

Chengdu Xiangcheng Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Chengdu Xiangcheng Investment Group Co., Ltd. (“CXIG” or “the company”); Issuer Rating Outlook Revised to Positive

Summary

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 most important local investment and development company (“LIDC”) responsible for infrastructure construction and urban development and operation in Xindu District (“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. In addition, the Xindu government may face significant negative impact on its reputation and financing activities if CXIG encounters any operational and financial difficulties.

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of senior unsecured CNY Bond issued by CXIG at the same time. A full list of affirmed issuance rating is included in this report.

The Positive Outlook reflects our expectation that CXIG’s strategic importance would be strengthened as it deepens its role in regional development under the guidance of the Xindu government. The company is poised to strengthen its position as a sole player in infrastructure development, land consolidation, and supporting facilities projects within Xindu. Furthermore, its active participation in fostering regional industrial growth aligns closely with the Xindu government’s development plan.

Xindu is a district under the jurisdiction of Chengdu City. Its GDP grew steadily by 5.7% to RMB113.0 billion in 2024.

Rating Rationale

Government’s Ownership and Supervision: The Xindu government via the State-owned Assets Supervision and Administration and Finance Bureau (“Xindu SASAFB”) holds 100% ownership of CXIG. The Xindu SASAFB is the sole shareholders and actual 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 most important 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 supply, industrial park development and parking lot operations etc., within the region. CXIG plays an important role in urban development and operation in Xindu, as

Summary

| | |
|---------------|--------------------------------------------|
| Issuer Rating | BBB+ |
| Outlook | Positive |
| Location | China |
| Industry | Local Investment and Development Companies |
| Date | 14 April 2025 |

Analysts

Jack Li, CESGA
(852) 3462 9585
jack.li@lhratingsglobal.com

Joyce Huang, CFA
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2024)

well as improve people's livelihoods. CXIG's strategic planning and development have been aligned with the local government's development plans and policies.

Ongoing Government Support: CXIG continued to receive financial subsidies and asset/capital injections from the local government to support its business operations. Between 2021 and the first nine months of 2024, CXIG received financial subsidies of totally about RMB3.5 billion from the local government. Besides, the company continued to received asset injections in the form of cash, equity transfers, buildings, operation right, etc. We expect the government support will remain intact given CXIG's function and strategic importance in Xindu.

CXIG's Financial Matrix and Liquidity Position: CXIG's total assets showed a continuous growth trend in the past few years and reached RMB187.5 billion at end-September 2024, largely attributed to the increase of inventories and intangible assets. The current assets of CXIG accounted for 77.0% of the total assets at end-September 2024, yet the overall asset liquidity was moderately weak due to large amount of inventory and receivables. These assets usually take a long time to monetize due to the protracted construction and payment collection period. CXIG's financial leverage, as measured by debt/capitalization slightly increased to 61.2% at end-September 2024 from 55.4% at end-2022, and its adjusted debt increased to RMB104.0 billion at end-September 2024 from RMB79.2 billion at end-2022. Its debt structure slightly improved, with long-term debt's proportion increased to 72.3% at end-September 2024.

CXIG's liquidity was weak. At end-September 2024, CXIG had a cash balance of RMB10.9 billion (including restricted cash of RMB384.5 million), compared with its debt due within one year of RMB28.8 billion. Having said that, CXIG has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations. It had unused credit facilities of RMB37.3 billion at end-September 2024.

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.

Full List of Issuance Rating

A full list of affirmed Issuance rating is included below. Any rating action on CXIG's rating would result in a similar rating action on the bonds:

- CNY1,560 million 4.8% senior unsecured bonds due 2026 affirmed at 'BBB+'

Operating Environment

Economic 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 is a key area for the northward development of Chengdu. It has jurisdiction over 7 streets and 2 towns with a total land area of 496 square kilometers. At end-2024, Xindu had a residential population of 1.6 million with an urbanization rate of around 79.5%. Xindu's GDP reached RMB113.0 billion in 2024, representing a year-over-year growth rate of 5.7%, down from 6.0% recorded in 2023. Its GDP amount was ranked 9th among all jurisdictions of Chengdu. The economic growth was mainly fueled by the secondary and tertiary industries.

| Xindu's GDP and Fixed Asset Investment | | | |
|-----------------------------------------------|-------------|-------------|-------------|
| (RMB billion) | 2022 | 2023 | 2024 |
| GDP | 103.3 | 108.6 | 113.0 |
| -Primary industry (%) | 2.2 | 2.4 | - |
| -Secondary industry (%) | 31.8 | 29.7 | - |
| -Tertiary industry (%) | 66.0 | 67.9 | - |
| GDP growth rate (%) | 2.1 | 6.0 | 5.7 |
| Fixed asset investment growth rate (%) | 8.8 | -56.7 | - |
| Population (million) | 1.6 | 1.6 | 1.6 |

Source: Financial Bureau of Xindu, statistical bureau of Xindu and Lianhe Global's calculations

Fiscal Condition of Xindu

The aggregate fiscal revenue of the Xindu was mainly derived from the budgetary revenue and government fund income. In 2024, the Xindu government realized a budgetary revenue of RMB7.0 billion, representing a year-over-year decrease of 0.7%. The budget deficit widened to 37.4% in 2024 from 34.7% in 2023. The government fund income was another important part of Xindu's aggregate fiscal revenue, but it was vulnerable to property market and policy changes. The government fund income of Xindu decreased by 10.5% year-over-year to RMB2.5 billion in 2024, mainly due to the decline of land sales income.

At end-2024, the Xindu government's outstanding debt was RMB17.9 billion, including RMB2.0 billion of general obligations and RMB16.0 billion of special debt. Its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, was lifted to 137.1% at end-2024 from 116.4% at end-2023, mainly due to the increase in special debt.

| Xindu's Fiscal Condition | | | |
|--------------------------------------|-------------|-------------|-------------|
| (RMB billion) | 2022 | 2023 | 2024 |
| Budgetary revenue | 6.4 | 7.1 | 7.0 |
| Budgetary revenue growth rate (%) | -8.5 | 9.8 | -0.7 |
| Tax revenue | 4.8 | 5.3 | 5.1 |
| Tax revenue (% of budgetary revenue) | 75.4 | 75.7 | 73.4 |
| Government fund income | 3.6 | 2.8 | 2.5 |
| Transfer payment | 3.4 | 2.7 | 3.5 |
| Aggregate revenue | 13.4 | 12.6 | 13.1 |
| Budgetary expenditure | 9.3 | 9.5 | 9.6 |
| Budget balance ¹ (%) | -45.1 | -34.7 | -37.4 |

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Xindu, statistical bureau of Xindu and Lianhe Global's calculations

Company Profile

CXIG was established as a wholly state-owned entity under the approval of the Xindu government in March 2017. At end-September 2024, CXIG's registered and paid-in capital were RMB5.0 billion and RMB3.9 billion, respectively, after an array of capital injections.

CXIG remains the most important LIDC that is responsible for infrastructure construction and urban development and operation in Xindu. 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 business through its subsidiaries, including but not limit to trade business, leasing business, bus operation business, water supply and other state-owned assets operation in the region.

| Key Financial Data | | | | |
|---------------------------------------------|-------------|-------------|-------------|---------------|
| (RMB million) | 2021 | 2022 | 2023 | 2024.9 |
| Total Assets | 142,194 | 157,239 | 173,087 | 187,512 |
| Equity | 61,168 | 63,671 | 62,165 | 66,027 |
| Debt | 67,496 | 79,180 | 95,685 | 103,954 |
| Debt / (Debt + Equity) (%) | 52.5 | 55.4 | 60.6 | 61.2 |
| Unrestricted cash/ST Debts (x) | 0.4 | 0.3 | 0.3 | 0.4 |
| Debt/EBITDA (x) | 40.9 | 47.8 | 56.9 | - |
| Revenue | 5,806 | 7,629 | 7,504 | 4,789 |
| Operation Profit | 451 | 531 | 573 | 158 |
| Gross Margin (%) | 8.7 | 6.5 | 7.3 | 6.6 |
| Cash from sales or services/ Revenue (%) | 52.0 | 48.6 | 57.8 | 47.9 |

Source: CXIG and Lianhe Global's calculations

Disclaimer

Ratings (including credit ratings and other rating products) 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

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

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

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, 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. 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. Please see Lianhe Global’s website for the last rating action and the rating history. Please see Lianhe Global’s website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

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, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports 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 rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports 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 Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent ratings and research.

Copyright © Lianhe Ratings Global Limited 2025.