

Lianhe Global has assigned 'BBB-' global scale Long-term Issuer Credit Rating with Stable Outlook to Yutai County Kangquan Agricultural Development Co., Ltd.

HONG KONG, 30 December 2025 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Yutai County Kangquan Agricultural Development Co., Ltd. (“YCKAD” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yutai, Jining City (“Yutai government”) would provide very strong support to YCKAD if needed, in light of its indirect full ownership of YCKAD, YCKAD’s strategic importance as the key entity for market-oriented operations and agricultural development in Yutai County, Jining City (“Yutai”) and the linkage between the local government and YCKAD, including appointment of the senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the Yutai government may face significant negative impact on its reputation and financing activities if YCKAD encounters any operational and financial difficulties.

Yutai is a county directly under the jurisdiction of Jining City, and located in the southwestern part of Shandong Province. Yutai’s GDP grew by 5.4% to RMB26.4 billion in 2024, while its budgetary revenue reached RMB1.6 billion in 2024.

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

Key Rating Rationales

Government’s Ownership and Supervision: The State-owned Assets Supervision and Administration Bureau of Yutai County (“Yutai SASAB”), as the actual controller, holds the full ownership of YCKAD through Shandong Xingyu Investment and Construction Group Co., Ltd. Yutai government has strong control and supervision over the company, including the appointment of senior management, decisions on its strategic development, and supervision of its major investment and funding plans. In addition, the local government has an assessment mechanism over the company and periodically appoints auditors to supervise its operating performance and financials.

Strategic Importance and Strategic Alignment: YCKAD, as an important local investment and development company (“LIDC”) in Yutai, serves as the main implementation platform for the market-oriented transformation of state-owned enterprises (“SOEs”) in Yutai and is a crucial part of the reform of local LIDCs. In June 2024, Yutai SASAB transferred the equities of 6 local SOEs to the company without compensation, making it an important entity

responsible for state-owned asset operation in Yutai. YCKAD plays an important role in promoting the region's economic and social development. Its business operations and strategic planning have been aligned with the local government's development plans.

Ongoing Government Support: As an important part of the LIDC reform in Yutai, the company benefits from favorable conditions that facilitate project acquisition and resource access. The local government provided ongoing support to YCKAD by injecting cash, equity of local SOEs and other assets into the company between 2022 and the first six months of 2025, with a total amount of RMB1,984 million. The company also received operational subsidies totaling RMB13 million over the same period. We expect YCKAD to receive ongoing support from the local government in the future considering its strategic importance in Yutai.

YCKAD's Financial Matrix and Liquidity Position: YCKAD's total assets grew steadily to RMB4,292 million at end-June 2025 from RMB2,518 million at end-2022, mainly due to its business expansion and asset injections from local government. The company's total debt increased to RMB898 million at end-June 2025, more than tripled compared with RMB281 million recorded at end-2022. As a result, the company's financial leverage, as measured by the debt to capitalization ratio, increased from 17.4% at end-2022 to 22.4% at end-June 2025, but remained at a relatively low level.

YCKAD's short-term debt servicing pressure was moderately high. The company had a cash balance of RMB334 million (including restricted cash of RMB265 million) at end-June 2025, compared to its debts due within one year of RMB432 million. The company mainly relies on external financing and has access to various financing channels, including bank loans and non-traditional funding, to support its debt repayment and business operations. At end-June 2025, the company had unused credit facilities of RMB185 million.

Rating Sensitivities

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

We would consider upgrading YCKAD's rating if there is an upgrade in our internal credit assessment on the Yutai 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)

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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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