

Credit Opinion

11 August 2025

| Ratings | |
|-------------------------|------------------|
| Category | Corporate |
| Domicile | China |
| Rating Type | Solicited Rating |
| Long-Term Credit Rating | A _g |
| Outlook | Stable |

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Jiangsu Fangyang Holdings Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g to Jiangsu Fangyang Holdings Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Jiangsu Fangyang Holdings Co., Ltd. (“Fangyang Holdings” or the “Company”) reflects (1) the Lianyungang Municipal Government’s very strong capacity to provide support; and (2) the local government’s extremely high willingness to provide support, based on our assessment of the Company’s characteristics.

Our assessment of the local government’s capacity to provide support reflects Lianyungang City’s favorable economic growth underpinned by its industrial development and port resources. Lianyungang Xuwei New District (“Xuwei New District”) is a key component of the National East-Central-West Regional Cooperation Demonstration Region with the highest economic growth rate in Lianyungang City.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) full ownership by the Lianyungang Municipal Government; (2) important position as the core entity in the investment and operation of Xuwei New District; (3) good track record of receiving government support; and (4) diversified funding channels.

However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) high debt leverage driven by capital-intensive and large-scale construction projects; and (3) moderate asset liquidity.

The stable outlook on Fangyang Holdings’ rating reflects our expectation that the local government’s capacity to provide support will remain stable, and the Company will maintain its important role in the development of Xuwei New District over the next 12-18 months.

Rating Drivers

- Mandated by the government to develop Xuwei New District on an exclusive basis
- Strong irreplaceability and stability in regional development and public utility services in Xuwei New District
- Medium exposure to commercial activities
- High debt leverage and moderate asset liquidity
- Good access to diversified funding channels
- Solid government support such as ongoing capital injections and subsidies

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as increased debt management and decreased exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced policy significance or deteriorated debt management.

Key Indicators

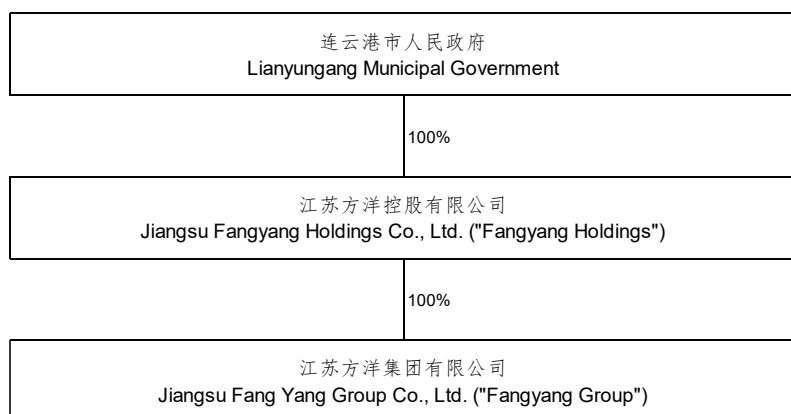
| | 2022FY | 2023FY | 2024FY | 2025Q1 |
|------------------------------|--------|--------|--------|--------|
| Total Assets (RMB billion) | 104.4 | 110.3 | 118.2 | 122.0 |
| Total Equity (RMB billion) | 32.2 | 36.5 | 46.3 | 47.0 |
| Total Revenue (RMB billion) | 16.4 | 18.0 | 16.8 | 3.9 |
| Total Debt/Total Capital (%) | 66.6 | 65.9 | 60.5 | 61.3 |

All ratios and figures are calculated using CCXAP's adjustments.

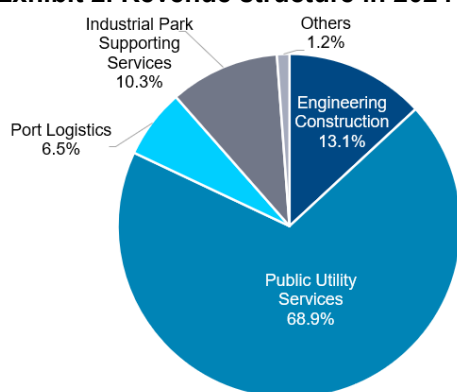
Source: Company data, CCXAP research

Corporate Profile

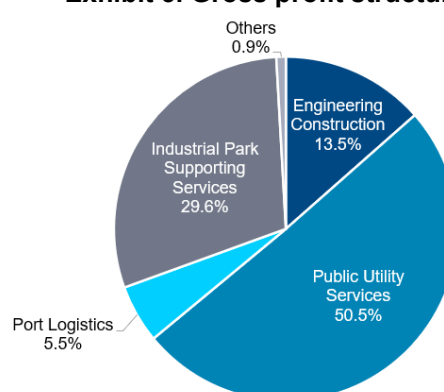
Established in 2018, Fangyang Holdings is the major industrial investment and operation entity in Lianyungang City and plays an important role in supporting infrastructure investment and operation in Xuwei New District. Xuwei New District is the pioneering region of the National East-Central-West Regional Cooperation Demonstration Region approved by China's State Council in 2011, and one of the seven major petrochemical industry bases in China. In 2024, the Lianyungang Municipal Government transferred 100% equity interest in Jiangsu Fang Yang Group Co., Ltd. ("Fangyang Group"), a major developer and operator in Xuwei New District, to Fangyang Holdings. Following the consolidation, the Company became the largest entity in Xuwei New District in terms of total assets. Mandated by the local government, Fangyang Holdings carries out a wide range of activities, primarily through its subsidiaries, such as infrastructure construction, port logistics, public utility services and industrial park supporting services. As of 31 March 2025, the Company was directly and wholly-owned by the Lianyungang Municipal Government.

Exhibit 1. Shareholding chart as of 31 March 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Lianyungang Municipal Government has very strong capacity to provide support to the Company, given its GRP of over RMB460.0 billion with rapid growth rate, ranking one of the Top 100 prefecture-level cities in China. It also has good industrial development and port resources. However, Lianyungang Municipal Government's fiscal metrics are moderate.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The GRP per capita for the same period was RMB160,694, ranking top among all provinces in China.

Lianyungang City is one of the first 14 Chinese coastal cities opening to the outside world and has one of the major ports of China — the Lianyungang Port. With geographic advantages, Lianyungang City has developed port industries such as petrochemicals, ferrous metallurgy and mechanical equipment manufacturing. Lianyungang City also promotes emerging industries such as biomedical, new materials, new energy and high-end equipment industry. Rapid industrial growth supports Lianyungang City's economy to maintain growth. In 2024, Lianyungang City's GRP increased by 5.8% to RMB466.3 billion. Compared to last year, the general budgetary revenue increased to RMB28.7 billion from RMB25.6 billion with tax revenue rising to RMB20.9 billion from

RMB19.6 billion. The 3-year average fiscal stability (tax/general budget revenue) was 69.8%, indicating a good revenue-generating ability. However, the fiscal sufficiency of Lianyungang Municipal Government was still relatively weak. The average self-sufficiency ratio (General Budgetary Revenue/ General Budgetary Expenditure) was less than 50% over the past three years, indicating high reliance on support from high-tier governments. In addition, the governmental fund revenue is an important supplement to the financial resources of the Lianyungang Municipal Government, which highly depends on the performance of land sales market. The local government's direct debt kept increasing and reached around RMB85.3 billion as of the end of 2024, accounting for about 18.3% of GRP.

Exhibit 4. Key economic and fiscal indicators of Lianyungang City

| | 2022FY | 2023FY | 2024FY |
|---|--------|--------|--------|
| GRP (RMB billion) | 400.5 | 436.4 | 466.3 |
| GRP Growth (%) | 2.4 | 10.2 | 5.8 |
| General Budgetary Revenue (RMB billion) | 21.3 | 25.6 | 28.7 |
| General Budgetary Expenditure (RMB billion) | 53.6 | 57.5 | 59.6 |
| Local Government Debt (RMB billion) | 68.0 | 73.3 | 85.3 |

Source: Statistics Bureau of Lianyungang City, CCXAP research

Xuwei New District is a functional zone under the jurisdiction of Lianyungang City with a total planned area of 467 square kilometers, located in the southeast of Lianyungang City. It is the pilot area of the National East-Central-West Regional Cooperation Demonstration Region approved by the State Council of China in 2011. It mainly develops leading industries such as petrochemicals, high-end equipment manufacturing, port logistics trade processing, and high-performance new materials. With its clear strategic position in the industrial development of Lianyungang City, Xuwei New District has received good support from high-tier governments including policy advantages and financial support. Lianyungang Petrochemical Base is one of the key functional zones in Xuwei New District and one of the seven major petrochemical industry bases in China, approved by the National Development and Reform Commission in 2013. As of the end of 2024, three industrial clusters, including Shenghong Petrochemical, Sinochem Lianyungang Circular Economy Industrial Park and Satellite Petrochemical were formed in Lianyungang Petrochemical Base.

Xuwei New District's economic strength improved rapidly in recent years and the area plays an important role in Lianyungang City. In 2024, Xuwei New Area's GDP achieved a 12.0% increase, ranking first in Lianyungang City in terms of growth rate. The petrochemical base's industrial output value for enterprises above designated size grew 12.6%, contributing 72.9% to Lianyungang City's total growth and boosting the city's overall industrial output value by 4.4%. In 2024, Xuwei New District ranked 9th among China's top 30 Chemical Industrial Parks, and Lianyungang Petrochemical Industrial Base's comprehensive strength ranked 9th among 695 key chemical industrial parks nationwide.

Government's Willingness to Provide Support

Mandated by the government to develop Xuwei New District on an exclusive basis

Fangyang Holdings is one of the key investment and operation entities and the second-largest one by total assets under the control of Lianyungang Municipal Government. After the equity transfer in 2024, Fangyang Holdings became the controlling shareholder of Fangyang Group, the major developer and operator in Xuwei New District, and has been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the central government's and Jiangsu Provincial Government's plans to develop Xuwei New District. The Company, together with its subsidiaries, had completed important infrastructure and ancillary projects along

with the development of Xuwei New District, including infrastructure construction, land primary development, affordable housing and supporting facilities, which were essential to commercial attractiveness and the transformation and upgrade of the industrial structure in the region. Meanwhile, over the years, Fangyang Holdings has been a key force to enhance the commercial attractiveness and competitiveness of Xuwei New District by exploring and integrating local industry resources. Jiangsu Yangjing Petrochemical Group Co., Ltd., another investment and operation entity to develop Xuwei New District, is mainly engaged in the construction and development of Lianyungang Petrochemical Industrial Base and Strategic Emerging Industrial Park.

Strong irreplaceability and stability in regional development and public utility services in Xuwei New District

Fangyang Holdings has undertaken the majority of the regional infrastructure construction in Xuwei New District, including municipal roads, tunnels, transportation hubs, bridges, parks, environmental improvement works, and public utilities, primarily under agency construction model. As of 31 March 2025, the Company had 14 key agency projects under construction, with a total investment of RMB7.9 billion and an outstanding amount of around RMB162.0 million. Against the background of controlling local debts, the Company undertook fewer entrusted construction projects, while it undertook more policy-oriented industrial parks and ancillary projects through the mode of self-construction and self-management, reflecting the stability of its functional positioning, such as the wharf construction project in the port area.

Fangyang Holdings provides public utility services including sales of raw water, sewage treatment and sales of steam and electricity mainly for enterprises settled in Xuwei New District. In recent years, with the completion of large-scale projects of downstream steam-using enterprises as well as the successive commencement of the Company's petrochemical projects, such as cogeneration and incremental distribution grids, the Company's public utility services have been on a fast-growing trend. From 2022 to 2024, revenue from the public utility services rose from RMB6.1 billion to RMB11.6 billion, becoming the Company's largest revenue source, and the segment's gross profit margin also increased to 12.5% from 5.5%. Meanwhile, the Company owns large scale of related assets including power stations, substations, water plants and pipelines, with strong business monopoly advantages. The public utility services business is highly correlated to the economic development of Xuwei New District. The Company will further invest in the public utility business in order to better complement the future development and to increase the commercial attractiveness of Xuwei New District. As of 31 March 2025, the Company had 4 projects under construction, with a total investment of RMB4.8 billion. The future investment in public utilities is large which may increase the pressure on capital expenditure of the Company.

We expected that Fangyang Holdings' position in Lianyungang City to remain stable considering its sufficient projects on hand. As Xuwei New District plays an important role in the development of Lianyungang City, the effect of the default of Fangyang Holdings with large assets in Xuwei New District including lands, public utilities and ancillary facilities would be unacceptable for Lianyungang Municipal Government.

Medium exposure to commercial activities

Apart from infrastructure construction and public utility services, Fangyang Holdings also engages in other commercial activities including port logistics and industrial park supporting services. Despite there being a large investment in such commercial activities, these activities are associated with Fangyang Holdings' core responsibilities to support the development of Xuwei New District, and the Company's risk exposure is considered medium.

Fangyang Holdings' port logistics business mainly involves the trading of chemicals, stone, coal, building

material, concrete and other commodities as well as warehouse logistics. From 2022 to 2024, port logistics business generated revenues of RMB4.7 billion, RMB2.1 billion and RMB0.8 billion, accounting for 28.8%, 11.8% and 5% of total revenue, respectively. Over the past three years, the Company proactively reduced its trading volume of chemical products out of risk control considerations, leading to an 82.0% decrease of revenue from 2022 to 2024. The concentration risk of the port logistics business is relatively high, and the Company provides an account period of around 3 months to downstream clients which also generates the issue of capital occupation. Fangyang Holdings' warehouse logistics business primarily provides services such as loading and unloading, logistics transportation, warehousing, and leasing to enterprises within the park, for which relevant fees are charged.

Fangyang Holdings' industrial park supporting services sector includes leasing, property management, land return, advertisement and exhibition, catering service and sales of commercial housing. As the development of Xuwei New District is at its early stage, the return on investment in this sector is sensitive to the economic development of the region and the changes in population. The revenue from industrial park supporting services mainly derived from land reserve business, which has non-recurring nature with high fluctuation. The development and sales of commercial housing are also subject to the conditions of the local real estate market with high fluctuation. As of 31 March 2025, the Company had remaining investment needs of approximately RMB5.6 billion in its ongoing self-operated projects. Most of the projects are primarily tied to government policy, such as port terminal construction, pipeline corridor reconstruction and expansion, and energy expansion projects, though funding and profitability risks remain.

High debt leverage and moderate asset liquidity

Fangyang Holdings has a high financing leverage due to its capital-intensive and large-scale construction projects in previous years, and the debt growth rate has been managed since 2023. As of 31 March 2025, the Company's total debt (including perpetual bonds) increased to RMB68.6 billion from RMB64.1 billion at end-2022. Its capitalization ratio, as measured by total debt to total capital, decreased from 65.9% at end-2023 to 61.3% at the end of March 2025 because of the government support and growth of retained profit. The increase in borrowing was mainly for debt refinancing as well as projects including public utility, port construction and industrial supporting service. In addition, there were refinancing needs for its short-term debt as the short-term debt accounted for 31.5% of total debt at the end of March 2025, and the cash to short-term debt ratio was around 0.2x. We expected the Company to rely on external financing to meet its capital expenditure and debt repayment and that the debt leverage will remain at a relatively high level in the next 12 to 18 months.

Due to the high proportion of by non-current assets and receivables with prolonged payback period, Fangyang Holdings' asset liquidity is considered moderate. The prolonged payment period from the Management Committee of Xuwei New District on the agency construction projects formed a large scale of receivables for Fangyang Holdings. The actual arrangement of repayments depends on the development of Xuwei New District and the fiscal arrangement of the local government. The Company's assets mainly consist of investment properties, fixed assets and construction in progress, accounting for 58.4% of total assets, all with relatively low liquidity. The investment properties mainly consist of lands pending for sale, while the fixed assets are mainly buildings and equipment. Apart from that, as of 31 March 2025, the Company's restricted assets for loans amounted to RMB14.6 billion, accounting for around 11.9% of total assets, including cash, investment properties, fixed assets and intangible assets.

Good access to diversified funding channels

Fangyang Holdings has access to diversified financing channels, primarily including onshore and offshore

capital markets, and bank borrowings, which could partially release the pressure on debt repayment and capital expenditure. Bank borrowing is the major financing sources which accounts for over 70% of total debt. The Company maintains good relationships with large domestic banks such as policy banks and large state-owned commercial banks. As of 31 March 2025, the Company obtained total credit facilities of RMB101.6 billion, with an unutilized amount of around RMB37.5 billion, providing adequate standby liquidity buffer.

The Company maintains relatively stable refinancing access to the direct financing market. For example, in 2024, the Company and its subsidiary Fangyang Group each issued a USD150.0 million offshore bond to refinance its existing offshore bond due the year; from January 2024 to March 2025, Fangyang Group issued 13 domestic bonds with decreasing issuance costs. The Company's exposure to non-standard financing was manageable with a portion of the total debt less than 4% as of 31 March 2025. Overall, we expect Fangyang Holdings to maintain access to multiple funding channels as underpinned by its core position in Xuwei New District and the favorable development prospects of the district. The government also implemented policies to encourage financial institutions to settle in, which is believed to gradually improve the financing and business environment of Xuwei New District.

Solid government support such as ongoing capital injections and subsidies

Since its establishment, Fangyang Holdings has received various state-owned capital and resources, in accordance with the regional initiative to optimize state-owned assets. In 2024, supported by the government, Fangyang Holdings received a paid-in capital increase of RMB11.0 billion, primarily comprising navigation channel assets and equity in Fangyang Group transferred from the government. Since then, the Company was appointed by the Lianyungang Municipal Government as the major entity responsible for implementing the government's plans for developing the Xuwei New District.

Meanwhile, Fangyang Holdings and its subsidiaries have consistently received governmental funding support, including debt resolution funds, special-purpose funds, and fiscal subsidies. Due to its significant involvement in policy-driven development projects, the Company receives ongoing fiscal funding support for these initiatives. For the past three years, the Company and its subsidiaries received operating subsidies amounting to RMB128.9 million, RMB49.3 million, RMB78.0 million, respectively. Furthermore, the Company benefited from substantial policy support, including debt restructuring funds and refinancing bonds.

Overall, we expect Fangyang Holdings to receive ongoing government support in the next 12-18 months given its strategic role in the Xuwei New District.

ESG Considerations

Fangyang Holdings faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase. There are a number of measures implemented for environmental and safety protection in Xuwei New District such as the Biological Management and Control Platform to monitor the air quality and State-level Emergency Rescue Base to quickly handle emergency situations.

Fangyang Holdings bears social risks as it implements public policy initiatives by building public infrastructure in Xuwei New District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

Fangyang Holdings' governance considerations are also material as the Company is subject to oversight by the

Lianyungang Municipal Government and must meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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