

Credit Opinion

5 June 2025

Ratings	
Senior Unsecured Debt Rating	BBB _g +
Long-Term Credit Rating	BBB _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Jiangsu Yueda Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jiangsu Yueda Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Jiangsu Yueda Group Co., Ltd. (“Jiangsu Yueda” or the “Company”) is underpinned by the Company’s (1) investment portfolio in line with Yancheng City’s industrial development strategy; (2) good access to quality investments; and (3) diversified funding channels.

However, the rating is constrained by the Company’s (1) exposure to high volatility from its investments in cyclical industries; (2) modest financial profile with weak profitability and high financial leverage; and (3) high refinancing needs in the near term.

The rating also reflects a high likelihood of government support from the Yancheng Municipal Government when needed, which is based on the Company’s (1) direct ownership and ultimate control by the Yancheng Municipal Government; (2) high strategic and economic importance in Yancheng City as one of the largest local state-owned enterprises (“SOEs”); and (3) solid track record of receiving ongoing government support, including subsidies and capital injections.

The stable outlook on Jiangsu Yueda’s rating reflects our expectation that the Company will continue to receive solid support from the Yancheng Municipal Government. We also expect the Company to maintain a stable and prudent investment strategy over the next 12 to 18 months.

Rating Drivers

- High likelihood of support from the Yancheng Municipal Government
- Investment portfolio in line with Yancheng City's development strategy
- Good access to quality investments
- Exposure to the volatility from cyclical industries
- Modest financial profile with low profitability and high financial leverage
- High refinancing needs mitigated by its diversified funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the Yancheng Municipal Government increases; (2) the quality of the Company's investment portfolio materially improves, such as having a higher level of asset liquidity and generating better recurring cash flow from investees; or (3) the Company's credit metrics improve, for example, a lower debt-to-investment income ratio and a higher cash-to-short-term debt ratio.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Yancheng Municipal Government decreases; (2) the Company's credit metrics deteriorate, such as a significant increase in debt-to-investment income ratio or a decrease in investment income-to-interest ratio; or (3) the Company shows weakened access to funding and eroded liquidity profile.

Key Indicators

Consolidated Level	2022FY	2023FY	2024FY
Total Assets (RMB billion)	79.4	84.3	94.4
Total Equity (RMB billion)	29.5	30.2	31.2
Total Revenue (RMB billion)	21.8	24.1	29.6
Net Profits (RMB billion)	0.9	1.2	1.2
Return on Equity (%)	3.2	3.9	3.9
Holding Company Level (HoldCo)	2022FY	2023FY	2024FY
Total Assets (RMB billion)	38.9	44.4	50.0
Total Equity (RMB billion)	10.8	12.7	14.6
Return on Equity (%)	1.5	10.1	2.0
Debt/Investment Income (x)	12.9	9.2	21.1
Cash/Short-term Debt (x)	0.1	0.1	0.1

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 1991, Jiangsu Yueda, a state-owned conglomerate, is owned by the Yancheng Municipal Government and supervised by the Yancheng State-owned Assets Supervision and Administration Commission ("Yancheng SASAC"). It is an important platform to manage the state-owned assets on behalf of the Yancheng Municipal Government, with the aim to securitize and maximize the value of the state-owned assets. Jiangsu Yueda has four key strategic investment segments, namely (1) automobile and intelligent manufacturing, (2) energy, (3) property development, and (4) supply chain and others.

Jiangsu Yueda's key operating subsidiaries include Jiangsu Yueda Investment Co., Ltd. (Stock code: 600805.SH) ("Yueda Investment"), Yueda International Holdings Limited (Stock code: 00629.HK) ("Yueda Holdings"), Shanghai Yueda New Industrial Group Co., Ltd., Jiangsu Yueda South Holding Co., Ltd., Yue Da Group (H.K.) Co., Limited and Yueda Capital Co., Ltd. The Company is 92.9% owned by the Yancheng Municipal Government and 7.1% by the Department of Finance of Jiangsu Province. As of 31 March 2025, Jiangsu Yueda reported total assets of RMB93.3 billion and net assets of RMB31.2 billion.

Exhibit 1. Revenue structure in 2024

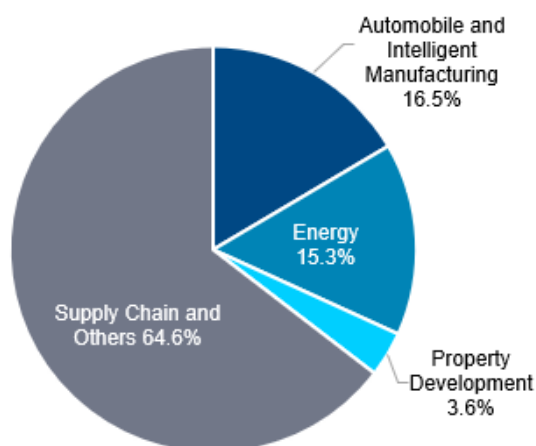
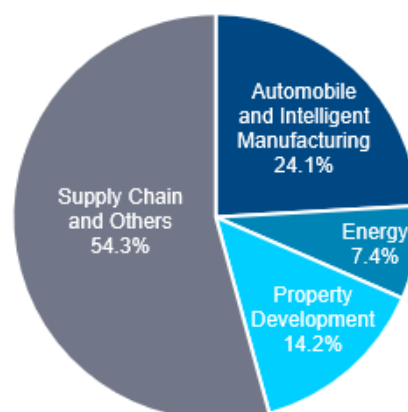


Exhibit 2. Gross profit structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

Rating Considerations

Investment portfolio in line with Yancheng City's development strategy

Jiangsu Yueda is one of the key investment entities entrusted by the Yancheng Municipal Government to cultivate the development of local industries, particularly automobile manufacturing and new energy, which are the pillar sectors of Yancheng City. Along with the ongoing economic development of Yancheng City, Jiangsu Yueda adheres to the "1+2+1" development strategy covering segments in automobile and intelligent manufacturing, energy, property, and the supply chain. Jiangsu Yueda has gradually developed a large investment portfolio in different segments including automobile manufacturing, intelligent manufacturing, electric utilities, coal mining, toll roads, real estate, commercial circulation, and financial services. Key investments in automobile manufacturing include Jiangsu Yueda Kia Motor Co., Ltd. ("Yueda Kia", a joint venture with South Korean automobile maker, Kia Motors Car Corporation), Human Horizons New Energy, and CATARC Automotive Proving Ground Co., Ltd. ("CAPG", Stock code: 301215.SZ, a holding company of China Automotive Technology & Research Center). The Company has also entered the new energy sector by investing in Jiangsu Runergy New Energy Technology Co., Ltd. ("Runergy"), which produces high-efficiency crystalline silicon batteries. In the new energy sector, the Company is also involved in wind and thermal energy projects. However, its investment portfolio consists mainly of privately held equities with relatively low asset liquidity. The Company's investment income is an important contributor to its profitability and the Company has continued to receive dividends for years amid volatile macro market environment. At the holding level, the Company reported an investment income of around RMB1.5 billion in 2024.

Good access to quality investments

Jiangsu Yueda has good access to quality investments as underpinned by strong support from the Yancheng Municipal Government. The Company has obtained quality projects with strong dividend income over the past years, such as toll collection rights for the Beijing – Shanghai Expressway (Jiangsu section), and Shanxi No.2 Huangling coal mine. The Company holds the majority shares of a coal mining company and the minority shares of 6 coal mining companies. All the coal mines in which the Company holds minority shares are located in different areas including Shaanxi, Shanxi, Gansu and Inner Mongolia, and have relatively high resource quality, large reserve scales and long average remaining exploitable lives. In recent years, the coal mining sector has contributed largely to investment returns, especially Shaanxi No.2 Huangling. In 2024, Shaanxi No.2 Huangling generated investment income of RMB2.1 billion and distributed dividends of RMB1.6 billion.

Jiangsu Yueda also has a long investment track record in the car industry and has developed a portfolio covering the upstream and downstream of the car industry including car parts production, vehicle production, transport, car dealership, auto finance, test site, and research center. In 2021, with the purpose of consolidating sources of the car industry and promoting the development of the car industry in Yancheng City, Jiangsu Yueda established Jiangsu Yueda Automobile Group Co., Ltd. ("Yuda Automobile") under the guidance of Yancheng Municipal Government. Yueda Automobile mainly invests in two new energy car brands, Yueda Kia and Human Horizons New Energy. Under the ongoing support of the local government and Jiangsu Yueda, as well as its expansion in the automobile export, Yueda Kia achieved a net profit of RMB140.0 million in 2024 after three consecutive years of losses. The improvement in Yueda Kia's operating conditions is expected to reduce the previous profit erosion impact on Jiangsu Yueda.

Jiangsu Yueda has a record of cultivating investees going public listings. For example, CAPG was listed on China ChiNext in March 2022, of which the Company held 29.25% of shares. With the end of lock-up period of

CAPG's shares held by Jiangsu Yueda, the investment income from CAPG in 2023, totaling RMB1.7 billion, became a key income booster for Jiangsu Yueda.

Exposure to the volatility from cyclical industries

Jiangsu Yueda's investment portfolio covers multiple industries or sectors, however, some of them face cyclical volatilities, such as coal and metal mining, photovoltaics, commercial trading and automobile sales. As most of Jiangsu Yueda's investments were located in China, they are correlated with China's economic conditions and policy changes. In particular, the photovoltaic industry's heightened volatility and intensifying competitive landscape have had a negative effect on Runergy's profitability and operations, experiencing difficulties such as failed IPO attempts, operating losses, and the shutdown of some production lines. In 2024, Jiangsu Yueda injected an additional capital of RMB1.0 billion along with other financial support into Runergy and became its largest shareholder. In addition, Yueda Kia and Human Horizons New Energy, its key investments, still face the intensive competition of automobile market. Human Horizons New Energy ceased production in February 2024, and announced its bankruptcy reorganization in April 2025. In our view, the operating conditions of the investees in Jiangsu Yueda's investment portfolio are greatly affected by macro conditions and industry cycles, which will lead to fluctuations in the Company's investment income and thus have a certain impact on the its profitability and solvency.

Nevertheless, the automobile industry is a pillar industry in Yancheng City and the Company can obtain certain policy and resource support from the local government. In addition, we believe that Jiangsu Yueda's diversified investment portfolio including the new materials sector, new energy sector, and thermal power plants could partially mitigate the negative effect of its exposure to cyclical industries.

Modest financial profile with low profitability and high financial leverage

Jiangsu Yueda's financial profile is considered modest with relatively weak profitability and high debt leverage. Jiangsu Yueda's profitability is mainly driven by its investment income. Due to the recognition of non-recurring, large investment gains from CAPG in 2023, the Company's profitability metrics declined in comparison in 2024, but recurring income from the remaining investment entities remained relatively stable. During 2024, at consolidated level, the net income increased slightly by 1.4% YoY to RMB1.2 billion and ROE remained at 3.9%; while at the holding company level, the net income decreased to RMB275.8 million and ROE decreased to 2.0%. In addition, the average ROE over the past three years remained relatively weak at the holding company level, which recorded 4.6%. The low profitability of Jiangsu Yueda will weaken its ability to repay debts through its internal financial resources.

Jiangsu Yueda has relatively high debt leverage driven by its debt-funded business expansion over the past few years. The accelerated pace of debt growth at both the consolidated and holding company levels during 2024 was primarily driven by the increased investment commitments to strategic investment targets, including Runergy. As of the end of 2024, at the holding company level, the total debt (including perpetual bonds) increased by 20.8% YoY to RMB34.3 billion and financial leverage, measured by total capitalization ratio, increased by 2.7 percentage points to 72.4%, suggesting high reliance on refinancing to repay the debts given its limited business operations at the holding company level. Meanwhile, at the consolidated level, the total debt rose by 22.0% YoY to RMB56.4 billion and financial leverage increased to 65.5%. In the first quarter of 2025, the total debt at the holding company level further increased to RMB34.5 billion, and decreased slightly at the consolidated level. We expect Jiangsu Yueda will continue to rely on external financing to meet its future capital needs, and its debt leverage will remain at a relatively high level in the next 12 to 18 months, considering its large investment projects in the pipelines.

High refinancing needs mitigated by its diversified funding channels

Jiangsu Yueda's refinancing need is high considering its high level of short-term debt. As of 31 March 2025, the short-term debt was around RMB17.3 billion at the holding company level, representing 50.1% of the total debt, and RMB31.1 billion at the consolidated level, representing 55.3% of the total debt. Meanwhile, the cash to short-term debt ratio remained at a low level of around 0.1x at the holding company level, which reflects the need to obtain significant refinancing from external sources in the next 12 months.

Furthermore, the Company has a certain scale of assets pledged for its loans, which would limit its flexibility in asset realization and ability to obtain additional funding when needed. The Company pledged its key assets (such as shares in listed subsidiaries, rights in expressways and coal mining assets) as collateral for loans. As of 31 March 2025, the Company had total restricted assets of approximately RMB13.1 billion, representing 14.1% of its total assets.

Nevertheless, the high refinancing pressure could be alleviated by its diversified funding channels, underpinned by its state-owned status. Jiangsu Yueda has a good presence in the onshore capital markets and its financing costs have shown a continuous declining trend. The Company has good track record of fund-raising activities in debt capital market. For example, from 2024 to April 2025, the Company issued several tranches of onshore bond products such as SCPs, PPNs and MTNs, with coupon rates from 2.05% to 3.47%. In 2023, it also enhanced its presence in overseas capital market by issuing a 3-year CNY bond of RMB1.5 billion with the coupon rate of 5.5%. The Company has established long-term financing relationships with reliable domestic banks and financial institutions. As of 31 March 2025, the Company had total credit facilities of RMB40.1 billion with an undrawn amount of RMB7.1 billion.

We expect that the Company's plans to optimize its debt structure through increasing debt duration and other measures launched by the government to prevent debt stress for the local SOEs could also help relieve its refinancing pressure.

External Support

High likelihood of support from the Yancheng Municipal Government

We expect a high likelihood of government support from the Yancheng Municipal Government to Jiangsu Yueda in times of need. This expectation incorporates our considerations of the Company's (1) direct ownership and ultimate control by the Yancheng Municipal Government; (2) strategic and economic importance in Yancheng City as one of the largest SOEs under the Yancheng Municipal Government; and (3) solid track record of receiving ongoing government support from the Yancheng Municipal Government, including subsidies, capital injections and asset transfers.

Yancheng SASAC maintains a high degree of control over Jiangsu Yueda's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. As of 31 December 2024, all the members of board of directors were appointed directly by Yancheng SASAC. The Company is also required to report its annual budget, objectives, plans, and performance to Yancheng SASAC.

In terms of total assets, the Company is one of the largest local SOEs in Yancheng City. Its consolidated assets amounted to RMB94.4 billion as of 31 December 2024. Jiangsu Yueda was ranked 255th in the list of 'Top 500 Chinese Enterprises' released in 2024. As the strategic platform in industrial investment, the Company also assumes the role of cultivating local automobile manufacturing development and cooperating with foreign investors.

Jiangsu Yueda receives solid support from the Yancheng Municipal Government, given its strategic and economic importance in industrial investment in Yancheng City. The Company continued receiving subsidies from the government and received totaling RMB89.2 million in 2024. In December 2024, Yancheng SASAC agreed to increase the registered capital of Jiangsu Yueda to RMB10.0 billion and injected RMB550.0 million into the Company, enhancing its capital strength.. Furthermore, Jiangsu Yueda is also on the list of Yancheng City's standby cash reserve, a pre-emptive fund with total fund size of RMB5.0 billion launched by the government to provide periodic liquidity for the local SOEs. As a member of the Yiqiyin scheme, the Company also enjoys the benefit of additional credit facilities, which was launched by the government and China Zheshang Bank Co., Ltd. to prevent funding risks for the key SOEs in Yancheng City.

Structural Consideration

Jiangsu Yueda's senior unsecured debt rating is equivalent to its long-term credit rating. We did not notch the rating for structural subordination, considering that (1) the Company's diversified business profile (with cash flow generation across its operating subsidiaries) can help mitigate structural subordination risk; and (2) the shareholder support will flow through directly to the holding company in a financially distressed scenario given the Company's important status in Yancheng City, thereby mitigating any differences in expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Investment Holding Companies \(December 2016\)](#).

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