

## Credit Opinion

20 August 2025

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

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## Yinchuan Tonglian Capital Investment Operation Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Yinchuan Tonglian Capital Investment Operation Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Yinchuan Tonglian Capital Investment Operation Group Co., Ltd. ("YCTL" or the "Company") reflects (1) Yinchuan Municipal Government's very strong capacity to support, and (2) the local government's high willingness to support, based on our assessment of the Company's characteristics.

Our assessment of Yinchuan Municipal Government's capacity to support reflects its vital role as the capital city of Ningxia Hui Autonomous Region with ongoing economic growth, but constrained by its relatively weak fiscal balance and high debt burden.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant role in local infrastructure construction projects; (2) important position as the sole public utility services provider; and (3) good track record of receiving government payments.

However, the Company's rating is constrained by its (1) high exposure to commercial activities; (2) improving debt management but still with large refinancing pressure; and (3) moderate exposure to contingent risk and recovery risk.

The stable outlook on YCTL's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will continue to play an essential role in local infrastructure projects and public service delivery in Yinchuan City.

## Rating Drivers

- Dominant role in local infrastructure construction projects
- Important position as the sole public utility services provider in Yinchuan City
- High exposure to commercial activities
- Good track record of receiving government payments
- Improving debt structure but with large refinancing pressure
- High reliance on bank loans while facing recovery risk and asset liquidity issue
- Moderate exposure to contingent risk

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as lower exposure to risky commercial activities or strengthened financing ability.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced strategic significance or material decrease in government payments.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	46.4	49.7	48.9	45.9
Total Equity (RMB billion)	23.4	22.9	23.0	22.5
Total Revenue (RMB billion)	1.2	1.5	1.6	0.2
Total Debt/Total Capital (%)	41.5	44.8	43.5	42.0

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

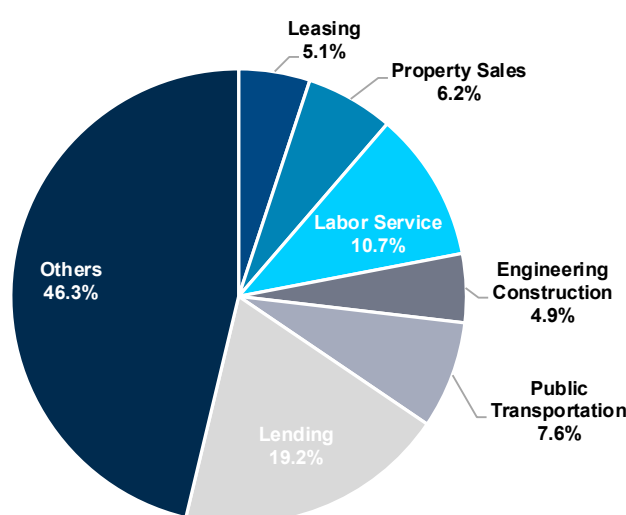
Source: Company data, CCXAP research

## Corporate Profile

Founded in 2008, YCTL is a local infrastructure investment and financing company ("LIIFC") with the largest total assets in Yinchuan City. The Company plays a dominant role in implementing the local government's blueprint for urban planning and municipal construction. It takes responsibility for major urban renewal and welfare projects in the region, including infrastructure construction, public transportation and gas supply services. Meanwhile, the Company has diversified its business portfolio into commercial businesses including leasing, property sales, commodity sales, operation of parking lots, as well as financial services. As of 30 June 2025, the Company was direct and wholly owned by the Yinchuan State-owned Assets Supervision and Administration Commission ("Yinchuan SASAC").

**Exhibit 1. Shareholding chart as of 30 June 2025**

Source: Company information, CCXAP research

**Exhibit 2. Revenue structure in 2024**

Source: Company information, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

We believe Yinchuan Municipal Government has very strong capacity to provide support given its vital role as the capital city of Ningxia Hui Autonomous Region with ongoing economic growth, but constrained by its relatively weak fiscal balance and high debt burden.

Established in 1958, the Ningxia Hui Autonomous Region stands as China's largest Hui ethnic community, comprising five prefecture-level cities. It possesses significant advantages in agriculture, energy, and tourism, offering broad prospects for development. Ningxia Hui Autonomous Region's economy has experienced sustainable growth with its Gross Regional Product ("GRP") increasing by 5.4% year-over-year ("YoY") to RMB550.3 billion in 2024. In the first half of 2025, its GRP totaled RMB265.1 billion, representing a YoY growth of 5.8%.

Yinchuan City is the economic and political center of Ningxia Hui Autonomous Region and is the window for China to open-up to the west. Yinchuan City focuses on developing high-end equipment manufacturing, new materials, logistics, new energy vehicles, and cultural tourism industries. In 2024, Yinchuan City's total GRP increased by 5.4% YoY to RMB294.0 billion, ranking 1<sup>st</sup> in terms of GRP among prefecture-level cities in Ningxia Hui Autonomous Region and accounting for around 53.4% of its total GRP. However, it showed a lower ranking

as compared to other capital cities. In the first half of 2025, the GRP of Yinchuan City increased by 5.9% YoY to RMB140.6 billion. Yinchuan City had a good revenue structure, reporting general budgetary revenue of RMB17.1 billion, of which the average tax revenue accounted for 69.7% of general budgetary revenue over the past three years. However, its fiscal performance was constrained by weak fiscal self-sufficiency as the general budgetary revenue could cover 44.7% of the general budgetary expense. Moreover, Yinchuan City reported an outstanding government debt of RMB81.6 billion as of 31 December 2024, accounting for 27.8% of its GRP and indicating a relatively high debt pressure. As Ningxia Hui Autonomous Region was designated as a key province for debt resolution in 2023, coupled with the credit risk events in northwest regions, the overall refinancing environment of Yinchuan City remained moderate. Since the second half of 2023, Ningxia Hui Autonomous Region has received substantial debt resolution support. Notably, the local government has issued special refinancing bonds raising RMB15.6 billion during 2024, which helps alleviate debt pressure on the local state-owned enterprises (“SOEs”).

### Exhibit 3. Key economic and fiscal indicators of Yinchuan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	253.6	268.6	294.0
GRP Growth (%)	4.0	7.2	5.4
General Budgetary Revenue (RMB billion)	16.9	19.8	17.1
General Budgetary Expenditure (RMB billion)	35.7	43.8	41.1
Local Government Debt (RMB billion)	66.6	72.9	81.6

Source: Yinchuan Municipal Government, CCXAP research

### Government’s Willingness to Provide Support

#### Dominant role in infrastructure construction and regional development of Yinchuan City

YCTL is the largest LIIFC in Yinchuan City in terms of asset size as of 31 March 2025 and the most primary government-authorised infrastructure constructor in the region. According to Yinchuan Municipal Government’s restructuring plan of “1+5” for local SOEs in Yinchuan City, since 2024, the Company’s several subsidiaries, namely Yinchuan Talent Development Group Co., Ltd. (“YCTD”), Yinchuan Culture Tourism Development Group Co., Ltd. (“YCCT”) and Yinchuan Gas & Heating Co., Ltd. (“YCGH”), were transferred out. Based on our assessment, the deconsolidation of these subsidiaries will have a limited impact on the Company’s core business and positioning. YCTL will continue to maintain its dominant position in infrastructure construction and regional development of Yinchuan City.

YCTL is primarily responsible for the infrastructure construction and regional urban renewal projects such as construction of municipal roads, affordable housing projects, water facilities, and educational institutions. The Company engages in the business through entrusted construction model and self-operation model. Under entrusted construction model, the Company builds projects for the government, transferring ownership upon completion and receiving total cost plus a markup after project examination. As of 31 March 2025, all the infrastructure projects under entrusted construction were completed with the total investment amounting to approximately RMB8.8 billion. At the same time, the repayments from the completed projects totalled RMB12.0 billion with RMB3.7 billion yet to be collected.

In recent years, the Company has switched construction model from entrusted construction model to self-operation model. Under self-operation model, the Company finances construction using its own funds, project loans, and government special bonds and expects to achieve fund balancing through leasing, water charges, sales and repurchase income. As of 31 December 2024, there were 4 self-operated projects under construction,

including gas pipeline, new energy charging stations, as well as recycled water projects, with a total investment amount of RMB1.3 billion and an uninvested amount of RMB1.1 billion. At the same time, the Company had 10 projects under planning including water network renovation and central business district refurbishment, with a total investment amount of RMB1.3 billion. Large-scale projects in pipeline can ensure the sustainability of the business, but also bring great pressure on the Company's capital expenditure.

### **Important position as the sole public utility services provider in Yinchuan City**

YCTL is the sole public transportation operator in Yinchuan City, covering the downtown area of Yinchuan City and nearby counties including Helan County and Yongning County, representing approximately 60% of the urban public passenger transportation (buses, vans, and taxis) in the region. As of 31 March 2025, the Company had 2,368 public vehicles operating in 206 routes, with a total length of routes amounting to 3,892.0 kilometers. Since 2024, the total passenger volume of bus services has continued to recover, leading to a corresponding rebound in public transportation revenue. However, the Company has recorded large losses from the public transportation business due to its public welfare nature and has received government subsidies to make up for the losses. During 2024 and the first quarter of 2025, the Company received government subsidies for bus business operating of RMB509.0 million and RMB106.0 million, respectively.

The Company also offers compressed natural gas refilling services for public buses and some private vehicles in Yinchuan City. As of 31 March 2025, the Company possessed 10 gas filling stations located within Xingqing District, Jinfeng District, and Xixia District in Yinchuan City, with a daily gas filling volume of 69,300 cubic meters, which is sufficient to satisfy the gas filling needs of over 50% of the gas-powered vehicles in Yinchuan City. However, after the transfer out of YCGH, the Company will no longer supply petroleum gas and natural gas to local residents in 2025. Consequently, the Company's future gas business revenue is expected to decline.

In addition, the Company is also responsible for municipal operations. As the sole state-owned entity for landscaping construction and maintenance within Yinchuan's Binhe New Area, YCTL is entrusted by the Yinchuan Municipal Government to carry out landscaping projects and maintenance across 39,937 mu of green space within the Yinchuan Binhe New Area. The Company also engages in municipal engineering construction with projects including road maintenance, lighting improvement, as well as street light installation. With the transfer of YCGH, the revenue from engineering construction is expected to decrease in the future.

The Company's public utilities services cover public transport operations, natural gas supply, landscaping maintenance, as well as engineering construction projects. We believe that the scale of the Company's public utilities business will maintain a stable position in the future, as these public utility services are essential to local residents and the cost of replacement is high.

### **High exposure to commercial activities**

Apart from public services, YCTL has also been engaged in commercial activities, including leasing, property sales, commodity sales, operation of parking lots, as well as financial services. We estimate the Company's risk exposure to commercial business is relatively high, accounting for more than 30% of total assets as of 31 December 2024.

YCTL leases multiple residential and commercial investment properties to the government departments, schools, and merchants. As of 31 March 2025, through acquisition and self-construction, the Company owned 12 key properties including Helanshan Sports Center, Yinchuan Citizen Hall, and Culture City Phase II, with a total leasable area of 498.3 thousand square meters and average occupancy rate of more than 91% as of 31

March 2025. In recent years, the Company's property occupancy rate has remained stable, with rental income consistently contributing to its revenue and profit growth. The accounting methodology for rental income has changed, with some revenue currently categorized under other income. The actual rental income in 2024 remains stable at RMB214.1 million.

YCTL's subsidiary conducts property development business, which mainly includes commodity housing projects and talent apartments. As of 31 March 2025, the Company had 2 key property development projects under construction, with total investment amount of RMB1.6 billion and an uninvested amount of RMB390.0 million. In 2024, the revenue from property sales decreased by 21.9% to RMB102.8 million, indicating relatively weak sales performance. At the same time, the Company had no property development projects under planning. Increasing investment in property development may bring more operating uncertainties and financial risks to the Company as the property sales are easily affected by the market conditions, particularly during the economic downturn in China.

YCTL takes part in the lending business, which provides the Company with supplementary income. Over the past few years, the Company has provided financial support to other state-owned enterprises in Yinchuan City and charged a certain amount of fund occupancy fees. In 2024, the Company recognized lending revenue of RMB316.9 million and received RMB45.0 million, mainly interest income from affiliated companies' loans. The lending business makes it bear certain risk exposure to private-owned enterprises, which have higher operation risk during market downturns. As of 31 March 2025, the Company had provided loans of RMB215.0 million to one private enterprise, which has been overdue and legal proceedings have been initiated. The private enterprise has provided sufficient collateral to secure the loan. In addition, several state-owned enterprise clients have also been involved in legal disputes, indicating relatively high recovery risk.

Additionally, the Company also participates in diversified business operations such as commodity sales, operation of parking lots and heating. These businesses are relatively small in scale but can also provide the Company with additional revenue. However, with the exclusion of some subsidiaries from the scope of consolidation, it is expected that the Company will no longer engage in human resources services, security escort, and heating services in the future.

### **Good track record of receiving government payments**

As the core operating entity carrying out municipal development activities and providing public services in Yinchuan City, YCTL has received strong support from the Yinchuan Municipal Government, including government subsidies, capital injections, asset injections and payments for previous construction projects, which could help the Company meet its policy objectives and financial obligations. In 2024, the Company received a capital injection of RMB150.0 million in cash from Yinchuan SASAC. Meanwhile, from 2024 to 2025Q1, the Company has received government subsidies related to operating activities totaling RMB980.0 million. Moreover, as of 31 March 2025, the Company has received long-term and low-interest syndicated loans of RMB4.7 billion from major domestic banks to replace the short-term obligations. Considering YCTL's irreplaceable role in the development and public welfare of Yinchuan City and its close relationship with Yinchuan Municipal Government, we expect the Company will continue to receive government support over the next 12 to 18 months.

### **Improving debt management but with relatively large refinancing pressure**

As a result of government support for debt resolution and the Company's active refinancing initiatives, YCTL's total debt decreased from RMB18.6 billion at the end-2023 to RMB16.3 billion at 2025Q1, while its total



capitalization ratio decreased from 44.8% to 42.0%. As of 31 March 2025, through the replacement of short-term debt by long-term debt, the Company had improved its debt structure as seen by lower short-term debt ratio. However, the Company has still been facing certain liquidity pressure. YCTL's short-term debt to the total debt ratio decreased to 30.5% as of 31 March 2025 from 33.0% as of 31 December 2023. Meanwhile, the ratio of cash to short-term debt was around 0.4x, indicating short-term refinancing pressure. We expect the Company to rely on external financing for its self-operated projects, and its total debt burden is expected to increase further in the next 12-18 months.

Under the debt reduction policy in China, Ningxia Hui Autonomous Region is one of the regions whose debt growth is under tight control by the central government. The Company's financing ability weakened because of the deteriorated financing condition of Yinchuan City and the tightening financing policies on LIIFCs. Since 2024, both the Ningxia Hui Autonomous Region and Yinchuan City have received substantial debt resolution support. Moreover, as of 31 March 2025, the Company had received long-term and low-interest syndicated loans of RMB4.7 billion from major domestic banks to replace the short-term obligations. With the debt structure gradually shifting towards bank loans, we expect that the Company's debt pressure will mitigate over the next 12-18 months.

### **High reliance on bank loans while facing recovery risk and asset liquidity issue**

YCTL's sufficient bank facilities could also partially mitigate the refinancing risk. It maintains close relationships with major domestic banks. As of 31 March 2025, the Company has obtained total credit facilities of RMB32.7 billion, with an unutilized amount of RMB11.0 billion, indicating relatively sufficient standby liquidity. Meanwhile, the Company has access to the onshore bond market. From Jan 2024 to July 2025, SZFI issued 5 tranches of onshore bonds with total raising amount of RMB3.4 billion and reasonable coupon ranging from 2.41% to 2.86%. Considering the YCTL's dominant role as the largest platform to participate in state-owned asset operations and providing essential public services in Yinchuan City, we expect the Company to retain fair access to funding and refinancing capabilities. We also believe Yinchuan Municipal Government will have high incentive to provide direct and timely financial support, in case of any credit events occur. We will keep following the Company's repayment process and the recovery of refinancing ability.

In addition, the liquidity of YCTL's assets was relatively weak since its other receivables, investment property, and other non-current assets accounted for more than 70% of its total assets. Other non-current assets primarily consist of custodian equity holding, and investment costs from infrastructure construction projects, which were considered to have low liquidity. The relatively low asset liquidity may undermine the Company's financial flexibility. Moreover, the Company faces certain recovery risk in accounts receivable and other receivables as some debtors have been listed as dishonest judgment debtors, with relevant outstanding accounts receivable exposure amounting to RMB3.1 billion. As of 31 December 2024, the Company's consolidated outstanding litigation totaled seven cases, mainly disputes about equity transfers and construction project contract issues. with an aggregate claim amount of RMB923.0 million, representing 4.0% of the net assets, thereby restricting its asset quality and liquidity.

### **Moderate exposure to contingent risk**

The Company bears moderate exposure to contingent risk given its relatively large number of external guarantees. As of 31 December 2024, YCTL's outstanding amounts of external guarantees was around RMB4.8 billion, accounting for 20.8% of its net assets. The external guarantees are mostly provided to state-owned enterprises while some entities are involved in multiple litigation disputes, with higher operating risk. If a credit event occurs, the Company may face certain contingent risks, which could inversely impact its reputation,

operations, and financial conditions. Overall, we believe that the contingent risk of the external guarantee is moderately controllable, considering the state-owned enterprises' important strategic position in their respective regions with the local government's support in a timely manner.

## ESG Considerations

YCTL faces environmental risks because it has undertaken infrastructure construction projects and property projects. In January 2024, the Company's subsidiary, Yinchuan City Construction Development Investment Group Co., Ltd. ("YCCF"), was fined RMB1.0 million by regulators for sewage discharge.

YCTL bears social risks as it implements public policy initiatives by providing essential public services in Yinchuan City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

YCTL's governance considerations are also material as the Company is subject to oversight by Yinchuan Municipal Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity. YCTL's subsidiaries were subject to administrative penalties by local government departments in 2024 and had a record of tax arrears. In addition, the Company's transaction disputes with several private enterprises are still being processed.

## 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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