CCXAP affirms Guangzhou Nanyue Fund Management Co., Ltd.'s BBB_g long-term credit rating, with stable outlook.

Hong Kong, 25 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Guangzhou Nanyue Fund Management Co., Ltd. ("GNFM" or the "Company") at BBB_g, with stable outlook.

The BBB_g long-term credit rating of GNFM is underpinned by the Company's (1) strong market position in private equity fund management of Zengcheng District; (2) stable development momentum in financial service businesses, with manageable business risk; and (3) good debt-servicing capability. However, the rating is constrained by (1) the Company's small income scale, with relatively weak and volatile profitability; (2) large impact of policy changes on investment returns and payback period; and (3) weakened liquidity profile.

The rating also reflects our expectation of high likelihood of support from the Zengcheng District Government, given GNFM's (1) major ownership by the Zengcheng District Government and minor ownership by the Guangzhou Municipal Government; (2) relatively high strategic importance in the regional economic development; and (3) solid supporting track record from the government including capital injections.

Corporate Profile

Founded in November 2014 with a registered capital of RMB640.1 million, GNFM is a state-owned innovative fund management platform jointly established by the Guangzhou Municipal Government and the Zengcheng District Government, with the aim of increasing the leverage effect of government funds, activating social capital investment, promoting industrial transformation, and promoting economic development. GNFM primarily engages in private equity and venture capital fund management, and gradually expands to other financial services such as non-performing assets management, financial guarantee, and investment consultation. As of 30 June 2025, the State-owned Assets Supervision and Administration Bureau of Zengcheng District of Guangzhou City directly held 79.7% of the Company's shares and was its ultimate controlling shareholder.

Rating Rationale

Credit Strengths

Strong market position in private equity fund management of Zengcheng District. As the sole state-owned innovative fund management platform in Zengcheng District, Guangzhou City, GNFM has a strong market position and unique advantages in private equity fund management of the region. The Company has successively established and managed 88 funds, including emerging industry funds, equity investment funds, urban development funds, and government guidance funds, with a cumulative paid-in capital of RMB26.0 billion. From 2024H1 to 2025H1, the Company exited 4 funds with a total amount of RMB1.3 billion and established a new fund with a total committed capital and paid-in capital of RMB100.0 million, focusing on the quantum dot technology industry. As of 30 June 2025, GNFM had 67 funds under management, with

AUM decreasing from RMB8.7 billion as of 30 June 2024 to RMB7.5 billion due to the recent exits.

Stable development momentum in financial service businesses, with manageable business risk. Apart from fund management business, GNFM also engages in non-performing assets management and guarantee businesses. These businesses show stable development momentum, with increasing operating income. In addition, the Company has established risk control measures to minimize the business risks.

Good debt-servicing capability. Due to the continuous expansion of the Company's business, GNFM's debt burden was increasing, with its total debt increasing from RMB54.2 million at end-2023 to RMB99.9 million at the end of 2025H1, and its debt-servicing capability remained good despite debt/EBITDA ratio increasing from 1.8x in 2023 to 4.2x in 2024, driven by heightened borrowing and reduced earnings. As the Company plans to tap into the onshore bond market, we believe that its debt burden will continue to increase for the next 12 to 18 months.

Credit Challenges

Small income scale, with relatively weak and volatile profitability. GNFM's fund management business had geographic concentration mainly in Zengcheng District and Guangzhou City. The Company's operating size and income scale are relatively small, with revenue amounting to RMB32.6 million and investment income reaching RMB51.4 million in 2024.

Large impact of policy changes on investment returns and payback period. In addition, the Company's profitability is volatile as both equity investment and financial service businesses are vulnerable to macro-economic situations and local industrial development. Policy changes may affect the capital markets in China, and hence also have a large impact on the Company's investment returns and payback period. Affected by decreasing AUM in 2024, its return on average equity remained relatively weak at 2.2%, as compared with 2.7% in 2023.

Weakened liquidity profile. The Company's liquidity profile has weakened due to heightened borrowing and reduced earnings. From 2023 to 2024, the FFO-to-debt ratio declined from -7.2% to -20.5%, indicating insufficient operational funds to service debt, placing the Company at elevated risk of liquidity constraints. The cash to short-term debt ratio also decreased from 20.2x at the end of 2023 to 1.1x at mid-2025, while still sufficient to cover short-term obligations. As of 30 June 2025, the Company had available credit facilities of RMB29.2 million, indicating limited liquidity buffers.

Rating Outlook

The stable outlook on GNFM's rating reflects our expectation that the willingness and ability of the local government to provide support is unlikely to change, and that the Company will sustain its solid market position and financial profile in the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support increases such as greater strategic importance or more policy roles in Zengcheng District; and (2) the Company's standalone credit profile improves, such as improved profitability and asset quality, with stable asset growth and a long track record.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases such as significantly decreasing ownership from the Zengcheng District; or (2) the Company's standalone credit profile worsens, such as deteriorated capital adequacy, a sharp decrease in asset quality, or an unexpected decline in liquidity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Finance Companies (April 2019).

Regulatory Disclosures

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http://www.ccxap.com/en/rating_services/category/6/

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