

Credit Opinion

13 June 2025

Chengdu Xisheng Investment Group Co., Ltd.

Surveillance credit rating report

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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CCXAP upgrades Chengdu Xisheng Investment Group Co., Ltd.'s long-term credit rating to BBB_g+, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Chengdu Xisheng Investment Group Co., Ltd. ("CXIG" or the "Company") to BBB_g from BBB_g, with stable outlook. The rating upgrade is based on the Company's enhanced financial stability through improving its funding structure. It also reflects the Company's strategic importance as the most important infrastructure construction entity in Pidu District.

The long-term credit rating of CXIG reflects (1) Pidu District Government's strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of the Pidu District Government's capacity to provide support reflects Pidu District's vital position in Chengdu City, given its good industrial resources, as well as increasing economic and fiscal strength.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role as the most important infrastructure construction entity in Pidu District; (2) high sustainability for public policy projects; and (3) solid track record of receiving government payments.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt leverage; and (3) weak asset liquidity.

The stable outlook on CXIG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its dominant position in the infrastructure construction in Pidu District.

Rating Drivers

- Important role as the most important infrastructure construction entity in Pidu District
- High sustainability for public policy projects
- Solid track record of receiving government payments
- Medium exposure to commercial activities
- Increasing debt leverage
- Weak asset liquidity
- Enhanced financial stability by improving the funding structure

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in company's characteristics enhance the local government's willingness to provide support, such as decreased exposure to commercial activities and improved asset liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in company characteristics decrease the local government's willingness to provide support, such as reduced regional significance and deteriorated funding capability.

Key Indicators

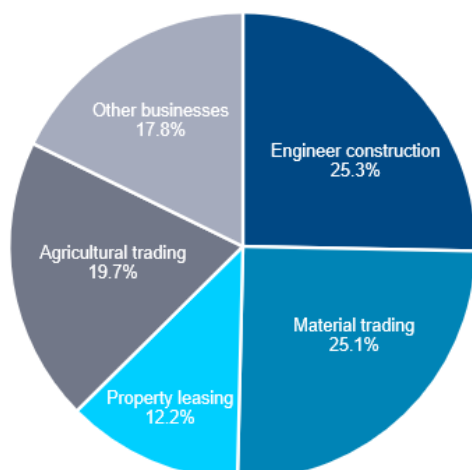
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	97.1	105.1	113.6
Total Equity (RMB billion)	38.7	38.8	39.5
Total Revenue (RMB billion)	1.9	2.2	2.4
Total Debt/Total Capital (%)	56.1	59.0	61.6

All ratios and figures are calculated using CCXAP's adjustments.

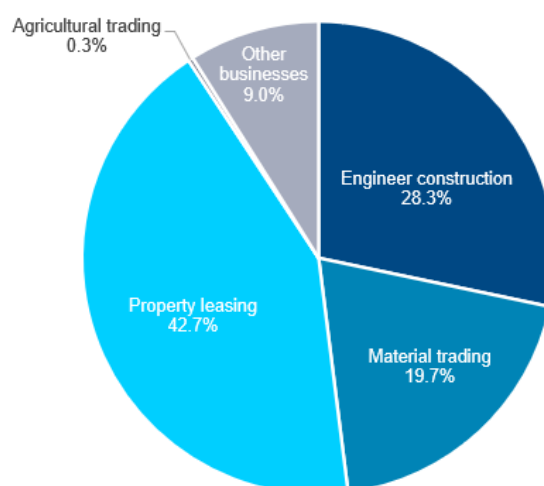
Source: Company data, CCXAP research

Corporate Profile

Founded in 2010, CXIG, formerly known as Pi County Xingcheng Investment Co., Ltd., is the most important local infrastructure investment and financing company ("LIIFC") in Pidu District, with the largest asset size among other local state-owned enterprises. The Company is primarily responsible for infrastructure construction, resettlement housing construction, and shantytown renovation in Pidu District. Apart from public development projects, the Company also derives revenue from businesses such as engineering construction, property sales, material and agricultural product trading, property leasing and management. As of 31 December 2024, the Company was wholly owned and ultimately controlled by Chengdu Pidu District State-owned Assets Supervision and Administration and Financial Bureau ("Pidu SASAFB").

Exhibit 1. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2024

Rating Considerations

Government's Capacity to Provide Support

We believe the Pidun District Government has a strong capacity to provide support to the Company, given its good industrial resources, as well as increasing economic and fiscal strength.

Sichuan Province is a leading economic province and is recognized as one of the most developed provinces in China. In 2024, Sichuan recorded a gross regional product ("GRP") of RMB6.5 trillion, with a GRP growth rate of 5.7% year-on-year ("YoY"). Its general budgetary revenue increased to RMB563.5 billion, up by 1.9% YoY.

Chengdu City is a sub-provincial city that serves as the capital city of Sichuan Province. Chengdu City is also an important economic and financial center, as well as a transportation and communication hub in Southwest China, with a solid economic foundation. Its economy is characterized by industries such as electronic information product manufacturing, machinery, automotive, metallurgy, building materials, and light industry. In 2024, Chengdu achieved a GRP of RMB2.4 trillion, a YoY increase of 5.7%. The Chengdu Municipal Government's general budgetary revenue amounted to RMB195.0 billion in 2024, a YoY increase of 1.1%. However, the increase in general budgetary revenue was due to an increase in non-tax revenue, which is considered to be less sustainable. In 2024, the tax revenue of Chengdu City declined to RMB137.4 billion from RMB145.0 billion in 2023. In 2024, its fiscal balance ratio was 74.7%, which was at a moderate level. In 2024, Chengdu's outstanding government debt increased to RMB620.7 billion, accounting for 26.4% of its GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Chengdu City

	2022FY	2023FY	2024FY
GRP (RMB billion)	2,081.8	2,207.5	2,351.1
GRP Growth (%)	2.8	6.0	5.7
General Budgetary Revenue (RMB billion)	172.2	192.9	195.0
General Budgetary Expenditure (RMB billion)	243.5	258.7	261.0
Local Government Debt (RMB billion)	464.1	522.9	620.7

Source: Statistic Bureau of Chengdu City, CCXAP research

Pidu District is located in the northwest of Chengdu City. Relying on the industrialization of Sichuan cuisine, Pidú District has the largest Sichuan cuisine food industry brand incubation base in China. Supported by its pillar industries, such as tourism, Sichuan cuisine, LED and electronic components, Pidú District has demonstrated ongoing economic growth in the past few years. In 2024, the GRP of Pidú District increased by 5.9% YoY to RMB82.2 billion, ranking 9th in terms of GRP among 20 districts and counties in Chengdu City. Pidú District Government's general budgetary revenue increased from RMB6.2 billion in 2023 to RMB6.4 billion in 2024, of which tax revenue accounted for 61.6% in 2024. Pidú District also has moderate fiscal self-sufficiency, with a fiscal balance rate of 72.8% in 2024. The government fund income increased by 20.0% YoY to RMB3.0 billion, driven by the recovery of state-owned land sales. In addition, Pidú District has a moderate debt profile, with a government debt to GRP ratio of 23.2% in 2024. As an important state-owned enterprise in Pidú District, the Company is expected to benefit from the sustained development of Chengdu and Pidú District.

Exhibit 4. Key Economic and Fiscal Indicators of Pidú District

	2022FY	2023FY	2024FY
GRP (RMB billion)	75.1	78.8	82.2
GRP Growth (%)	3.0	6.0	5.9
General Budgetary Revenue (RMB billion)	5.4	6.2	6.4
General Budgetary Expenditure (RMB billion)	7.9	8.1	8.8
Local Government Debt (RMB billion)	12.3	15.2	19.1

Source: Statistic Bureau of Pidú District, CCXAP research

Government's Willingness to Provide Support**Important role as the most important infrastructure construction entity in Pidú District**

CXIG is the most important infrastructure construction and state-owned capital investment operation entity in Pidú district, with the largest total assets among the local state-owned enterprises. As the most important LIIFC in Pidú District, CXIG adheres to and implements the development plans for the continual development of Pidú District as devised by the local government. The Company focuses on urban construction, rural revitalization, and urban development. The Company has a relatively diversified business scope, including resettlement housing construction, shantytown renovation, and infrastructure construction in Pidú District. Considering the Company's high strategic significance to the development of Pidú District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability for public policy projects

The Company has a regional franchise in the construction of public policy projects, having successfully delivered a series of large-scale infrastructure construction projects and public welfare facilities over the past few years,

such as roads, schools, bridges, and resettlement houses. The Company's public projects cover three major sub-segments, namely, infrastructure construction, resettlement housing construction, and shantytown renovation. The Company has demonstrated strong business sustainability through its sufficient public project reserves, which, however, also exert certain capital expenditure pressure.

The public projects undertaken by the Company are mainly completed via the agency construction model. As of 31 December 2024, the Company had a large number of infrastructure construction projects and resettlement housing projects under construction, with a total planned investment of RMB22.5 billion and an outstanding amount of RMB8.5 billion. Moreover, the Company continues to conduct its shantytown renovation projects through a government purchase service model with self-raised funds. As of 31 March 2024, the Company had 3 shantytown renovation projects under construction, with a total planned investment of RMB3.3 billion and an outstanding amount of RMB1.4 billion. However, there is uncertainty about the sustainability of shantytown renovation projects; no investment has been made in shantytown reconstruction projects over the past year. Furthermore, the lagged repayment progress for the completed projects has resulted in a high reliance on external financing to support the construction work of the new projects.

Medium exposure to commercial activities

In addition to public activities, CXIG is also involved in various commercial activities such as engineering construction, property development, building material trading, agricultural product sales, property leasing, medical services, car parking services, municipal planning, and surveying. We consider CXIG's commercial business exposure medium, as its market-driven businesses account for around 15-30% of its total assets.

The engineering construction business is conducted via a general contracting model, in which the Company is responsible for the construction and management of the entire project, but not the investment and financing of the project. The Company has the first-level qualification for general contracting of construction projects, with business presence in Chengdu, Meishan, Suining, and Luzhou City. The projects under this segment are obtained via public bidding. As of 31 March 2024, the Company had 7 major projects under construction, with a total contract amount of RMB264.6 million.

CXIG's property development business is market-oriented, as the Company is responsible for the construction of commercial housing projects and their subsequent sales. The Company's completed property development projects have all been sold and have received the full payment amount. At present, the Company has 1 major property development project under planning, namely the Pidu Smart Technology City Area Comprehensive Development Project. Chengdu Huibao Industrial Co., Ltd. ("Huibao Industrial"), a joint venture between the Company and China Poly Group Corporation, is responsible for the development of the project. The Company holds a 50% equity stake in Huibao Industrial. The expected construction period is 8 years, and the expected total investment is approximately RMB15 billion, with an invested amount of RMB3.1 billion. The large investment amount might exert great capital expenditure pressure on the Company, and there is uncertainty about the further development of the project. For the previously completed commercial housing projects, the Company recorded RMB38.8 million of revenue from property sales in 2024. As the property development business is greatly affected by the real estate market, the future income from property development is uncertain.

The Company also conducts agricultural product sales business, including procurement and sales of food and oil, and the preservation and rotation of local food reserves in Pidu District. The upstream and downstream of agricultural product sales are highly concentrated. As of 31 December 2024, the top 5 suppliers and customers accounted for 69.7% and 99.5% of the total sales and procurement, respectively. In 2024, the revenue from agricultural product sales increased to RMB472.2 million, accounting for 19.7% of the total revenue. However,

the profitability of this business is low due to certain public welfare nature of the business, with a gross profit margin of around 0.4% in 2024. Overall, the agricultural product sales business contributed little to the Company's gross profit.

CXIG's building material trading business mainly involves the production and sales of concrete mortar and sandstone to construction companies. The upstream and downstream of the business are relatively diversified. As of 31 December 2024, the top 5 suppliers and customers accounted for 42.5% and 25.2% of the total sales and procurement, respectively.

The Company also provides several commercial activities in Pidu District, such as property leasing, medical services, car parking services, municipal planning, and surveying. Although these commercial activities have brought stable income to the Company, the small operating scales limit their contributions to the Company's overall revenue.

Solid track record of receiving government payments

As the most important infrastructure construction and state-owned capital investment operation entity in Pidu district, CXIG has a track record of receiving payments from the Pidu District Government. These payments take various forms, such as government subsidies and capital injections. From 2023 to 2024, the Company received a total paid-in capital injection of RMB618.0 million and total government subsidies of RMB9.3 million. The Company also regularly receives repayments for its public policy projects. From 2023 to 2024, the Company received a total project repayment of RMB1.8 billion. In addition, the shantytown renovation projects under the government purchase service model are included in the fiscal budget of Pidu District Government, so the repurchase payments are more stable. Given CXIG's important strategic role, we expect the Company will continue to receive support from the Pidu District Government in the future.

Increasing debt leverage

CXIG's total debt had increased from RMB55.9 billion at end-2023 to RMB63.4 billion at end-2024, and its total capitalization increased from 59.0% to 61.6% over the same period. The increase in debt was mainly attributable to the expansion of the project construction. In addition, the Company has a relatively high short-term repayment pressure. As of 31 December 2024, its short-term debt accounted for 46.3% of its total debt, while the cash/short-term debt was 0.2x. Given the Company's large capital expenditure pressure, we expect the Company will maintain a relatively high debt leverage for the next 12-18 months.

The Company bears medium contingent credit risk arising from external guarantees. As of 31 December 2024, the Company had outstanding external guarantees of RMB5.9 billion, representing 15.0% of its net assets. The guaranteed parties are all local state-owned enterprises.

Weak asset liquidity

CXIG has weak asset liquidity, which may undermine its financial flexibility. The Company's total asset mainly consists of inventories and receivables, which accounted for 72.9% of its total asset as of 31 December 2024. Inventories are mainly undeveloped land and investment costs for infrastructure construction projects, while receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity. The relatively large amount of unreceived payments from the agency construction projects has caused capital occupation.

Enhanced financial stability through improving its funding structure

The Company has optimized its funding channels by lowering its reliance on bond financing and non-standard financing. It maintains robust access to diversified funding channels, having good access to the debt capital market and good relationships with large domestic banks. As of 31 December 2024, around 43.6% of the Company's debt financing was provided by domestic banks. As of 31 March 2025, it held a total credit facility of RMB43.9 billion and available credit facilities of RMB11.9 billion, indicating a sufficient liquidity buffer. The Company also has a track record of fund-raising activities in the debt capital markets. From January 2024 to April 2025, the Company issued offshore bonds of RMB1.4 billion. Nonetheless, due to the tightening of regulatory policy, the Company has reduced its large exposure to bond financing. The proportion of bond financing decreased from 48.3% as of 30 September 2023 to 41.2% as of 31 December 2024, indicating that the Company is less vulnerable to fluctuations in the onshore and offshore capital markets. In addition, the proportion of relatively high-cost non-standard financing also decreased from 17.2% to 15.2% over the same period. We believe the improved funding structure can enhance the Company's financing stability and reduce its overall financing cost.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. CXIG assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during construction.

CXIG is also exposed to social risks as it implements public policy initiatives by building public infrastructure in Pidu District. Demographic changes, public awareness, and social priorities shape the government's development strategy, and they will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. CXIG believes that it complies in all material respects with the applicable government regulations, rules, and executive orders in each jurisdiction in which it operates. The Company maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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