

Jiangyou Hongfei Investment (Group) Co., Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	14 October 2026

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

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jiangyou City (“Jiangyou government”) would provide very strong support to JHIG if needed. This mainly considers the Jiangyou government’s indirect majority ownership of JHIG, and JHIG 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 Jiangyou government has a very strong willingness to ensure JHIG’s business and financial viability in order to safeguard its reputation and local financing activities.

Jiangyou is a county-level city in Sichuan Province under the administration of Mianyang City. Jiangyou’s GDP grew by 6.3% to RMB75.0 billion in 2025, while its budgetary revenue increased by 5.7% to RMB4.1 billion.

The Stable Outlook reflects our expectation that JHIG’s strategic importance would remain intact and that the local government will continue to support its stable operations.

Rating Rationale

Government’s Ownership and Supervision: The State-owned Assets Supervision and Administration Office of Jiangyou (“Jiangyou SASAO”), as the actual controller, indirectly holds a 67% interest in JHIG, while the remaining 33% is held indirectly by a prefecture-level LIDC controlled by the Mianyang government. The Jiangyou government exercises strong control and supervision, including appointing senior management and making decisions on major strategic, investment and financing plans.

Strategic Alignment and Importance: JHIG is the largest LIDC in Jiangyou in terms of asset size. It is mainly responsible for infrastructure construction, industrial development and public-utility operation (hospital, piped gas, tap water, public transportation and sewage treatment) in Jiangyou. The company’s business operations and development have been aligned with the government’s development plans.

Strong Government Support: JHIG receives ongoing support from the local government, including assets and capital injections, as well as financial subsidies. The local government provided operational subsidies of RMB1,539 million between 2023 and the first half of 2026. In addition, the local government injected state-owned properties and equity of local SOEs into JHIG over the same period. Given JHIG’s strategic importance in Jiangyou, we believe it is likely to receive continued government support.

JHIG’s Financial and Liquidity Position: JHIG’s total assets increased to RMB39.9 billion at end-June 2026 from RMB36.3 billion at end-2024 as the company actively participated in project development in Jiangyou. At end-June 2026, inventories, mainly construction costs and land parcels, accounted for 34.9% of total assets, while fixed assets, construction in progress and investment properties accounted for 12.8%, 10.4% and 8.1%, respectively.

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Applicable Criteria

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

Overall asset liquidity was moderately weak because the company's development projects had long construction and cash-collection periods.

JHIG relied on borrowings to fund its asset expansion. Its total debt rose to RMB21.5 billion at end-June 2026 from RMB17.8 billion at end-2024. Financial leverage, as measured by the debt-to-capitalization ratio, increased to 60.8% at end-June 2026 from 58.3% at end-2024. The company short-term debt servicing pressure is high. At end-June 2026, the company had cash of RMB2.0 billion (including restricted cash of RMB143 million), against short-term debt of RMB8.7 billion. Yet the company had access to multiple financing channels, including bank borrowings and bond issuances, to support its operation and debt repayment. The company had unused bank facilities of RMB3.7 billion at end-2025.

Rating Sensitivities

We would consider downgrading JHIG's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the local 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 is a national base for high-end special steel and a key center for advanced materials in Mianyang, Sichuan Province. Its GDP reached RMB75.0 billion in 2025, representing a year-over-year growth rate of 6.3%. However, growth in Jiangyou's fixed-asset investment slowed sharply to 0.1% in 2025 from 3.8% in 2024, mainly due to weak property development investment.

Jiangyou's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	67.3	71.7	75.0
-Primary industry (%)	9.5	7.8	7.7
-Secondary industry (%)	45.0	44.7	42.0
-Tertiary industry (%)	45.4	47.5	50.2
GDP growth rate (%)	5.7	7.0	6.3
Fixed asset investment growth rate (%)	3.2	3.8	0.1
Population (million)	0.73	0.73	0.73

Source: Statistical Bureau of Jiangyou and Lianhe Global's calculations

Fiscal Condition of Jiangyou

The budgetary revenue of the Jiangyou government increased to RMB4.1 billion in 2025 from RMB3.9 billion in 2024. The fiscal self-sufficiency improved but remained weak, with a budget deficit of 62.1% in 2025, narrowing from 65.1% in 2024. The government fund income continued to decline to RMB3.2 billion in 2025 from RMB3.7 billion in 2024 and RMB3.9 billion in 2023, mainly due to lower land-use-right transfer revenue amid a prolonged property market downturn.

The outstanding debt of the Jiangyou government kept growing in the past three years. At end-2025, its outstanding debt increased to RMB20.5 billion from RMB16.7 billion at end-

2024, mainly due to the issuance of special purpose bonds to support local public projects and to refinance existing implicit government debt. Its government debt ratio, as measured by the total government debt/aggregate revenue, was elevated to 193.7% at end-2025 from 151.3% at end-2024.

Jiangyou's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	3.6	3.9	4.1
Budgetary revenue growth rate (%)	20.1	7.6	5.7
Tax revenue	1.4	1.3	1.3
Tax revenue (% of budgetary revenue)	39.3	34.5	32.8
Government fund income	3.9	3.7	3.2
Transfer payment	3.1	3.3	3.2
Aggregate revenue	10.7	11.0	10.6
Budgetary expenditure	6.2	6.4	6.6
Budget balance ¹ (%)	-73.2	-65.1	-62.1
Government debt ratio (%)	118.8	151.3	193.7

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

Source: Finance Bureau of Jiangyou and Lianhe Global's calculations

Company Profile

JHIG was established in December 2003 with an initial registered capital of RMB500 million. Jiangyou SASAO, as the actual controller, indirectly holds a 67% interest in JHIG through Jiangyou Hongyuan Hechuang Industrial Development Group Co., Ltd. The remaining 33% interest is indirectly held by Mianyang Miantai Industrial Co., Ltd., 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 operations in Jiangyou. The company 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's revenue increased steadily to RMB1,822 million in 2025 from RMB1,687 million in 2023, while its gross margin remained broadly stable at approximately 10% over the same period.

Key Financial Data				
(RMB million)	2023	2024	2025	2026.6
Total Assets	33,477	36,342	37,107	39,871
Equity	12,544	12,682	12,801	13,852
Debt	14,869	17,762	19,966	21,512
Debt / (Debt + Equity) (%)	54.2	58.3	60.9	60.8
Unrestricted cash/ST Debt (x)	0.1	0.2	0.1	0.2
Debt/EBITDA (x)	28.9	31.5	29.5	-
Revenue	1,687	1,753	1,822	739
Gross Margin (%)	10.1	9.8	9.9	10.5
Cash from sales or services / revenue (%)	107.9	100.0	94.4	95.8

Source: JHIG and Lianhe Global's calculations

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