

Jiangsu Fangyang Holdings Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Jiangsu Fangyang Holdings Co., Ltd. (“JFH” or “the company”) to ‘A+’ from ‘A’; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects JFH’s increasing strategic importance, driven by the strengthened role of the petrochemical industry base expansion zone in Jiangsu province, which is an important zone for the industrial grading and marine economy development along with the Xuwei New District (“Xuwei District”), which is one of the major national petrochemical bases, as well as the enhanced support provided by both the People’s Government of Jiangsu Province (“Jiangsu government”) and the People’s Government of Lianyungang City, Jiangsu Province (“Lianyungang government”).

We believe this continues to reflect a high possibility that the People’s Government of Jiangsu Province (“Jiangsu government”) and the People’s Government of Lianyungang City, Jiangsu Province (“Lianyungang government”) would provide strong support to JFH if needed, in light of the government’s full ownership of JFH, JFH’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction, state-owned asset operation and agriculture development in Lianyungang City, Jiangsu Province (“Lianyungang”), especially in the Xuwei District, and the linkage between the government and JFH, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Jiangsu and Lianyungang government may face significant negative impact on its reputation and financing activities if JFH encounters any operational and financial difficulties.

Lianyungang is a prefecture-level city in northern Jiangsu Province. Lianyungang’s GDP grew steadily by 5.8% year-over-year in 2024 and reached RMB466.31 billion. The budgetary revenue of the Lianyungang government increased to RMB28.71 billion in 2024 from RMB25.60 billion in 2023.

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

Rating Rationale

Government’s Ownership and Supervision: The Lianyungang government directly holds the full ownership of JFH and is the actual controller of the company. As the sole shareholder of JFH, the Lianyungang government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Lianyungang government has assessment mechanism over the company and appoints auditor to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: JFH, as the key LIDC in Lianyungang and Jiangsu, is primarily responsible for infrastructure construction and state-owned asset management within the region. Serving as the core entity in charge of infrastructure in the Xuwei District and Nantuo District, JFH focuses on constructing and operating municipal

Summary

Issuer Rating	A+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	5 September 2025

Analysts

Toni Ho, CFA, FRM
(852) 3462 9578
toni.ho@lhratingsglobal.com

Chris Cao
(852) 3462 9579
chris.cao@lhratingsglobal.com

Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

and utility projects (water, power, gas). The company also undertakes land development, port logistics, public housing leasing, industrial park support services, public utilities, sewage treatment, and agricultural development, leveraging strong regional advantages.

Moreover, JFH expands its business scope in the Guanyun Lingang area, which involves the construction and operation of public utility services, including the supply of water, electricity and gas, together with other public ancillary projects. JFH plays an important role in regional economic and social development, with operations aligned to government plans.

Ongoing Government Support: JFH received operational and financial support from the government. JFH received a total subsidy of RMB396.5 million between 2022 and 2024, which mainly included operating subsidies. Also, given the company's strengthened role, the Lianyungang government continued to inject capital and equities to the company. JFH received capital injection and other funding support with total amount of RMB965 million and RMB425 million in 2024 and the first quarter of 2025, respectively. Moreover, the Lianyungang government continued to inject assets into JFH to expand its asset size. In 2024, RMB10.3 billion worth of port-related assets were transferred to the company, strengthening its logistics capabilities.

Additionally, the Jiangsu government has entrusted the company with several provincial level projects, providing relevant preferential policies to support its development within Xuwei New District. Given it is the key entity for infrastructure construction and land development in Lianyungang, especially in the Xuwei District, JFH has an advantage in acquiring land resources and major projects. We believe JFH is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

JFH's Financial Matrix and Liquidity Position: JFH's total assets increased to RMB122.0 billion at end-March 2025. The non-current assets of JFH accounted for 68.9% of the total assets at end-March 2025, and the overall assets were less liquid. The company's total debt increased slightly to RMB63.4 billion at end-March 2025. JFH's financial leverage, as measured by the debt to capitalization ratio, reached 57.4% at end-March 2025.

The liquidity of JFH was weak. JFH had an unrestricted cash balance and unused credit facilities of RMB4.4 billion and RMB37.5 billion at end-March 2025, respectively, compared with its debt due within one year of RMB20.7 billion. Besides, JFH has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Lianyungang

Lianyungang is a prefecture-level city under the jurisdiction of Jiangsu Province, located in the northeast part of Jiangsu. Lianyungang is an important access to the sea in the north of Jiangsu, relying on port resources and location advantages, which has formed a three-dimensional transportation system based on maritime, railroad and road transportation, supplemented by other modes of transportation such as aviation, inland waterways and pipelines. Lianyungang has jurisdiction over 3 districts and 3 counties, with a total land area of 7,615 square kilometers and a sea area of 7,516 square kilometers.

Lianyungang's economy maintained stable growth in recent years, with GDP reaching RMB466.3 billion in 2024, up 5.8% year-on-year (2023: 10.2%). Growth was mainly driven by the secondary and tertiary sectors, which accounted for 44.15% and 45.99% of GDP in 2024, respectively. Lianyungang's per capita GDP was RMB101,600 in 2024.

Xuwei District is the pilot zone of the National Demonstration Area for the Cooperation among China's Eastern, Central and Western regions approved by the State Council. Located in the southeast part of the urban areas of Lianyungang, Xuwei District has a planned area of 467 square kilometers. It focuses on the development of petrochemicals, high-end equipment manufacturing, high-performance new materials and port logistics industries.

Lianyungang's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	400.08	446.26	466.31
-Primary industry (%)	10.60	10.00	9.86
-Secondary industry (%)	44.40	46.10	44.15
-Tertiary industry (%)	45.00	43.90	45.99
GDP growth rate (%)	2.27	10.20	5.80
Fixed asset investment growth rate (%)	1.50	0.10	2.10
Population (million)	4.60	4.59	4.58

Source: Financial Bureau of Lianyungang, statistical bureau of Lianyungang and Lianhe Global's calculations

Fiscal Condition of Lianyungang

Lianyungang's aggregate fiscal revenue is mainly derived from budgetary revenue and government fund income. The city's budgetary revenue increased to RMB28.71 billion in 2024 from RMB25.60 billion in 2023, with the contribution of tax revenue at 72.9% (2023: 76.5%). Financial self-sufficiency remains insufficient amid a sizable deficit. In addition, government fund income declined to RMB20.82 billion in 2024 from RMB33.04 billion in 2023.

The outstanding amount of Lianyungang's government debt continued to expand in 2024, mainly driven by special bonds. By end-2024, outstanding government debt reached RMB852.5 billion, including RMB268.0 billion of general obligations and RMB584.5 billion of special debts (end-2023: RMB733.0 billion in total; general RMB245.8 billion; special RMB487.2 billion). Its fiscal debt ratio, measured by total government debt/aggregate revenue, rose to 111.7% at end-2024 from 85.8% at end-2023, reflecting weaker aggregate revenue.

Lianyungang's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	21.28	25.60	28.71

Budgetary revenue growth rate (%)	1.70*	20.30	12.10
Tax revenue	12.75	19.58	20.93
Tax revenue (% of budgetary revenue)	59.90	76.49	72.90
Government fund income	31.13	33.04	20.82
Transfer payment	26.61	26.39	26.39
Aggregate revenue	79.58	85.46	76.35
Budgetary expenditure	53.60	57.47	59.64
Budget balance ¹ (%)	-151.87	-124.47	-107.77
Government debt ratio (%)	85.40	85.77	111.66

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

*Excluding the influence of value-added tax credit refund

Source: Financial Bureau of Lianyungang, statistical bureau of Lianyungang and Lianhe Global's calculations

Company Profile

JFH was established in April 2009 (formerly Lianyungang Xuwei Development Construction Co., Ltd.) with an initial registered capital of RMB200 million approved and funded by the Lianyungang government. Following multiple capital injections, its registered and paid-in capital reached RMB11.0 billion at end-March 2025. The Lianyungang government is the sole and actual controlling shareholder, holding 100% equity.

JFH is a diversified local investment and development company responsible for infrastructure construction and state-owned asset operation in Xuwei New District, with businesses spanning public utilities (steam/power/water and wastewater), engineering construction, port logistics, industrial park support services, land development, leasing and property management, as well as agriculture-related services. The company recorded revenue of RMB16.8 billion in 2024 with a gross margin of 17.1%, and reported RMB3.9 billion of revenue in the first three months of 2025. Total assets reached RMB122.0 billion and total debt RMB63.4 billion at end-March 2025.

Key Financial Data

(RMB million)	2022	2023	2024	2025.3
Total Assets	104,351	110,320	118,180	121,979
Equity	32,202	36,531	46,280	46,975
Debt	60,213	62,017	61,397	63,400
Debt / (Debt + Equity) (%)	65.2	62.9	57.0	57.4
Unrestricted cash/ST Debts (x)	0.4	0.3	0.1	0.2
Debt/EBITDA (x)	15.7	16.6	18.2	-
Revenue	16,357	17,980	16,818	3,914
Operation Profit	2,201	1,630	744	-37
Gross Margin (%)	12.8	13.6	17.1	12.7
Cash from sales or services/ Revenue (%)	76.6	103.7	103.4	104.3

Source: The company and Lianhe Global's calculations

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