

CCXAP affirms Chongqing Jinyun Asset Management (Group) Co Ltd.'s BBB_g long-term credit rating, with stable outlook.

Hong Kong, 29 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Chongqing Jinyun Asset Management (Group) Co Ltd. (“CJAM” or the “Company”) at BBB_g, 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 a 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; (2) increasing short-term debt burden; and (3) moderate 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 31 March 2023, 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 the 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 are its subsidiaries. We believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

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. 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 55.4% of the Company's debt financing was provided by domestic banks. The onshore debt capital market provides around 38.0% of the Company's debt financing. Finally, the Company had a low reliance on non-standard financing, including financial leasing, which accounted for about 6% 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. Meanwhile, the Company planned to construct self-operated projects, such as logistic parks, parking lots, property projects as well as funeral 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.

Increasing short-term debt burden and moderate asset liquidity. The Company's short-term debt burden has increased, the ratio of short-term debt to total debt increased from 15.4% at the end of 2021 to 31.0% as of 31 March 2023. Furthermore, CJAM has moderate asset liquidity. The Company's total asset mainly consists of inventories and construction in progress, which accounted for 76.3% of its total assets as of 31 March 2023, and we consider these assets to be low liquidity.

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 strategic role as the key infrastructure construction 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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