

## Credit Opinion

29 December 2023

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

### Analyst Contacts

Olivia Feng +852-2860 7133  
Senior Credit Analyst  
[olivia\\_feng@ccxap.com](mailto:olivia_feng@ccxap.com)

Waldo Li +852-2860 7137  
Assistant Credit Analyst  
[waldo\\_li@ccxap.com](mailto:waldo_li@ccxap.com)

Elle Hu +852-2860 7120  
Executive Director of Credit Ratings  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Chongqing Jinyun Asset Management (Group) Co Ltd.

### Surveillance credit rating report

**CCXAP affirms Chongqing Jinyun Asset Management (Group) Co Ltd.'s BBB<sub>g</sub> long-term credit rating with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Chongqing Jinyun Asset Management (Group) Co Ltd. ("CJAM" or the "Company") 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.

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.

## Rating Drivers

- Important role as the largest state-owned enterprise with the strongest comprehensive strength in Beibei District
- Sufficient reserves of public policy projects
- Solid track record of receiving government payments
- Low but increasing exposure to commercial activities
- Increasing short-term debt burden and moderate asset liquidity
- Good access to funding

## Rating Sensitivities

### 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.

## Key Indicators

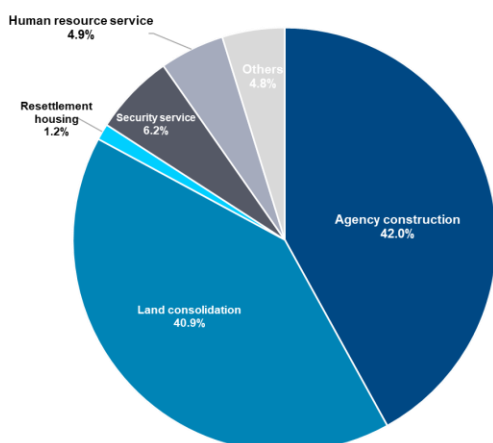
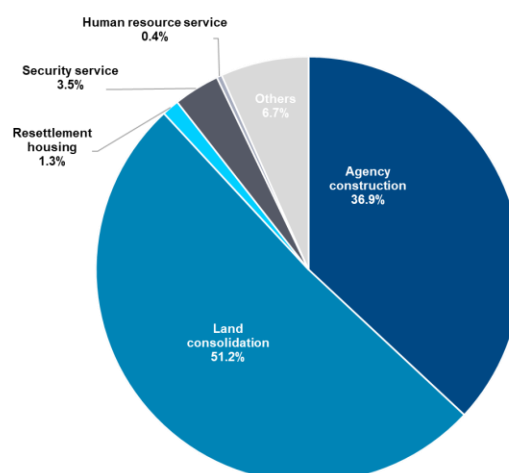
	2020FY	2021FY	2022FY	2023Q1
Total Asset (RMB billion)	75.0	78.3	73.6	74.5
Total Equity (RMB billion)	30.5	30.7	31.1	31.0
Total Revenue (RMB billion)	2.1	2.1	2.3	0.1
Total Debt/Total Capital (%)	46.3	50.0	48.5	50.0

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

Source: Company data, CCXAP research

## 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.

**Exhibit 1. Revenue Structure in 2022****Exhibit 2. Gross Profit Structure in 2022**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe the Beibei District Government has a strong capacity to provide support to the Company, given its good industrial foundation and economic strength.

Chongqing City is one of the four municipalities in China and the only municipality in Western China. Modern heavy machinery, chemical and pharmaceutical, as well as electronics and information technology manufacturing are the three major industries in Chongqing City. Thanks to the vigorous development of the industrial sector, Chongqing City's economy has demonstrated steady growth. In 2022, Chongqing City recorded a gross regional product ("GRP") of RMB2.9 trillion, with a GRP growth rate of 2.6% year on year ("YoY"), ranking 4<sup>th</sup> among municipalities and cities in China, affected by the pandemic and tax refund, the general budget revenue of Chongqing declined from RMB228.5 billion in 2021 to RMB210.3 billion in 2022, down 8.0%YoY. The debt balance of Chongqing City was RMB1.0 trillion in 2022, accounting for 34.6% of GRP. In the first half of 2023, Chongqing's GRP was RMB1.4 trillion, with a GRP growth rate of 4.6% YoY. We expect Chongqing City to continue to serve as an important strategic city for the development of Western China, the connecting point between the "Belt and Road" and the Yangtze River Economic Belt, and to play a unique and important role in the country's regional development and opening-up policy.

### Exhibit 3. Key Economic and Fiscal Indicators of Chongqing City

	2020FY	2021FY	2022FY
GRP (RMB billion)	2,500.3	2,789.4	2,912.9
GRP Growth (%)	3.9	8.3	2.6
General Budgetary Revenue (RMB billion)	209.5	228.5	210.3
General Budgetary Expenditure (RMB billion)	489.4	483.5	489.3
Local Government Debt (RMB billion)	679.9	861.0	1,007.1

Source: Statistic Bureau of Chongqing City, CCXAP research

Beibei District is located in the northwest of central Chongqing City, at the intercept area of Western Chongqing Science City and Northern Smart City. It is one of the nine main districts of the central city area in Chongqing City and is an important part of Liangjiang New Area. Approved by the State Council in 2010, Liangjiang New

Area is China's first inland national-level new area. Liangjiang New Area has formed two pillar industries of automobile and electronic information and several emerging industrial clusters focusing on equipment manufacturing and biomedicine. As of end-2022, Liangjiang New Area is home to more than 40 research institutes, more than 600 high-tech enterprises, more than 3,000 technology-based firms and more than 6,000 digital economy corporations. Relying on the six pillar industries of electronic information, motorcycle, equipment manufacturing, materials, instrumentation and medicine, Beibei District has continued to grow and develop in recent years. However, affected by the continued decline in prices of BOE's optoelectronic products, the output value of Beibei District's electronics industry has declined. In 2022, the GRP of Beibei District decreased by 0.9% YoY to RMB74.2 billion. Due to a sharp decline in tax revenue, the general budgetary revenue of Beibei District decreased by 12.6% to RMB2.5 billion in 2022, of which tax revenue accounted for 57.9%. Its fiscal balance ratio was 39.1% in 2022, which was at a relatively weak level. The debt burden of the Beibei District Government was manageable, with an outstanding debt of RMB14.9 billion, accounting for 20.1% of the Beibei District's GRP. In the first half of 2023, Beibei District recorded a GRP of RMB35.5 billion, an increase of 0.1% YoY.

#### Exhibit 4. Key Economic and Fiscal Indicators of Beibei District

	2020FY	2021FY	2022FY
GRP (RMB billion)	63.6	71.8	74.2
GRP Growth (%)	3.8	8.9	-0.9
General Budgetary Revenue (RMB billion)	2.8	2.9	2.5
General Budgetary Expenditure (RMB billion)	7.0	6.2	6.5
Local Government Debt (RMB billion)	12.7	13.9	14.9

Source: Statistic Bureau of Beibei District, CCXAP research

#### Government's Willingness to Provide Support

##### 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, 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 the urban development and related businesses in Beibei District. The Company is also mandated by the local government to undertake local public activities, such as local infrastructure construction and resettlement housing construction, as well as land consolidation. Considering the Company's high strategic significance to the development of the Beibei District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

##### Sufficient reserves of public policy projects

CJAM focuses on the development of land consolidation businesses in the Beibei District. The Company's two core subsidiaries, BDXC and CZCD, are also mainly responsible for land consolidation projects, with the same business model as last year. In 2022, the Company had completed land consolidation with an area of 1,190.00 mu with a total investment of RMB0.9 billion. The Company owns a large area of unconsolidated land, indicating strong sustainability in its land consolidation business. As of 31 March 2023, the Company had a total area of land parcels of 22.9 square kilometers under consolidation or planning. These projects are mainly located in industrial park areas, such as Tongxing Industrial Park, New City Area, Jinyun Humanities Science and

Technology City. However, continued investment in the land consolidation business exerts large capital expenditure pressure on the Company. Due to the impact of the land market and government planning, there is certain uncertainty in the land transfer progress.

The Company's infrastructure construction projects are also mainly undertaken by its subsidiaries, CZCD, BDXC and Chongqing Beibei Traffic Construction Development Co., Ltd. ("TCDC"). The development model of infrastructure construction projects is still the agency construction model. CZCD and BDXC are responsible for the construction of infrastructure projects in their respective land consolidation areas. In 2019, with the inclusion of TCDC in the Company's consolidation scope, the business scope was further expanded to include urban and rural arterial roads in Beibei District. As of 31 March 2023, the Company had 15 infrastructure construction projects under construction or planning, with a total investment of RMB8.5 billion and an outstanding amount of RMB7.1 billion. Considering the large outstanding investment amount of the infrastructure construction business, the Company may face greater pressure on capital expenditures pressure in the future.

In addition, CJAM is entrusted by the local government to undertake the construction and sales of resettlement housing through BDXC and CZCD. BDXC mainly develops resettlement housing projects through the agency construction model, while CZCD mainly develops the projects through a market-oriented sales model. As of 31 March 2023, CJAM had 8 resettlement housing construction projects under the agency construction model under construction or planning, with a total investment of RMB2.8 billion and an outstanding amount of RMB2.3 billion.

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.

### **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.

Some of the Company's resettlement housing construction projects are conducted via a market-oriented sales model. Under this model, the resettlement houses are sold to resettled households at prices stipulated by the government. Recently, the Company's income from sales of resettlement housing mainly comes from market-based sales projects. Because the projects in stock have been basically sold out and there are no new properties for sale yet, the Company's resettlement housing sales income declined in 2022. In addition, these resettlement housing projects are subject to price-limited sales and targeted resettlement, and their profitability is relatively low.

Other commercial activities such as security services, human resources services, engineering inspection and road maintenance bring additional income to the Company. The Company provides security services to local enterprises such as banks, schools, as well as the local community. As a major state-owned local enterprise, CJAM's human resources services and road maintenance services are mainly for the local public institutions and local state-owned enterprises. In addition, the Company also provides tunnel and bridge inspection, engineering quality inspection and road-testing inspection services for local engineering companies. The Company is also responsible for the management of state-owned assets in the Beibei District, including cinemas, water plants and commercial properties. Although these asset operations have brought stable income to the Company, the small operating scales limit their contributions to the Company's overall revenue.

Moreover, 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. We believe that the large investment in the construction of these self-operated projects will cause certain investment pressure and operating risks to the Company.

### 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. Beibei SASAC transferred 9 state-owned enterprises to the Company in 2021, increasing the Company's capital reserve by RMB737.0 million. From 2020 to 2022, the Company received government subsidies of RMB568.0 million. Given CJAM's important strategic role, we expect the Company will continue to receive support from the Beibei District Government in the future.

### Increasing short-term debt burden and moderate asset liquidity

The Company's debt growth is reasonable, with its total debt increased from RMB30.7 billion at end-2021 to RMB31.0 billion as of 31 March 2023. However, its 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. At the same time, the Company had 23 infrastructure and resettlement housing projects under construction or planning. These projects were mainly self-funded by the Company, with an expected investment of RMB11.3 billion and an outstanding amount of RMB9.4 billion. 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.

### Exhibit 5. Projects under Construction or Planning as of 31 March 2023

Project Types	No. of Projects	Budgeted	Invested	Outstanding
		Amount	Amount	Amount
		(RMB million)	(RMB million)	(RMB million)
<b>Projects Under Construction</b>				
Infrastructure Construction	9	5,871	1,429	4,442
Resettlement Housing	7	2,200	521	1,679
<b>Projects Under Planning</b>				
Infrastructure Construction	6	2,667	-	2,667
Resettlement Housing	1	591	-	591
<b>Total</b>	<b>23</b>	<b>11,329</b>	<b>1,950</b>	<b>9,379</b>

Source: Company information, CCXAP research

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. Inventories were mainly investment costs for infrastructure construction and land consolidation projects, while construction in progress was mainly uncompleted infrastructure construction and land consolidation projects, all of which are considered low liquidity.

Besides, as of 31 March 2023, the Company has made an external guarantee of RMB5.4 billion, which accounted for 17.3% of its net assets. Given the low weight of the external guarantee and that the guarantee was made to the local state-owned enterprises, we believe the Company faces low contingent risk.

## 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. As of the end of March 2023, it held a total bank credit facility of RMB39.7 billion and available credit facilities of RMB12.5 billion. 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.

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

CJAM is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Beibei District. Demographic changes, public awareness and social priorities shape the 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. CJAM believes that it complies 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 [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).



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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656