# Credit Opinion

**4 December 2025**

| Ratings | |
|---|---|
| **Category** | Corporate |
| **Domicile** | China |
| **Rating Type** | Solicited Rating |
| **Long-Term Credit Rating** | $BBB_g$+ |
| **Outlook** | Stable |


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# Chongqing Fuling Industrial Development Group Co., Ltd.

## Surveillance credit rating report

**CCXAP affirms the long-term credit rating of Chongqing Fuling Industrial Development Group Co., Ltd. at $BBB_g$+, with stable outlook.**


### Summary

The $BBB_g$+ long-term credit rating of Chongqing Fuling Industrial Development Group Co., Ltd. ("FIDG" or the "Company") reflects the Company's (1) strong strategic position as the most important state-owned assets operation entity in Fuling District, with good synergy with the development of local energy industry; (2) good business diversification; and (3) diversified financing channels.

However, the rating is constrained by the Company's (1) market volatility risk; (2) modest credit metrics with relatively high short-term debt repayment pressure; and (3) moderate assets quality, with large amount of land reserves.

The rating also reflects a very high likelihood of support from the Fuling District Government when necessary, given its (1) status as the most important state-owned assets operation entity in Fuling District; (2) ultimate ownership by the Fuling District Government; and (3) good track record of government support.

The stable outlook on FIDG'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 state-owned capital investment and assets operation entity in Fuling District over the next 12 to 18 months.

## Rating Drivers

- Strong strategic position as the most important state-owned assets operation entity in Fuling District, with good synergy with the development of local energy industry
- Good business diversification, but with market volatility risks
- Very high likelihood of receiving support from the local government
- Increasing revenue, but with weak profitability
- Modest credit profile with relatively high short-term debt repayment pressure
- Moderate asset quality, with large amount of land reserves
- Diversified financing channels

## Rating Sensitivities

**What could upgrade the rating?**

The rating could be upgraded if (1) the likelihood of support from the local government increases; and (2) the Company's stand-alone credit profile improves significantly, such as stronger market position and improvement in profitability.

**What could downgrade the rating?**

The rating could be downgraded if (1) the likelihood of support from the local government decreases; or (2) the Company's stand-alone credit profile weakens, such as reduced regional significance or increased debt growth.

## Key Indicators

| | 2022FY | 2023FY | 2024FY | 2025H1 |
|---|---|---|---|---|
| Total Assets (RMB billion) | 141.4 | 159.1 | 160.2 | 163.6 |
| Total Equity (RMB billion) | 73.4 | 81.3 | 82.9 | 83.4 |
| Total Revenue (RMB billion) | 10.1 | 14.1 | 14.9 | 7.5 |
| Net Profits (RMB billion) | 2.2 | 2.1 | 2.2 | 0.8 |
| EBIT Margin (%) | 18.9 | 13.1 | 13.7 | - |
| Return on Assets (%) | 1.4 | 1.2 | 1.3 | - |
| Total Debt/Total Capital (%) | 45.9 | 45.0 | 44.7 | 45.4 |
| Total Debt/EBITDA (x) | 25.9 | 28.2 | 26.9 | - |
| EBITDA/Interest (x) | 1.0 | 0.8 | 0.8 | - |
| FFO/Total debt (%) | -1.6 | -1.1 | -1.6 | - |

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

Source: Company data, CCXAP research

## Corporate Profile

Founded in 2011, formerly known as Chongqing Zhanxin Investment Co., Ltd., FIDG is the most important state-owned capital investment and assets operation entity in Fuling District. The Company engages in diversified market-oriented businesses such as food processing, aluminum product processing and sales, sales of shale gas, as well as undertaking a number of strategically important projects such as land consolidation, resettlement housing, and shantytown reconstruction in Fuling District. As of 30 June 2025, the State-owned Assets

Supervision and Administration Commission of Fuling District ("Fuling SASAC") was the sole shareholder and actual controller of the Company.

**Exhibit 1. Revenue Structure in 2024**

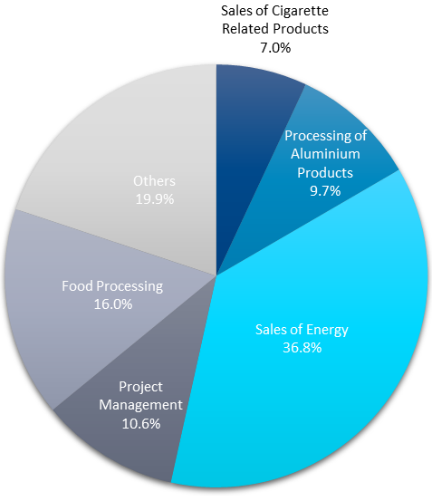
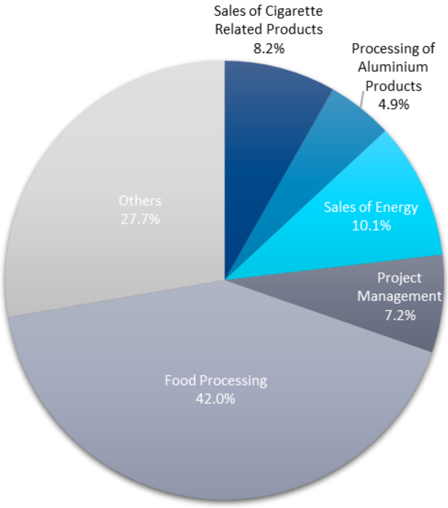



**Exhibit 2. Gross Profit Structure in 2024**




Source: Company information, CCXAP research

## Rating Considerations

### Business Profile

**Strong strategic position as the most important state-owned assets operation entity in Fuling District, with good synergy with the development of local energy industry**

As the largest state-owned assets operation entity by assets scale in Fuling District, FIDG assumes both the functions of industrial investment and urban construction and operation, with prominent regional position. The Company has established a business layout centered on food processing and energy, which has good synergy with the development of local energy industry, with market-based revenue and profits accounting for a relatively high proportion. At the same time, the Company still undertakes land development and infrastructure construction functions, but corresponding investment has slowed down. In recent years, the Company's revenue and net profit have increased, and its businesses have demonstrated strong synergy with local industrial development, resulting in excellent overall business strength and quality. we believe the Company will further strengthen its state-owned capital operation functions in the foreseeable future, and will not be easily replaced by other local state-owned enterprises.

**Good business diversification, but with market volatility risks**

The Company has a diversified business mix, encompassing energy sales, food processing, land development, aluminum product sales, cigarette-related product sales, shale gas sales, and the production and sales of civilian blasting products. However, the Company's energy sales, food processing, aluminum processing, and commodity sales businesses still face market volatility risks and market expansion bottlenecks. Meanwhile, the Company's business spans a wide range, posing certain challenges to its operational capabilities. Furthermore, the Company has a large amount of land under development and existing land quotas, and future land sales and revenue collection are subject to uncertainty due to land market conditions and government policies.

As the largest revenue driver, the Company’s energy sales business mainly covers electricity, gas, and new materials. In 2024, the revenue from energy segment increased by 13.6% YoY to RMB5.5 billion, accounting for 36.8% of total revenue. However, the segment's gross margin contracted from 7.4% in 2023 to 5.3% in 2024. Despite challenges such as lower gas prices and reduced electricity demand, the Company's energy sector still possesses a solid development foundation and promising prospects since it aligns with Fuling District's strategic clean energy pillar and is supported by strong local industrial demand, which provide great opportunities to the Company.

FIDG has the food processing business through Chongqing Fuling Zhacai Group Co., Ltd. (“Fuling Zhacai”, Stock Code: 002507.SZ), which remains the largest mustard processing enterprise in China. However, it currently faces weaker macroeconomic demand and heightened competition. In 2024, the revenue from food processing constantly declined to RMB2.4 billion, accounting for 16.0% of the Company’s total revenue, while in the first half of 2025, the revenue reached RMB1.3 billion, accounting for 17.5%. However, the gross profit margin of the food processing business maintained above 50% over the past three years. The segment's growth and operational stability are susceptible to market competition and consumer demand.

Benefiting from huge demand from local aluminum industrial projects, the aluminum product sales segment has maintained a stable business model with high capacity utilization and production-to-sales rates in recent years. Although the sales revenue decreased slightly to RMB1.4 billion, contributing 9.7% to the total revenue in 2024, the revenue reached RMB1.1 billion in the first half of 2025. Moreover, a high concentration risk remains among its downstream customers, most of which are private-owned enterprises, causing a certain payment collection risk.

FIDG engages in the resettlement housing projects in Fuling District. The Company has not generated any resettlement housing sales income since 2022, and operates the resettlement housing through leasing. As of 30 June 2025, the total estimated sales amount of the Company's completed resettlement housing projects was RMB4.1 billion, with average selling rate of over 90%. At the same time, the unsold resettlement housing will be leased out in the market.

The Company continues to focus on the development of primary land consolidation projects in Fuling District, including the construction of supporting infrastructures such as site leveling, road paving, water supply, power supply, and gas supply on the state-owned land in Fuling District. From 2022 to 2025H1, the Company recognized land sales revenue of RMB5.5 billion, with good payment collection. As of 30 June 2025, the Company had invested RMB38.4 billion into land parcels under development, with planned investment of RMB99.0 million in 2026 and RMB28.0 million in 2027. In addition, this business is susceptible to local government policies and land market.

In addition, the Company accumulated a substantial portfolio of land quota indicators through historical urban-rural development projects and public bids. Although the transaction for these quotas remains minimal, the outstanding value of existing land quotas is high, causing uncertainty to the future disposal of the existing land quotas.

Moreover, the Company is also responsible for operating other businesses such as cigarette-supporting product sales, shale gas sales, civil blasting products sales, and financial leasing, making limited contributions to the Company’s total revenue due to their small operating scale.

## Financial Profile

**Increasing revenue, but with weak profitability**

With the expansion of market-oriented businesses, the Company's total revenue increased in 2024 and further increased by 8.4% YoY to RMB7.5 billion in 2025H1. From 2022 to 2024, the gross profit margin was stable at around 20%. However, the period expense ratio (including management fee, marketing fee, and finance cost) maintained at about 10.0% over the period, with an increase in interest expenses, eroding its profitability. As a result, the EBIT margin remained relatively weak at 13.7% in 2024, though slightly improved from 13.1% in 2023. In addition, while the investment income increased in 2024, the return on assets remained weak at around 1.3%. We expect the profitability of the Company to remain relatively weak for the next 12 to 18 months, given the weak profit margins from energy and aluminum product sales businesses.

**Modest credit metrics with relatively high short-term debt repayment pressure**

The Company's total debt increased from RMB66.1 billion at end-2023 to RMB70.2 billion at mid-2025, with total capitalization of 45.7%. Furthermore, in 2024, the Company's EBITDA interest coverage ratio remained weak at 0.8x and its total debt/EBITDA ratio reached 26.9x, indicating relatively weak debt and interest expenses coverage abilities. The Company is also exposed to relatively high short-term debt repayment pressure. As of 30 June 2025, its short-term debt accounted for around 32.9% of its total debt and its unrestricted cash to short-term debt ratio was 0.7x, indicating that its cash reserve could not fully cover the short-term debt. As the Company's future financing will focus on debt repayment and capital investment, we expect the Company's debt growth will remain conservative for the next 12-18 months.

**Moderate asset quality, with large amount of land reserves**

Generally, the Company's asset quality is moderate, with good asset profitability, but weak asset liquidity. The Company holds a large portfolio of shares in listed companies. According to the closing price at the end of 2024, the total market value of important listed companies held by the Company was about RMB8.1 billion. In addition, the Company's equity investment has contributed to a stable investment income at around RMB0.2 billion over the past three years. Furthermore, its core industrial sectors—including food processing, aluminum product sales, and energy sales—contribute stable operating cash flow, reflecting healthy operational returns and asset profitability. However, the proportion of the Company's non-current assets to total assets remained high at 75.4% at mid-2025, mainly consisting of investment properties (mainly land reserves) and investment costs for land development and infrastructure construction projects. Moreover, the Company had a certain amount of restricted assets totaling RMB14.9 billion, which accounted for 9.1% of its total assets.

**Exhibit 3. FIDG's shareholding of listed companies at end of 2024**

| Company Name | Ticker | Market Cap (RMB billion) | Shareholding Ratio (%) | Stock Market Value (RMB billion) |
|---|---|---|---|---|
| Chongqing Fuling Zhacai Group Co., Ltd. | 002507.SZ | 16.3 | 35.3 | 5.7 |
| Cecep Solar Energy Co., Ltd | 000591.SZ | 18.6 | 2.3 | 0.4 |
| Chongqing Taiji Industry (Group) Co., Ltd. | 600129.SH | 13.8 | 7.9 | 1.2 |
| Guocheng Mining Co., LTD. | 000688.SZ | 13.4 | 0.9 | 0.1 |
| Southwest Securities Co., Ltd. | 600369.SH | 31.0 | 1.0 | 0.3 |
| Chongqing Sanfeng Environment Group Corp., Ltd | 601827.SH | 14.3 | 0.6 | 0.1 |
| Chongqing Maxim Yishen Machinery Co., Ltd. | 873833.BJ | 0.9 | 12.4 | 0.1 |
| **Total** | | **108.4** | **-** | **8.1** |

Source: Public information, CCXAP research

**Diversified financing channels**

FIDG has diversified financing channels, including both onshore and offshore debt capital markets, and maintains a good relationship with large domestic banks. Around 41.8% of the Company's debt financing was provided by domestic banks at mid-2025. It held total credit facilities of RMB63.2 billion and available credit facilities of RMB29.4 billion as of the 30 June 2025. Around 47.3% of its debt was provided by the debt capital market, which exposed the Company to higher uncertainties from the volatility of the capital market and policy changes. In addition, the Company had a certain exposure to non-standard financing, including trust and financial leasing, which accounted for about 10.9% of its total debt. This diverse funding profile supports our view that the Company maintains adequate liquidity and refinancing capacity, which will support its future operations and expansions. However, its reliance on capital markets also exposes it to uncertainties from market volatility and policy changes.

### External Support

**Very high likelihood of strong support from the local government**

We anticipate the Company has a very high likelihood of support from the Fuling District Government when necessary, given its (1) status as the most important state-owned assets operation entity in Fuling District; (2) ultimate ownership by the Fuling District Government; and (3) good track record of government support.

Fuling District is located in the central part of Chongqing City. As the first 100 billion GRP district outside the central districts of Chongqing, the economy of Fuling District has continued to develop in recent years. In 2024, Fuling District achieved a GRP of RMB171.1 billion with a YoY increase of 5.3%, ranked 4$^{th}$ among 38 districts or counties in Chongqing City. In the first half of 2025, Fuling District's GRP amounted to RMB84.4 billion, up by 6.3% YoY. Fuling District Government's fiscal strength has also improved along with the economic growth. Its general budgetary revenue increased from RMB6.0 billion in 2022 to RMB10.9 billion in 2024.

As a state-owned enterprise directly and ultimately controlled by the Fuling SASAC, FIDG has a solid track record of receiving government support. In 2022, the Company received a capital injection of RMB140.0 million in cash and a capital reserve of RMB4.5 billion was converted into paid-in-capital, and equity assets with a total estimated value of RMB42.0 million without compensation from the Fuling District Government. In 2023, the Fuling District Government transferred multiple operation rights with a total value of RMB7.6 billion to the Company without compensation. Moreover, in 2024, the Company received substantial non-reimbursable support from the government through diverse channels. It received asset injections, including shares of listed enterprises, operating rights for district-owned parking spaces, and land use rights, which boosted its capital reserve by around RMB1.4 billion, alongside subsidy inflows of RMB1.0 billion. Given the Company's strong strategic position, we expect the Company will continue to receive support from the Fuling District Government in the future.

## 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. FIDG assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

FIDG is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Fuling District. Demographic changes, public awareness and social priorities shape government's development strategy, and it 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. FIDG believes that it is in compliance in all material respects with the applicable governmental 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 General Corporate (April 2019).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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