industry Investment Group Co., and was further changed to CDHXI in 2020. The shareholder's name was changed to Jintang SASAFB in August 2019 and has remained so as of end-June 2023. Jintang SASAFB, as the sole shareholder, is the controlling shareholder and the actual controller of CDHXI as of end-June 2023.

## Strategic Importance and Government Linkage

### Importance of CDHXI to Jintang

CDHXI is one of the core operating entities for project construction and management, residential construction and infrastructure construction and operation in Jintang. CDHXI is mainly focusing on the urban comprehensive development in Jintang and Xincheng. It also plays an important role in promoting the development strategy of Chengdu's "Eastward" development theme, optimizing industrial resource allocation, and improving industrial operation efficiency in the region.

### Linkage with the Jintang Government

The Jintang government holds 100% stake of CDHXI through the Jintang SASAFB and it is the ultimate controller. CDHXI's strategic and development plan have been aligned with the government's strategy plan, aiming to promote the development of urban community in Jintang and Xincheng.

### Government Support

CDHXI received supports from the local government for its business operation, including asset and equity transfers and government subsidies. CDHXI had received government supports in the form of asset transfers, such as allocation of sand and gravel operating rights (amounted to RMB4.6 billion) in 2021 and other kinds of state-owned asset (such as pipeline assets) since its establishment. In addition, the Jintang SASAFB transferred several firms'

equities, such as 100% of Chengdu Dongjin Intelligent Transportation Development Co., Ltd. etc., to CDHXI in the past years.

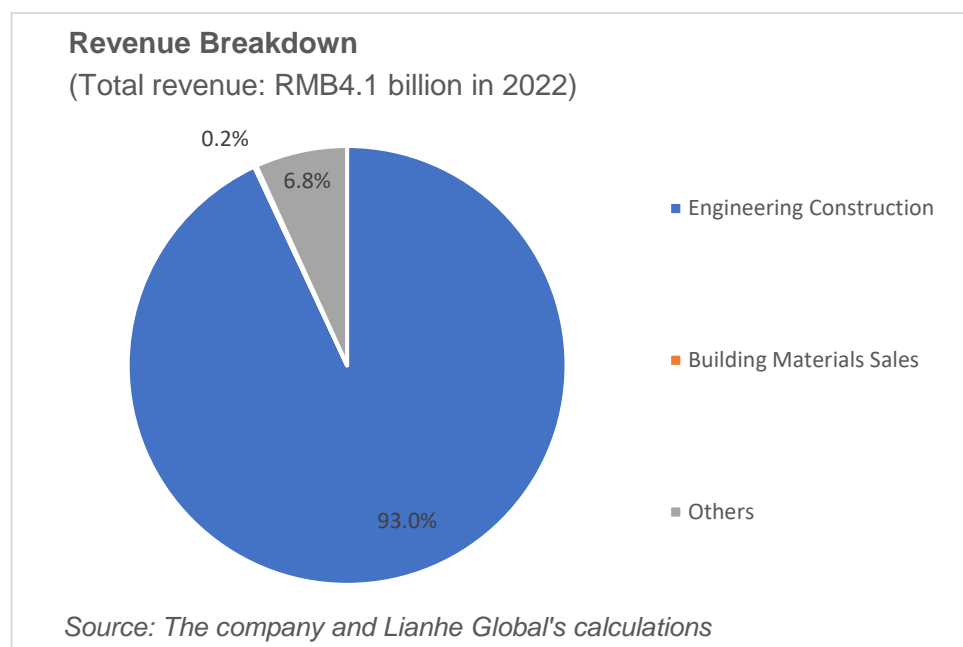
CDHXI received constant financial subsidies from the local government, mainly for supporting its business operation. CDHXI received a total of approximately RMB1.9 billion of government subsidies between 2020 and the first six months of 2023. We believe CDHXI is likely going to receive government supports in the future.

## Business Profile

### One of the Core Operating Entities Responsible for Engineering Construction in Jintang, especially in Xincheng

CDHXI is the core construction and operation entity in Jintang, especially in Xincheng, responsible for project construction and management, residential construction and infrastructure construction and operation. CDHXI mainly carries out businesses through itself and its subsidiaries, including project construction, building materials sales, transportation operation and other businesses such as storefront transfer and land transfer.

The total revenue of CDHXI was approximately RMB3.5 billion, RMB3.5 billion and RMB4.1 billion in 2020, 2021 and 2022, respectively. The company's overall gross margin declined to 8.2% in 2022 from 17.6% in 2020 largely due to the declining margin in the project construction. The revenue generated from engineering construction segment, including project construction and management, residential construction and infrastructure construction and operation, accounted for 93% of its total revenue in 2022. Thus, the performance of this segment has highly affected its total revenue's scale.



## Engineering Construction

Engineering construction is the most important business segment of CDHXI as it was the largest contributor of the total revenue in the past three years. It mainly conducts three business components: 1) project construction and management, 2) residential construction

and supporting services and 3) infrastructure construction and operation, of which the project construction and management accounts for 50% of the total revenue, while the latter two accounts for the remaining 50%. In the years 2020, 2021 and 2022, the operating income generated from the engineering construction business was approximately RMB3.3 billion, RMB3.4 billion and RMB3.8 billion, respectively, representing about 94.2%, 96.6%, and 93.0% of the total operating income of CDHXI for the same periods. In light of its projects under construction and to be developed, the capital expenditure of this segment is still under pressure.

### **Project construction and management**

CDHXI undertakes the construction of major projects and some follow-up operation and management tasks upon completion in Jintang. The projects involved are mainly operation and industrial projects such as factory buildings, comprehensive industrial parks, agricultural experience parks, etc. Most of these projects have strong marketability and revenue generation ability upon completion and putting into operation.

CDHXI mainly adopts a market-oriented construction cooperation model and participates in project construction and construction management. Following the completion of projects, CDHXI provides some operation and management services in the early stage of operation for customers with operational management needs. Also, CDHXI provides comprehensive consulting services to the enterprises settled in the industrial parks or complex.

CDHXI accumulated engineering construction and management experience by undertaking large-scale construction projects. The company plans to contribute to the vigorous development of industries in the region through expanding the scope of its main business in various forms, such as independent operation and equity investment.

### **Residential construction and supporting services**

CDHXI actively undertakes the construction of affordable housing and resettlement housing, as well as the supporting property management business in Jintang given on its experience of engineering construction. The project owner remunerates CDHXI for its construction services on schedule by the presales proceed of the project. Following the completion and delivery of projects, CDHXI also participates in the property management for some of these projects, which the company collect remunerations from property owners and tenants.

CDHXI gradually established the model of "self-built + market-oriented sales" for the construction and development of affordable housing and other properties. Under this business model, CDHXI develops the project through independent preparation, planning and construction, and sell the properties directly to individuals with housing needs. The upgrading of this business model will enhance the profitability of this segment.

### **Infrastructure construction and operation**

CDHXI undertakes some infrastructure construction and operation functions in Jintang. It mainly participates in construction projects such as integrated pipeline corridors, electric power projects, municipal facilities, etc. According to the construction agreements, signing parties generally agree with on the rights and obligations of the construction quality, construction period, investment amount, payment of construction costs, etc. For some operating infrastructure projects, CDHXI may participate in the subsequent management and operation after these projects are completed.



CDHXI plans to shift some of its infrastructure business resources to industrial engineering projects and self-operated residential development projects. The transformation to market-oriented approach may strengthen the profitability of construction projects and the overall profitability of the company.

### Building Material Sales

Building material sales, as an important supplementary part of CDHXI's main business, generated the income of RMB15.8 million, RMB13.2 million and RMB7.2 million in 2020, 2021 and 2022, respectively, respectively, with an increasing gross margin of -0.8%, 11.6% and 17.5%, respectively, in corresponding years as a result of economy of scale. CDHXI did not recognize any revenue in this segment for the first six months of 2022 as the subsidiary operating building material sales was transferred out of CDHXI. A new subsidiary is gradually taking over this segment, which delayed the revenue recognition process. CDHXI processes and sells the sand and gravel generated from excavation during the land preparation process in Xincheng, during which CDHXI formed a relatively stable supply and demand relationship and business network with various local downstream customers.

### Other Businesses

In addition to its principal businesses, the company also participates in other ancillary businesses, mainly including trading business, transportation operations and house rental business. The total operating income derived from the company's other businesses for the years 2020, 2021 and 2022 were approximately RMB186.6 million, RMB104.9 million and RMB278.3 million, respectively, representing 5.3%, 3.0% and 6.8% of the company's total operating income for the same periods.

## Financial Profile

### Balance Sheet Structure and Quality

<b>Balance Sheet Structure and Quality</b>				
<b>(RMB million)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 2023</b>
Total Asset	72,049	82,406	83,283	85,768
Equity	39,927	45,801	47,172	47,642
Debt	18,598	23,438	23,118	25,783
Debt/(Debt+Equity) (%)	31.8	33.9	32.9	35.1
LT Debt	14,240	16,492	16,355	19,131
LT Debt/(LT Debt+Equity) (%)	26.3	26.5	25.7	28.7

*Source: CDHXI and Lianhe Global's calculations*

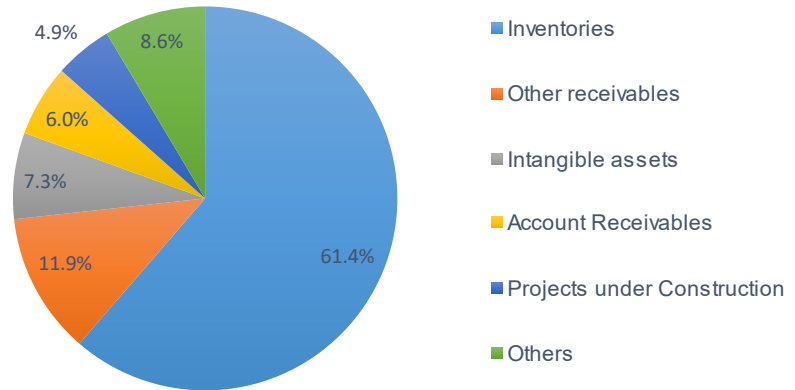
The total assets of CDHXI increased moderately from RMB72.0 billion at end-2020 to RMB85.8 billion at the end-June 2023, and the growth in assets was mainly due to the rise in inventory, which expanded to RMB52.6 billion at end-June 2023 from RMB47.4 billion at end-2020.

The current assets (RMB71.1 billion) accounted for 82.9% of the company's total assets at end-June 2023, and were mainly composed of inventories, other receivables and account receivables, while the liquidity of the company was not strong enough as 74.0% of current assets were inventory. The non-current assets of CDHXI were RMB14.7 billion at end-June 2023, which mainly consisted of intangible assets, projects under construction and other non-current assets. The financial leverage (total liabilities to assets) of CDHXI stayed around 44.0% from 2020 to the first half of 2023.



### Asset Breakdown

(Total assets: RMB85.5 billion at end-June 2023)



Source: CDHXI and Lianhe Global's calculation

CDHXI's total debts surged to RMB25.8 billion at end-June 2023, increased by 10.3% compared to that at the end of 2021. The long-term debts grew to RMB19.1 billion at end-June 2023 from RMB16.5 billion at end-2020, while the proportion of long-term debts to the total debts increased from 70.4% to 74.2% over the same period. The total debt ratio measured as total debt/the sum of debt and equity was stable, recorded at 35.1% at end-June 2023. The long-term debt ratio measured as long-term debt/the sum of long-term debt and equity increased to 28.7% at end-June 2023 from 26.5% at end-2020.

### Debt Servicing Capability

The liquidity of CDHXI was tight. CDHXI had a cash balance of approximately RMB1.6 billion and unused credit facilities of RMB0.5 billion at end-June 2023, compared with debt within one year of RMB6.7 billion at the same time. However, CDHXI has established cooperative relationship with banks to obtain a certain amount of liquidity support and medium- and long-term loans, and it has maintained a normal bank loan financing ability. The company also has considerable credit facilities from non-traditional financing institutions (basically some trust loans and financial leasing). CDHXI has financing channels including bank loans and non-traditional financing etc. to support its debt repayment and business operation.



## 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 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 upgrade or downgrade 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 credit committee vesting processes. 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 circumstance 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 fee 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 entity nor its related party 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 relies 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. For the avoidance of doubt, this rating report is prepared solely for a private submission to relevant regulatory authorities in China in relation to the application for the approval of offshore debt instruments issuance plan (the “Application”). This rating report cannot be disclosed or distributed to, or used by any individuals or entities, whether privately or publicly, for purposes other than for the Application.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or parts, 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.