

Credit Opinion

30 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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Chongqing Yulong Asset Management (Group) Co., Ltd.

Surveillance credit rating report

CCXAP affirms Chongqing Yulong Asset Management (Group) Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook

Summary

The BBB_g long-term credit rating of Chongqing Yulong Asset Management (Group) Co., Ltd. ("CYAM" or the "Company") reflects Chongqing Jiulongpo 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 Jiulongpo District Government's capacity to provide support reflects Jiulongpo District's economic importance in Chongqing City, maintaining top-rank among districts and counties in Chongqing City, with ongoing economic growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important position in land consolidation and infrastructure construction in Jiulongpo District; (2) high business sustainability for public-policy projects; and (3) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt leverage and weak asset liquidity; and (3) medium contingent risks associated with external guarantees.

The stable outlook on CYAM'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 position in land consolidation and infrastructure construction in Jiulongpo District.

Rating Drivers

- Important position in land consolidation and infrastructure construction in Jiulongpo District
- High business sustainability for public-policy projects
- Solid track record of receiving government support
- Medium exposure to commercial activities
- High debt leverage and weak asset liquidity
- Diversified access to funding
- Medium contingent risks associated with external guarantees

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 decreased exposure to commercial activities and increased 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.

Key Indicators

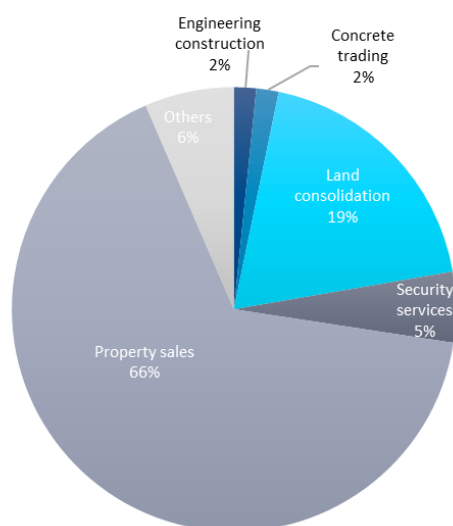
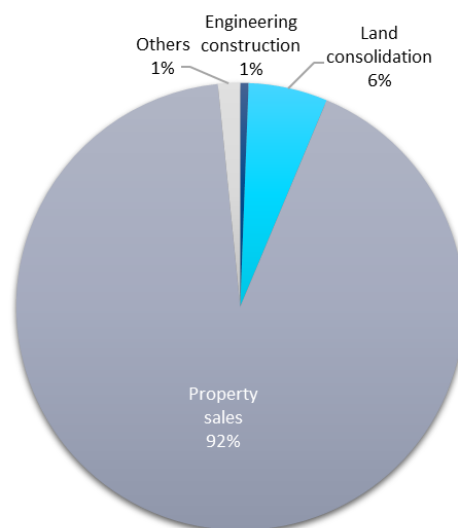
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	80.8	98.8	103.9	107.6
Total Equity (RMB billion)	28.3	36.3	38.0	38.1
Total Revenue (RMB billion)	3.4	5.1	6.6	0.9
Total Debt/Total Capital (%)	63.1	59.8	58.3	-

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 2002, CYAM is an important state-owned infrastructure investment and financing company in Jiulongpo District. The Company is primarily responsible for infrastructure construction, land development, shantytown renovation, and state-owned asset operation in Jiulongpo District. Apart from public development projects, the Company also undertakes various commercial activities, such as self-operating projects, property leasing, equity and fund investments. Due to the strategic reform of state-owned enterprises in Jiulongpo District in 2024, the Company's controlling shareholder has changed from State-owned Assets Supervision and Administration Commission of Jiulongpo District, Chongqing ("Jiulongpo SASAC") to Chongqing Jiulong Urban Development Group Co., Ltd. ("JUDG") since 2024. As of 31 March 2025, the Company was wholly owned by JUDG and ultimately controlled by the Jiulongpo SASAC.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2025

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Jiulongpo District Government has a strong capacity to provide support to the Company, given its economic importance in Chongqing City, maintaining top-rank among districts and counties in Chongqing City, with ongoing economic growth.

Chongqing City is one of the four municipalities in China and the only municipality in Western China. It has formed a pillar industry pattern represented by modern heavy machinery, electronics, chemical and pharmaceutical, as well as the energy industry. Chongqing City's economy has demonstrated a growth trend over the past years. In 2024, Chongqing City recorded a gross regional product ("GRP") of RMB3.2 trillion with a GRP growth rate of 5.7% year-on-year ("YoY"), ranking 5th among municipalities and prefecture-level cities in China, and becoming the first city in western China and one of the five cities in China with a GRP surpassing RMB3.0 trillion. Meanwhile, Chongqing City's tax revenue has increased from RMB147.6 billion in 2023 to

RMB152.1 billion in 2024, resulting in the rising general public budget revenue from RMB244.1 billion in 2023 to RMB259.5 billion in 2024. As of the end of 2024, the outstanding direct government debt balance of Chongqing City amounted to RMB1.4 trillion, accounting for 44.8% of its GRP for that year. We consider Chongqing City bears a relatively high debt burden owing to its relatively large scale of direct government debt and local state-owned enterprises debt.

Exhibit 4. Key Economic and Fiscal Indicators of Chongqing City

	2022FY	2023FY	2024FY
GRP (RMB billion)	2,912.9	3,014.6	3,219.3
GRP Growth (%)	2.6	6.1	5.7
General Budgetary Revenue (RMB billion)	210.3	244.1	259.5
General Budgetary Expenditure (RMB billion)	489.3	530.4	562.1
Local Government Debt (RMB billion)	1,007.1	1,225.8	1,442.5

Source: Statistic Bureau of Chongqing City, CCXAP research

Jiulongpo District, located in the western part of the Chongqing City main district, is one of the nine core districts in Chongqing City. Relying on strategic opportunities of the Belt and Road initiative, the Yangtze River Economic Belt, and the construction of a twin-city economic circle in the Chengdu-Chongqing City region, key economic indicators of Jiulongpo District Government were top-ranked among all districts and counties in Chongqing City in recent years. Jiulongpo District Government recorded a GRP of RMB206.0 billion, ranking 2nd among 38 districts and counties in Chongqing City, with a GRP growth rate of 6.0% in 2024. Benefiting from continuous growth in industries including automobile and motorcycle manufacturing, non-ferrous metal, electrical machinery and electronic information, Jiulongpo District Government shows a relatively good fiscal strength. Benefiting from increasing tax revenue and upper-tiered government's support, the general budgetary revenue of Jiulongpo District increased from RMB6.8 billion in 2023 to RMB6.9 billion in 2024. It also has moderate fiscal stability with tax income contributing to around 65.7% of the general budgetary revenue on average over the past three years. Its fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was 68.8% in 2024, which was at a relatively good level. However, the local government debt scale is expanding at a relatively fast pace, Jiulongpo District's outstanding direct government debt balance increased from RMB33.7 billion at end-2023 to RMB52.9 billion at end-2024, accounting for 25.7% of the Jiulongpo District's GRP for that year.

Exhibit 5. Key Economic and Fiscal Indicators of Jiulongpo District

	2022FY	2023FY	2024FY
GRP (RMB billion)	176.4	186.7	206.0
GRP Growth (%)	2.7	6.5	6.0
General Budgetary Revenue (RMB billion)	5.6	6.8	6.9
General Budgetary Expenditure (RMB billion)	9.5	10.0	10.1
Local Government Debt (RMB billion)	27.1	33.7	52.9

Source: Statistic Bureau of Jiulongpo District, CCXAP research

Government's Willingness to Provide Support

Important land consolidation and infrastructure construction entity in Jiulongpo District

Due to the state-owned enterprise reform policy, the local government has transferred the equity interests of CYAM into JUDG, and transferred multiple subsidiaries out of the Company since 2024. Although the reorganization has weakened the market position of the Company, we still consider CYAM is an important

infrastructure construction and state-owned assets operation entity in Jiulongpo District due to its high strategic significance to the development of Jiulongpo District, with strong comprehensive strength in land consolidation and infrastructure construction in most areas of Jiulongpo District. We believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High business sustainability for public-policy projects

The Company has successfully delivered a series of large-scale infrastructure projects and public welfare facilities over the past few years, such as roads, schools, bridges, and water conservancy Infrastructure. It is also the leading developer of Jiulong Peninsula, one of the top ten area renovation projects in Chongqing City. The sufficient project reserves can ensure the sustainability of the Company's public-policy businesses, but also exert large capital expenditure pressure.

CYAM acts as a contractor to conduct its infrastructure construction projects. As of 31 March 2025, the Company had 28 infrastructure construction projects under construction, with a total planned investment of RMB14.6 billion and an outstanding amount of RMB8.3 billion. Meanwhile, the Company had 14 infrastructure construction projects under planning, with a total planned investment of RMB1.9 billion. There is a relatively large amount of investment in and receivables from the infrastructure projects, and the repayment period for these receivables is prolonged, which caused a certain degree of capital pressure on the Company.

As the most important land consolidation entity in Jiulongpo District, the Company is responsible for the land development in the main area of Jiulongpo District, including demolition and land leveling. From 2023 to 2024, the Company completed 343.9 mu of land consolidation, with a total invested amount of RMB2.2 billion. As of 31 March 2025, the Company had 297.0 mu of lands under consolidation, with a total planned investment of RMB3.5 billion and an outstanding amount of RMB1.2 billion. However, the income from land development is subject to the prosperity of the land market and government policies.

According to the planning of the Jiulongpo District Government, CYAM is responsible for the shanty town renovation projects and 2 major comprehensive development projects in Jiulongpo District under government purchase service model. As of 31 March 2025, the Company had invested RMB19.5 billion into the shanty town renovation and comprehensive development projects, with an outstanding amount of RMB1.6 billion. Jiulong Peninsula comprehensive development project is one of the top ten area renovation projects in Chongqing City, with estimated total investment of RMB30.6 billion and invested amount of RMB16.3 billion. In addition, the Zhongliang Yunfeng comprehensive development project is another major local development project in Jiulongpo District, with estimated total investment of RMB10.0 billion and invested amount of RMB3.8 billion. Given the large investment amount and the relatively long construction periods (5 to 15 years) and payback periods (7 to 25 years) of the 2 major comprehensive development projects, we believe the Company will face large capital expenditure pressure and debt repayment pressure.

Medium exposure to commercial activities

In addition to public activities, CYAM is also involved in various commercial activities such as property sales, self-operating projects, property leasing, equity and fund investments. After the transfer of several subsidiaries out of the Company, it no longer conducts concrete trading, security service, and property management businesses. We consider CYAM's commercial business exposure to be medium, as its market-driven businesses account for around 15% to 20% of its total assets. These activities have been a good supplement to the Company's revenue but could exert certain funding and business risks.

CYAM's property sales business is market-oriented, involving sales of supporting shops of resettlement housing, factories, and self-owned lands. In 2024, the revenue from property sales amounted to RMB4.3 billion. We expect the property sales business can generate supplement revenue for the Company in the future but may fluctuate with market conditions. The Company is also involved in the property leasing business, including office buildings and factories. In 2024, the revenue from property leasing amounted to RMB188.0 million. In addition, the Company is constructing several self-operating projects through self-raised funds. These projects will be sold or leased for fund balance. As of 31 March 2025, the Company had 2 self-operating projects under construction, with a total planned investment of RMB5.0 billion and uninvested amount of RMB2.6 billion. However, since the initial investment is large, there is uncertainty in the cash collection and investment return.

The Company has also participated in fund and equity investment through its subsidiaries Chongqing West Securities Yufu Equity Investment Fund Management Co., Ltd. ("Yufu Fund") and Chongqing Yulong Equity Investment Fund Management Co., Ltd. ("Yulong Fund"). However, the small operating scale limits its contribution to the Company's overall income. In 2024, the Company received fund management fees of RMB9.4 million, significantly reducing from RMB18.4 million in 2023, and it caused investment losses of RMB49.4 million, mainly due to fewer managed funds. In addition, the internal control of Yulong Fund needs to be improved as it received a warning letter from China Securities Regulatory Commission due to improper use of fund assets and management of unfilled funds.

Solid track record of receiving government support

As the important infrastructure construction and state-owned assets operation entity in Jiulongpo District, CYAM has a good track record of receiving support from the Jiulongpo District government. These supports take various forms, such as government subsidies, asset transfer and capital injections. In 2024, the Company received capital injections totaling RMB2.8 billion from the government, allowing the Company to be engaged in capital-intensive and large-scale projects. The local government also transferred the equity interests of two state-owned enterprises to the Company to compensate for the reorganization in 2024. The Company had also regularly received government subsidies of RMB343.9 million from 2022 to 2024. The local government regularly provides special funds for the Company to support its debt reduction. As of 31 March 2025, the Company had outstanding special funds for urban construction of RMB7.8 billion. Given CYAM's important strategic role, we expect the Company will continue to receive support from the Jiulongpo District Government in the future.

High debt leverage and weak asset liquidity

Due to the support of government debt swap funds, CYAM's total debt had decreased slightly from RMB52.6 billion at end-2023 to RMB51.7 billion at end-2024, with a relatively high capitalization ratio of 58.3%. In addition, the Company has certain short-term debt servicing pressure. As of 31 December 2024, its short-term debt accounted for about 24.5% of its total debt, and cash to short-term debt ratio was 0.2x. Given the Company's large capital expenditure pressure, we expect the Company to rely on external financing, and maintain a relatively high debt leverage for the next 12-18 months.

CYAM has weak asset liquidity, which may undermine its financial flexibility. The Company's total asset mainly consists of inventories and total receivables, which accounted for 70.9% of its total assets at end-2025Q1. Inventories are mainly land use rights and investment costs for infrastructure construction projects, while total receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity.

Diversified access to funding

The Company has access to various sources of funding, including bank loans and bond financing, which accounted for 68.2% and 21.4% of the total debt at end-2025Q1, respectively. As of 31 December 2024, it held total credit facilities of RMB76.3 billion and available credit facilities of RMB37.4 billion, indicating a sufficient liquidity buffer. The Company also has a good track record for fund-raising activities in debt capital markets. From 2022 to 2024, the Company had raised around RMB10.5 billion in total through the issuance of MTNs, PPNs and corporate bonds. The Company's exposure to non-standard financing is low, accounting for less than 5% of total debt as of 31 March 2025. We consider the Company's diversified funding channel can largely fulfill its future capital expenditure.

Medium contingent risks associated with external guarantees

The Company has a relatively large amount of external guarantees. As of 31 December 2024, the Company's total amount of external guarantees was RMB12.0 billion, which accounted for 31.6% of its net assets. However, we consider that the Company's contingent liability risk is controllable, as all these external guarantees were provided to local state-owned enterprises in Jiulongpo District, with relatively low credit risk.

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. CYAM 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.

CYAM is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Jiulongpo 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. CYAM 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 [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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