CCXAP affirms Chengdu Economic Development Industrial Investment Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 26 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Chengdu Economic Development Industrial Investment Group Co., Ltd. ("CEDI" or the "Company")'s long-term credit rating of BBB_g+, with stable outlook. At the same time, CCXAP has affirmed the Company's senior unsecured debt rating at BBB_g+.

The BBB_g+ long-term credit rating of CEDI reflects Longquanyi District Government's (1) very strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) position as the key entity responsible for industrial development and operation in Longquanyi District; (2) good track record of receiving government payments; and (3) high sustainability of its public services business. However, the rating is constrained by the Company's (1) relatively high debt leverage level and short-term repayment pressure; (2) relatively large reliance on high-cost non-standard financing; and (3) relatively high contingent risk associated with external guarantee.

Corporate Profile

CEDI is a key entity responsible for infrastructure construction and industrial development and operation in the Longquanyi District, which is also known as the Chengdu Economic and Technological Development Zone ("Chengdu ETDZ"), Chengdu City. The Company is primarily responsible for the development and operation of the Sino-French Ecological Park, rural revitalization projects, and infrastructure development in Longquanyi District. Apart from public projects, the Company also derives revenue from businesses such as self-operating projects, engineering construction, and asset operation. As of 30 June 2025, Chengdu Economic and Technological Development Zone Management Committee ("Chengdu ETDZ Management Committee"), the ultimate controller of CEDI, owned 91.77% of the Company's shares.

Rating Rationale

Credit Strengths

Key entity responsible for industrial development and operation in Longquanyi District. There are 3 major Local Infrastructure Investment and Financing Companies ("LIIFCs") in Longquanyi District, including CEDI, Chengdu Jingkai Guotou Investment Group Co., Ltd., and Chengdu Economic Development Holding Group Co., Ltd. CEDI is mainly responsible for the industrial development and operation in Longquanyi District, including the regional development of Sino-French Ecological Park. With industrial development projects covering different areas such as rural revitalization and Sino-French Ecological Park, we believe the Company's important position in Longquanyi District will not be easily changed in the foreseeable future.

High sustainability of its public services business. The major subsidiary of the Company, Chengdu Sino-French Ecological Park Investment Development Co. Ltd. ("SFEP"), is the sole entity focusing on the development of major infrastructure construction in Chengdu Sino-French Ecological Park. We expect that the projects in the pipeline can ensure the sustainability of public policy business, but exert large capital expenditure pressure on the Company. Besides, the Company is also in charge of infrastructure construction projects in Longquanyi District other than Sino-French Ecological Park.

Good track record of receiving government payments. CEDI has a track record of receiving payments from the Longquanyi District Government. These payments take various forms, such as government subsidies and asset injections. Considering the economic and financial growth of Longquanyi District, as well as the progress of Chengdu Eastbound Strategy, we expect the Company will continue to receive support from the local government in the future.

Credit Challenges

Relatively high debt leverage level and short-term repayment pressure. With ongoing public and commercial construction projects, CEDI has maintained a relatively high debt leverage and faces certain short-term repayment pressure. The Company's total debt (including perpetual bonds) increased from RMB88.1 billion at end-2023 to RMB92.0 billion at end-2025Q1, with its capitalization ratio increasing from 67.9% to 68.5% during the same period. The cash-to-short-term debt ratio was still low at 0.3x at end-2025Q1, indicating relatively high short-term repayment pressure. Given the Company's large capital expenditure pressure, we expect the Company to maintain a relatively high debt leverage for the next 12-18 months.

Relatively large reliance on high-cost non-standard financing. The funding channels of the Company are well diversified, but the portion of non-standard borrowing is high. As of 31 March 2025, the Company had a relatively large amount of high-cost non-standard financing, which accounted for 17.8% of total debt. The Company's overall financing cost was about 5.5%, while the non-standard financing cost was around 8.3%.

Relatively high contingent risk associated with external guarantees. CEDI has a relatively large exposure to contingent liabilities risk. As of 31 March 2025, the Company provided external guarantees of RMB13.6 billion, representing 31.9% of its net asset. We consider the exposure of the external guarantee to be relatively high. Given that the external guarantees are provided to local state-owned enterprises, if credit events occur, we believe the government is likely to provide necessary support, which may provide some buffer against relevant risks.

Rating Outlook

The stable outlook on CEDI's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its strategic role, being the key entity for infrastructure construction, and industrial development and operation entity in Longquanyi District over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to support strengthens; or (2) changes in company characteristics enhance the local government's willingness to support, such as reduced reliance on non-standard financing or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to support weakens; or (2) changes in company characteristics decrease the local government's willingness to support, such as reduced strategic significance or increased exposure to commercial activities.

Rating Methodology

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

Regulatory Disclosures

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