

CCXAP assigns first-time long-term credit rating of BBB_g to Chongqing Jinyun Asset Management (Group) Co Ltd., with stable outlook.

Hong Kong, 28 December 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g to Chongqing Jinyun Asset Management (Group) Co Ltd. (“CJAM” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of CJAM reflects Chongqing Beibei District Government’s strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the Beibei District Government’s capacity to provide support reflects Beibei District’s status as one of the nine main districts in the central area of Chongqing City and is an important part of Liangjiang New Area, with good industrial foundation and economic 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 largest state-owned enterprise with the strongest comprehensive strength in Beibei District; (2) solid track record of receiving government payments; and (3) good access to funding. However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; and (2) moderate debt growth and assets liquidity.

Corporate Profile

Founded in 2003, CJAM is the most important local infrastructure investment and financing company (“LIIFC”) in Beibei District. It is also the largest LIIFC by asset size and the dominant platform engaged in infrastructure construction, land consolidation, construction of resettlement housing and state-owned assets operation in Beibei District. The Company also undertakes diversified commercial activities such as security service, human resources service, engineering inspection and road maintenance. As of 30 June 2022, the State-owned Assets Supervision and Administration Commission of Beibei District (“Beibei SASAC”) is the sole shareholder and ultimate controller of the Company.

Rating Rationale

Credit Strengths

Important role as the largest state-owned enterprise with the strongest comprehensive strength in Beibei District. CJAM is the largest LIIFC by total assets and the most important infrastructure construction and state-owned assets operation entity in Beibei district. In addition, the Company has the largest business scope and strongest comprehensive strength in Beibei District as most of the major LIIFCs in Beibei District being its subsidiaries, such as Chongqing Beibei District Xincheng Construction Co., Ltd. (“BDXC”) and Chongqing Caijia Zutuan Construction and Development Co Ltd. (“CZCD”). It also has an absolute advantage in urban development and related businesses in Beibei District.



Focus on land consolidation and infrastructure construction in Beibei District. CJAM focuses on the development of land consolidation businesses and infrastructure construction projects in Beibei District. In addition, CJAM is entrusted by the local government to undertake the construction and sales of resettlement housing. Overall, the Company has a large development scope in Beibei District and a strong capability for business sustainability. However, the continuous investment in infrastructure projects, land consolidation and resettlement housing projects will increase the pressure on the Company's capital expenditures.

Solid track record of receiving government payments. As the largest state-owned enterprise controlled by the Beibei SASAC, CJAM has a solid track record of receiving payments from the Beibei District government. These payments take various forms, such as government subsidies, capital injections and equity transfers. The Company also regularly receives repurchase payments for its infrastructure construction projects, resettlement housing projects under the agency construction model and land consolidation projects. Given CJAM's important strategic role, we expect the Company will continue to receive support from the Beibei District Government in the future.

Good access to funding. CJAM has good access to the onshore debt capital market and maintains good relationships with large domestic banks. In fact, around 54.4% of the Company's debt financing was provided by domestic banks. As of the end of June 2022, it held a total credit facility of RMB34.0 billion and available credit facilities of RMB9.8 billion. The onshore debt capital market provides around 40.7% of the Company's debt financing. Finally, the Company had a low reliance on non-standard financing, including financial leasing, which accounted for about 5% of its total debt.

Credit Challenges

Low but increasing exposure to commercial activities. In addition to public activities, CJAM is also involved in various commercial activities such as security services, human resources services, engineering inspections and road maintenance. We consider CJAM's commercial business exposure to be low, as its market-driven businesses account for less than 15% of its total assets. Moreover, the Company planned to construct self-operated projects, such as logistic parks, parking lots and property development projects. Given the Company's plan to develop its market-driven businesses, we believe the Company will expand the scale of its commercial activities in the future.

Moderate debt growth and asset liquidity. The Company's total debt had increased from RMB24.6 billion at end-2019 to RMB31.2 billion at mid-2022. The increase in debt was mainly attributable to the expansion of construction of infrastructure projects and resettlement housing projects. Given the Company's large capital expenditure pressure, we expect the Company will maintain a relatively fast debt growth for the next 12-18 months. Furthermore, CJAM has moderate asset liquidity. The Company's total asset mainly consists of inventories and construction in progress, which accounted for 80.2% of its total asset as of 30 June 2022.



Rating Outlook

The stable outlook on CJAM's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its key role as an important infrastructure construction and state-owned assets operating entity in Beibei District.

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 local government's willingness to provide support, such as improved debt management and 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 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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