

Suqian Yufeng Industrial Investment Development Management Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB-’ global scale Long-term Issuer Credit Rating of Suqian Yufeng Industrial Investment Development Management Group Co., Ltd. (“SYII” or “the company”); Issuer Rating Outlook is Stable

Summary

| Summary | |
|---------------|--|
| Issuer Rating | BBB- |
| Outlook | Stable |
| Location | China |
| Industry | Local Investment and Development Companies |
| Date | 26 August 2025 |

The Issuer Credit Rating reflects a high possibility that the People's Government of Suyu District of Suqian City (“Suyu government”) would provide strong support to SYII if needed, in light of its indirectly full ownership of SYII, SYII's strategic importance as an important local investment and development company (“LIDC”) for infrastructure construction and state-owned assets operation in Suyu District (“Suyu”), and the linkage between the Suyu government and SYII, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support, etc. In addition, the Suyu government may face significant negative impact on its reputation and financing activities if SYII encounters any operational and financial difficulties.

Suyu is a district under the jurisdiction of Suqian City of Jiangsu Province. In 2024, Suyu's GDP grew by 6.9% to RMB52.9 billion and the budgetary revenue grew by 5.0% to RMB4.2 billion.

The Stable Outlook reflects our expectation that SYII's strategic importance would remain intact while the Suyu government will continue to ensure SYII's stable operation.

Rating Rationale

Analysts

Rechel Chen
(852) 3462 9589
rechel.chen@lhratingsglobal.com

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

Applicable Criteria

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

Government's Ownership and Supervision: The Suyu government indirectly holds 100% ownership of SYII through the State-owned Assets Supervision and Administration Office of the Suyu government (“Suyu SASAO”) and via Jiangsu Yundong Holding Group Co., Ltd. (“Yundong Group”), a state-owned entity wholly owned by the Suyu SASAO. The actual controller of the company was the Suyu SASAO. The Suyu government has strong supervision over SYII, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions. In addition, the Suyu government has formulated a performance appraisal policy for the company, and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: SYII is an important LIDC for infrastructure construction and state-owned assets operation in Suyu. SYII mainly undertakes Suyu's municipal projects construction, including water conservancy projects and road renovation projects. The company also engages in affordable housing construction and sales within the region. SYII is in a dominant position in the urban infrastructure industry of Suyu, playing an important role in the urban construction and economic development for the region. Its business operation and strategic planning have been aligned with the government's development plans.

Strong Government Support: The Suyu government provides strong support to SYII. In 2024, SYII received subsidies with the total amount of RMB290.1 million from the Suyu government. We expect the support from the Suyu government to remain intact given SYII's strategic importance in Suyu.

SYII's Financial and Liquidity Position: SYII's total assets increased to RMB31.6 billion at end-2024 from RMB28.7 billion at end-2023, which was mainly driven by the increase in investment properties and receivables. The total debt of the company also increased to RMB13.0 billion at end-2024 from RMB12.6 billion at end-2023. At end-2024, the short-term debt and long-term debt accounted for 25.5% and 74.5% of the total debt, respectively. The company's financial leverage, as measured by the debt to capitalization ratio, decreased to 52.5% at end-2024 from 56.7% at end-2023.

SYII's liquidity was moderately weak. At end-2024, SYII had unrestricted cash balance of RMB0.2 billion, compared with its debt to be due within one year of RMB3.3 billion. Having said that, SYII has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations. At end-2024, the company had unused credit facilities of RMB19.1 billion.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Suyu

Suyu is a district under the jurisdiction of Suqian City of Jiangsu Province, and it is located in the north of Jiangsu. The industry in Suyu District has formed a "3+3+X" industrial system dominated by new materials, digital economy, and food and beverages.

Suyu's GDP amount increased to RMB52.9 billion in 2024, from RMB46.4 billion in 2023, and its economic growth rate normalized to 6.9%, from 8.1% in 2023. The GDP per capita was RMB118,100 in 2024. The economy of Suyu was mainly boosted by the secondary and tertiary industries, which accounted for 42.0% and 49.6% of GDP in 2024, respectively.

| Suyu's Economic Condition | | 2022 | 2023 | 2024 |
|--|--|-------------|-------------|-------------|
| (RMB billion) | | | | |
| GDP | | 43.0 | 46.4 | 52.9 |
| -Primary industry (%) | | 9.2 | 8.6 | 8.4 |
| -Secondary industry (%) | | 46.7 | 47.1 | 42.0 |
| -Tertiary industry (%) | | 44.1 | 44.4 | 49.6 |
| GDP growth rate (%) | | 3.3 | 8.1 | 6.9 |
| Fixed asset investment growth rate (%) | | 9.6 | 9.2 | 8.2 |
| Population (million) | | 0.6 | 0.4 | 0.4 |

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

Fiscal Condition of Suyu

The budgetary revenue of the Suyu government increased to RMB4.2 billion in 2024 from RMB4.0 billion in 2023, with a year-over-year growth rate of 5.0%. The fiscal self-sufficiency rate of the Suyu government remained weak, although its budget deficit narrowed to 57.4%

in 2024 from 66.2% in 2023. In addition, the government fund income declined to RMB1.8 billion in 2024 from RMB2.3 billion in 2023, mainly due to the decreased land use right transfer income amid depressed property market conditions.

The outstanding debt of the Suyu government kept growing in past few years. At end-2024, the Suyu government's outstanding debt increased to RMB11.6 billion from RMB9.2 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 112.0% at end-2024 from 88.6% at end-2023.

| Suyu's Fiscal Condition (RMB billion) | 2022 | 2023 | 2024 |
|--|-------------|-------------|-------------|
| Budgetary revenue | 3.5 | 4.0 | 4.2 |
| Budgetary revenue growth rate (%) | 0.4 | 14.5 | 5.0 |
| Tax revenue | 2.9 | 3.6 | 3.8 |
| Tax revenue (% of budgetary revenue) | 82.0 | 90.0 | 89.3 |
| Government fund income | 3.0 | 2.3 | 1.8 |
| Transfer payment | 4.4 | 4.1 | 4.3 |
| Aggregate revenue | 10.9 | 10.4 | 10.3 |
| Budgetary expenditure | 6.4 | 6.7 | 6.6 |
| Budget balance ¹ (%) | -83.6 | -66.2 | -57.4 |
| Government debt ratio (%) | 78.8 | 88.6 | 112.0 |

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

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

Company Profile

SYII was established in February 2009, with an initial registered capital of RMB100 million. In February 2023, the controlling shareholder of the company changed to Yundong Group, a state-owned entity wholly owned by the Suyu SASAO. At end-2024, SYII's registered capital and paid-in capital were both RMB500 million after several capital injections. The actual controller of the company was the Suyu SASAO.

SYII is an important LIDC for infrastructure construction and state-owned assets operation in Suyu. SYII mainly undertakes Suyu's municipal projects construction, including water conservancy projects and road renovation projects. The company also engages in affordable housing construction and sales within the region.

| Key Financial Data (RMB million) | 2022 | 2023 | 2024 |
|---|--------|--------|--------|
| Total Assets | 25,787 | 28,656 | 31,591 |
| Equity | 9,752 | 9,668 | 11,739 |
| Debt | 10,962 | 12,646 | 12,981 |
| Debt / (Debt + Equity) (%) | 52.9 | 56.7 | 52.5 |
| Unrestricted cash/ST Debts (x) | 0.1 | 0.1 | 0.1 |
| Debt/EBITDA (x) | 25.9 | 62.1 | 49.1 |
| Revenue | 1,161 | 2,058 | 934 |
| Operation Profit | 280 | 150 | 103 |
| Gross Margin (%) | 27.9 | 18.2 | 25.4 |
| Cash from sales or services/ Revenue (%) | 48.8 | 77.5 | 90.9 |

Source: SYII and Lianhe Global's calculations

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