

Chengdu ETDZ State-owned Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Chengdu ETDZ State-owned Investment Group Co., Ltd. (“CESI” or “the company”); Issuer Rating Outlook Stable

Summary

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

Longquanyi is one of the municipal districts under the jurisdiction of Chengdu, the capital city of Sichuan Province. Its GDP grew steadily by 4.1% to RMB158.6 billion in 2024. The budgetary revenue also increased by 27.1% to RMB10.9 billion in 2024.

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

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

Rating Rationale

Government’s Ownership and Supervision: The Management Committee of Chengdu Economic and Technological Development Zone (“Management Committee”), as the actual controller, holds 100% shares of CESI through Chengdu ETDZ Development Holdings Group Co., Ltd. (“CEDH”). The Management Committee is a government agency responsible for planning, construction and management functions in Chengdu Economic and Technological Development Zone (“Chengdu ETDZ”), a national economic development zone in Longquanyi. The local government has strong control and supervision over the company, including the appointment of senior management, decisions on its strategic development, and supervision of its major investment and funding plans. In addition, the local government has an assessment mechanism over the company and periodically appoints auditors to supervise its operating performance and financials.

Strategic Importance to Longquanyi and Strategic Alignment: CESI is an important urban development and operation entity in Longquanyi. The company carries out major development projects, including infrastructure, social housing and public facilities within the region. It also provides important public services, such as public transportation, water supply and sewage treatment. CESI plays an important role in promoting the region’s economic and social development. Its business operations and strategic planning have been aligned with the local government’s development plans.

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	9 October 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Ongoing Government Support: CESI receives ongoing operational subsidies and asset/capital injections from the local government to support its business operations. Between 2022 and the first half of 2025, CESI received operational subsidies totaling RMB653.3 million from the local government. Over the same period, CESI received asset injections in the form of cash, properties and other state-owned assets. We believe CESI will likely receive strong support from the local government in the coming years considering its strategic importance in Longquanyi.

CESI's Financial Matrix and Liquidity Position: CESI's total assets increased to RMB125.4 billion at end-June 2025 from RMB111.6 billion at end-2023, as the company actively participated in the project development in Longquanyi District. The company mainly relied on borrowings to fund its asset expansion. Its total adjusted debt increased to RMB74.7 billion at end-June 2025 from RMB63.6 billion at end-2023. The company's financial leverage, as measured by debt/capitalization, increased from 62.6% to 66.6% over the same period. In addition, CESI's asset liquidity was weak. The company's project development activities accumulated sizeable inventories (mainly construction costs and reserved land use rights) and receivables (mainly due from government agencies and other LIDCs). These assets usually take a long time to monetize due to the protracted construction and payment collection period.

The liquidity of CESI was moderately tight. At end-June 2025, CESI had a cash balance of RMB5.0 billion, compared with its debt due within one year of RMB21.1 billion. Having said that, CESI has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations. At end-March 2025, the company had unused credit facilities of RMB29.0 billion.

Rating Sensitivities

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

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

Any rating action on CESI's rating would result in a similar rating action on its USD bonds.

Full List of Issuance Ratings

A full list of issuance ratings is included below:

- USD348.3 million 6.5% senior unsecured bonds due 2027 affirmed at 'BBB+'²
- USD151.7 million 6.5% senior unsecured bonds due 2027 affirmed at 'BBB+'²

Operating Environment

Economic Condition of Longquanyi

Longquanyi is one of the municipal districts under the jurisdiction of Chengdu, the capital city of Sichuan Province. It is located in the eastern part of the city. Longquanyi has jurisdiction over three towns and four streets, with a total land area of 557 square kilometers. Chengdu ETDZ, a national economic development zone, Chengdu Automobile Industry Functional Zone and Chengdu Sino French Ecological Park are located in Longquanyi,

helping the district to form an industrial platform led by the automobile industry and promote the economic development of the region.

Longquanyi's GDP amount increased to RMB158.6 billion in 2024, from RMB150.3 billion in 2023, and its economic growth rate decreased to 4.1%, from 6.1% in 2023. The GDP per capita was RMB114,800 in 2024. After decreasing 8.9% in 2023, Longquanyi's fixed-asset investment rebounded in 2024, increasing by 2.6%. The turnaround was powered by a flood of post-disaster reconstruction funds and an accelerated pipeline of provincial key projects that quickly converted into physical construction activity.

Longquanyi's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	154.6	150.3	158.6
-Primary industry (%)	1.8	1.4	1.3
-Secondary industry (%)	61.9	58.6	45.7
-Tertiary industry (%)	36.2	40.0	53.0
GDP growth rate (%)	1.8	6.1	4.1
Fixed asset investment growth rate (%)	-8.5	-8.9	2.6
Population (million)	1.4	1.4	1.4

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

*Estimated by Lianhe Global

Fiscal Condition of Longquanyi

The budgetary revenue of the Longquanyi government increased to RMB10.9 billion in 2024 from RMB8.5 billion in 2023, with a year-over-year growth rate of 27.1%. The Longquanyi government's fiscal self-sufficiency remained weak, with the budget deficit narrowing to 33.2% in 2024 from 47.0% in 2023. Additionally, government fund income declined to RMB3.0 billion in 2024 from RMB5.5 billion in 2023, due to a collapse in land-sale proceeds amid the nationwide property slump.

The outstanding debt of the Longquanyi government kept growing in past few years. At end-2024, the Longquanyi government's outstanding debt increased to RMB43.5 billion from RMB29.9 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 234.0% at end-2024 from 141.9% at end-2023.

Longquanyi's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	7.5	8.5	10.9
Budgetary revenue growth rate (%)	3.6	5.6	27.1
Tax revenue	5.9	6.9	5.9
Tax revenue (% of budgetary revenue)	77.9	81.1	54.5
Government fund income	6.6	5.5	3.0
Transfer payment	5.9	6.9	4.5
Aggregate revenue	20.2	21.1	18.6
Budgetary expenditure	11.6	12.6	14.5
Budget balance ¹ (%)	-54.2	-47.0	-33.2
Government debt ratio (%)	130.5	141.9	234.0

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

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

Company Profile

CESI was established in December 2005 with an initial registered capital of RMB200 million, funded by the Longquanyi government. After a series of capital replenishments and equity transfers, the company's registered and paid-in capital were enlarged to RMB10 billion and RMB9,397 million by end-June 2025, respectively. The Management Committee, as the actual controller, holds 100% shares of CESI through CEDH.

CESI is an important LIDC responsible for urban development and operation in Longquanyi District. The company undertakes major projects such as infrastructure and social housing within the region. It also operates the Longquanyi District's public transportation (buses) and utilities (water supply and sewage treatment). In addition, the company has diversified into leasing, trading, property sales and other businesses. The company generated revenues of RMB2.9 billion, RMB3.3 billion, RMB2.7 billion and RMB1.1 billion in 2022 to the first six months of 2025, respectively. Over the same period, its gross margin stayed relatively stable at 19% to 23%.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	104,313	111,635	116,434	125,433
Equity	37,368	37,965	36,873	37,428
Debt	56,855	63,582	69,310	74,660
Debt / (Debt + Equity) (%)	60.3	62.6	65.3	66.6
Unrestricted cash/ST Debts (x)	0.0	0.0	0.1	0.2
Debt/EBITDA (x)	78.6	98.3	127.6	-
Revenue	2,870	3,314	2,653	1,093
Operation Profit	379	385	291	115
Gross Margin (%)	22.5	19.3	21.8	18.9
Cash from sales or services/ Revenue (%)	90.5	78.3	160.7	141.1

Source: CESI and Lianhe Global's calculations

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