

Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Weihai Changyang Industrial Co., Ltd.

HONG KONG, 29 August 2025 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Weihai Changyang Industrial Co., Ltd. (“WHCY” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that Wendeng District People’s Government (“Wendeng government”) would provide strong support to WHCY if needed. This mainly considers the Wendeng government’s full ownership of WHCY, WHCY’s strategic position as an important local investment and development company (“LIDC”) responsible for industrial investment and public utility services in Wendeng District (“Wendeng”), and the linkage between the Wendeng government and WHCY, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Wendeng government may face significant negative impact on its reputation and financing activities if WHCY encounters any operational or financial difficulties.

Wendeng is a district of Weihai of Shandong Province, and is located in the central of Weihai. Wendeng realized a GDP of RMB64.3 billion in 2024, and the budgetary revenue grew by 4.0% to RMB4.3 billion.

The Stable Outlook reflects our expectation that WHCY’s strategic importance would remain intact while the Wendeng government will continue to ensure WHCY’s stable operation.

Key Rating Rationales

Government’s Ownership and Supervision: The Wendeng government holds 100% stake of WHCY through the State-owned Assets Service Center of Wendeng District of Weihai City (“Wendeng SASC”). Wendeng SASC is the sole shareholder and actual controller of the company. The Wendeng government has the final decision-making authority and strong supervision over the company, including the appointment of senior management and decisions on its major investment and financing plan. In addition, the Wendeng government has an assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

Strategic Alignment and Importance: As an important LIDC in Wendeng, WHCY plays a major role in promoting the industrial investment in Wendeng. WHCY undertakes the industry chain of Panax quinquefolius and agricultural products such as grain and oil, as well as provision of public utility services such as water and heating supply, power generation and industrial steam production. Therefore, the company plays an important role in promoting the economic and social development in Wendeng. WHCY’s business operation and strategic

planning have been aligned with the Wendeng government's economic and social development plans.

Ongoing Government Support: WHCY receives ongoing operational and financial support from the Wendeng government. WHCY received operational subsidies of RMB581 million between 2023 and the first quarter of 2025. The Wendeng government, through Wendeng SASC, continued to provide capital, asset and equity injection to WHCY during the same period, which expanded WHCY's asset size and financial strength. Given WHCY's strategic importance in Wendeng, we believe that the support from the Wendeng government remains intact.

WHCY's Financial and Liquidity Position: WHCY's total assets rose from RMB1.9 billion at end-2022 to RMB7.2 billion at end-March 2025, which was mainly due to the capital, asset and equity injections from the Wendeng government. On the other hand, its total debts increased to RMB2.0 billion at end-March 2025. The company's financial leverage, as measured by the debt to capitalization ratio, decreased to 37.5% at end-March 2025 from 50.4% at end-2022.

WHCY's short-term debt servicing pressure was tight. At end-March 2025, the company had an unrestricted cash balance of RMB0.3 billion and unused credit facilities of RMB0.2 billion, compared with its debt due within one year of RMB1.3 billion. Therefore, success in rolling over its short-term loan is critical in maintaining its liquidity. Nevertheless, the company has access to multiple financing channels, including bank loans, bond issuances and other non-traditional financing tools, to support its debt repayments and business operations.

Rating Sensitivities

We would consider downgrading WHCY's rating if (1) there is perceived weakening in support from the Wendeng government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Wendeng government's ownership of WHCY, or (3) there is a downgrade in our internal credit assessment on the Wendeng government.

We would consider upgrading WHCY's rating if (1) there is strengthened support from the Wendeng government, or (2) there is an upgrade in our internal credit assessment on the Wendeng government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Principal Methodology Applied

China Local Investment and Development Companies Criteria (published on 31 July 2025)
The methodology can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. None of the aforementioned entities nor its related parties participate in the rating process aside from providing information requested by Lianhe Global.

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