

CCXAP affirms Chengdu Yunlai Investment Group Co., Ltd.’s BBB_g- long-term credit rating, with stable outlook.

Hong Kong, 27 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Chengdu Yunlai Investment Group Co., Ltd. (“CYIG” or the “Company”) at BBB_g-, with stable outlook.

The long-term credit rating of CYIG reflects Chengdu Qionglai City Government’s relatively strong capacity and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Qionglai City Government’s capacity to provide support reflects Qionglai City’s increasing economic growth but is constrained by a relatively small economic scale.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) importance in the development of Qionglai City; (2) solid track record of receiving government payments; and (3) low exposure to non-standard financing. However, the rating is constrained by the Company’s (1) high debt growth driven by a large number of construction projects; (2) medium exposure to commercial activities; and (3) contingent liability risk from external guarantees.

Corporate Profile

Established in 2005, formerly known as Qionglai City Development Co., Ltd., CYIG is an important infrastructure construction entity in Qionglai City. CYIG is mainly responsible for infrastructure construction and land development in Qionglai City, as well as self-operated projects, such as resettlement housing construction and industrial park development. In addition, the Company is also involved in local public services such as bus operations. The Company is also engaged in commercial business, such as asset leasing, trading and labor dispatch. As of 30 June 2023, the Company is directly and wholly owned by the Qionglai City State-owned Assets Investment Supervision Service Centre (“Qionglai SASSC”).

Rating Rationale

Credit Strengths

An important role in the development of Qionglai City. CYIG is mainly responsible for the urban development of Qionglai City, including infrastructure construction such as roads, bridges, and schools, as well as land development. The Company is also engaged in the construction of self-operated projects such as resettlement housing and the development of the Green Food Industrial Park.

Solid tracked record of receiving government payments. CYIG has a proven track record of receiving ongoing government support from Qionglai SASSC, including government subsidies, asset injections and equity transfers. Considering the important role of CYIG after consolidation, we expect the Company will continue to receive support from Qionglai City in the future.

Low exposure to non-standard financing. CYIG has relatively good access to various sources of funding, including bank loans and bond financing. The Company maintains good long-term relationships with several banks. CYIG had low exposure to non-standard financing accounting for around 5.7% of its total debt as of 30 June 2023.

Credit Challenges

Medium exposure to commercial activities. Apart from public-related activities, CYIG also engages in diversified commercial activities including self-operated project construction and operation, asset leasing, labor dispatch and trading. We consider CYIG's commercial business exposure to be medium.

High debt growth and moderate asset liquidity. The Company's total debt increased from RMB10.4 billion at the end of 2021 to RMB14.6 billion in mid-2023, while its total capitalization ratio increased from 19.0% to 25.0% over the same period. In addition, CYIG's asset liquidity is moderate. The Company's inventories amounted to RMB34.1 billion, accounting for 53.6% of the total assets.

Rating Outlook

The stable outlook on CYIG'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 as the key investment and operating entity in Qionglai City.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as reducing exposure to risky commercial activities or reducing exposure to external guarantees.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in company characteristics weaken the local government's willingness to support, such as reducing strategic significance or increasing 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

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/



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