

Jiangyou Hongfei Investment (Group) Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Jiangyou Hongfei Investment (Group) Co., Ltd. (“JHIG” or “the company”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating upgrade reflects an upgrade in our internal credit assessment on the Jiangyou Municipal People’s Government (“the Jiangyou government”) and the expectation of continuing of high possibility that the Jiangyou government would provide very strong support to JHIG if needed. This mainly considers the Jiangyou government’s majority ownership of JHIG, and its strategic importance as an important local investment and development company (“LIDC”) responsible for infrastructure construction, industrial development and public utility operation in Jiangyou. The linkage between the local government and JHIG is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if JHIG encounters any operational and financial difficulties.

Jiangyou is a county-level city directly under the jurisdiction of Sichuan Province and managed by Mianyang City. It is an important industrial base in Sichuan Province, specializing in producing special steel and machinery. Jiangyou achieved a 7.2% GDP growth to RMB71.7 billion in 2024, while the budgetary revenue increased by 7.6% to RMB3.9 billion.

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

Rating Rationale

Government’s Ownership and Supervision: JHIG’s linkage with the local government is strong as the Jiangyou government holds 67% shares of JHIG via Jiangyou Hongyuan Hechuang Industry Development Group Co., Ltd., and the remaining 33% are indirectly held by a prefecture-level LIDC controlled by the Mianyang government. The local government has strong control and supervision over JHIG, including control of the board of directors, appointment of senior managements, and the supervision over its major operating and financing plans. In addition, the government will assign auditor to audit JHIG’s financial and operational data periodically.

Strategic Importance and Strategic Alignment: JHIG is an important LIDC responsible for infrastructure construction, industrial development and public utility operation in Jiangyou. It undertakes major land consolidation, road construction, resettlement housing development, environment improvement and other infrastructure-related projects. It also provides critical public services in Jiangyou, including gas supply, water supply, public transportation and waste garbage disposal. JHIG plays an important role in promoting the urban development and operation of the region. JHIG’s strategic development plan has been aligned with the local government’s economic and social policies.

Ongoing Government Support: JHIG has been receiving strong support from the local government for its business operation, including capital injection, operational subsidies asset injections. The company also received ongoing operational subsidies of RMB412

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	29 September 2025

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Applicable Criteria

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

million and 191 million in 2024 and the first six months of 2025, respectively. We believe JHIG is likely to continue to receive strong government support in the future given its strategic importance in Jiangyou.

JHIG's Financial Matrix and Liquidity Position: JHIG's total assets increased steadily to RMB37.7 billion at end-June 2025 from RMB33.5 billion at end-2023, as the company continued to participate in development projects in Jiangyou. JHIG's total debt also expanded to RMB20.5 billion from RMB14.9 billion accordingly. During the same period, its financial leverage, as measured by the debt to capitalization ratio, continued to rise, from 54.2% to 61.6%.

JHIG's asset liquidity remained weak. Inventories and fixed assets accounted for approximately 50.8% of the company's total assets at end-June 2025. These assets typically take a long time to monetize owing to protracted development and a cash collection period.

The short-term debt servicing pressure of JHIG was high. At end-June 2025, the company had an unrestricted cash balance of RMB1.8 billion, while its debt due within one year was RMB7.9 billion. JHIG has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. As of the end June 2025, the company had total credit line of RMB15.1 billion, of which RMB4.6 billion was unused.

Rating Sensitivities

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

We would consider upgrading JHIG's rating if there is an upgrade in our internal credit assessment on the Jiangyou government.

Operating Environment

Economic Condition of Jiangyou

Jiangyou's GDP amount increased to RMB71.7 billion in 2024 from RMB66.9 billion in 2023. The growth rate of Jiangyou accelerated to 7.0% in 2024 from 5.7% in 2023. The economy of Jiangyou was mainly boosted by the secondary and tertiary industries, which accounted for 44.7% and 47.5% of GDP in 2024, respectively. As a major industrial hub, it hosts "1+3" industrial system focused on advanced materials, clean energy, high-end equipment, and food and pharmaceuticals. The city is a national base for high-end special steel and a key center for advanced materials in Mianyang.

Jiangyou's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	60.1	66.9	71.7
-Primary industry (%)	10.3	9.5	7.8
-Secondary industry (%)	46.7	45.0	44.7
-Tertiary industry (%)	43.0	45.4	47.5
GDP growth rate (%)	3.9	5.7	7.0
Fixed asset investment growth rate (%)	5.5	3.2	3.8
Population (million)	0.7	0.7	0.7

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



Fiscal Condition of Jiangyou

The budgetary revenue of the Jiangyou government increased to RMB3.9 billion in 2024 from RMB3.6 billion in 2023. Its budget deficit slightly narrowing from 73.2% to 65.1% over the same period.

The outstanding debt of the Jiangyou government kept growing in past few years. At end-2024, the Jiangyou government's outstanding debt increased to RMB166.5 billion from RMB126.8 billion at end-2023, mainly due to the issuance of special debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, was up to 152.2% at end-2024 from 119.5% at end-2023.

Jiangyou's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	3.0	3.6	3.9
Budgetary revenue growth rate (%)	23.2	20.1	7.6
Tax revenue	1.3	1.4	1.3
Tax revenue (% of budgetary revenue)	42.9	39.3	34.5
Government fund income	3.7	3.9	3.7
Transfer payment	3.1	3.1	3.3
Aggregate revenue	9.8	10.6	10.9
Budgetary expenditure	5.4	6.2	6.4
Budget balance ¹ (%)	-78.1	-73.2	-65.1
Government debt ratio (%)	106.5	119.5	152.2
¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%			
Source: Financial Bureau of Jiangyou, statistical bureau of Jiangyou and Lianhe Global's calculations			

Company Profile

JHIG was established in December 2003 with an initial registered capital of RMB500 million, funded by Jiangyou SASAO. The Jiangyou government holds 67% shares of JHIG and the remaining 33% are indirectly held by a prefecture-level LIDC controlled by the Mianyang Municipal People's Government.

JHIG remains the most important LIDC in Jiangyou responsible for infrastructure construction, industrial development and public utility operation in Jiangyou. It undertakes major land consolidation, road construction, resettlement housing development, environment improvement and other infrastructure-related projects. It also provides critical public services in Jiangyou, including gas supply, water supply, public transportation and waste garbage disposal.

JHIG realized revenue of RMB1.7 billion, 1.7 billion and 1.8 billion in 2022, 2023 and 2024, respectively. The gross margin of JHIG has fluctuated between 9.0% and 12.0% over the same period.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	32,193	33,477	36,342	37,685
Equity	12,516	12,544	12,682	12,735
Debt	14,067	14,869	17,762	20,452
Debt / (Debt + Equity) (%)	52.9	54.2	58.3	61.6
Unrestricted cash/ST Debts (x)	0.0	0.1	0.2	0.2
Debt/EBITDA (x)	25.7	28.9	32.2	-
Revenue	1,667	1,687	1,753	908
Operation Profit	153	130	142	66
Gross Margin (%)	11.4	10.1	9.8	10.6



Cash from sales or services/ Revenue (%)	115.5	107.9	100.0	90.7
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Source: JHIG and Lianhe Global's calculations

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