CCXAP assigns long-term credit rating of BBB_g to Chengdu Yunlai Investment Group Co., Ltd., with stable outlook.

Hong Kong, 3 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned long-term credit rating of BBB_g to Chengdu Yunlai Investment Group Co., Ltd. ("CYIG" or the "Company"), with stable outlook.

The BBB_g long-term credit rating of CYIG Chengdu Qionglai City Government's strong capacity to provide support, and extremely high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Qionglai City Government's capacity to provide support reflects Qionglai City's increasing economic growth but is constrained by a relatively small economic scale.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in the development of Qionglai City; (2) solid track record of receiving government payments; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) high debt growth driven by a large number of construction projects; (2) medium exposure to commercial activities; and (3) contingent liability risk from external guarantees.

Corporate Profile

Established in 2005, formerly known as Qionglai City Development Co., Ltd., CYIG is an important infrastructure construction entity in Qionglai City. CYIG is mainly responsible for infrastructure construction and resettlement housing construction in the area. In addition, the Company is also involved in local public services such as bus and parking lot operations. The Company is also engaged in commercial businesses, such as asset leasing, sand and gravel sales, trading and labor dispatch. As of 30 June 2026, the Company is directly and wholly owned by the State-owned Assets Investment Supervision Service Centre of Qionglai City ("Qionglai SASSC").

Rating Rationale

Credit Strengths

Important role in the development of Qionglai City. CYIG is mainly responsible for the urban development of Qionglai City, including infrastructure construction such as roads, bridges, and schools, as well as land development. The Company is also engaged in the construction of self-operated projects such as resettlement housing and the construction of sewage treatment plants, waste treatment plants, and agricultural products wholesale markets. Given the Company's important role in Qionglai City, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Solid track record of receiving government support. CYIG has a proven track record of receiving ongoing government support from Qionglai SASSC, including government subsidies, asset injections and equity transfers. Since its consolidation, the Company has received equity

injections from two major local infrastructure entities. Meanwhile, the local government has allocated assets including land, real estate, landscaping, and pipe networks and streetlights to the Company at no cost, leading to a substantial enhancement in both its capital strength and systemic importance.

Diversified funding channels. CYIG has relatively good access to various sources of funding, including bank loans and bond financing. The Company maintains good long-term relationships with several banks. Meanwhile, CYIG's exposure to non-standard financing is relatively low as of 30 June 2026.

Credit Challenges

High debt growth driven by a large number of construction projects. Apart from public-related activities, CYIG also engages in diversified commercial activities including self-operated project construction and operation, asset leasing, and sand and gravel sales. We consider CYIG's commercial business exposure to be medium as of 30 June 2026.

Medium exposure to commercial activities. The Company's debt has increased over the past three years due to the ongoing project construction. Given the Company's large capital expenditure pressure from its construction projects and refinancing needs from its short-term debts, we expect the Company will rely on external financing and maintain a high debt growth for the next 12-18 months. In addition, CYIG's asset liquidity is moderate.

Contingent liability risk from external guarantees. CYIG has a medium exposure to contingent liabilities. All external guarantees were provided to local SOEs in Qionglai City. Given their relatively strong risk-avoidance capabilities, the related risks are considered controllable. However, due to the regional concentration of guaranteed enterprises, the Company may face considerable contingent liability risk when a default event occurs, which is credit negative for its credit quality.

Rating Outlook

The stable outlook on CYIG'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 investment and operating entity in Qionglai City over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in company's characteristics enhance local government's willingness to support, such as reducing exposure to risky commercial activities or reducing exposure to external guarantees.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in company characteristics weaken the local government's willingness to support, such as reducing strategic significance or increasing 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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