Credit Opinion

19 November 2025

Ratings	
Senior Unsecured Debt Rating (guaranteed)	A_g+
Long-Term Credit Rating	BBB_g-
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Jiangyou Chuangyuan Development and Construction Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jiangyou Chuangyuan Development and Construction Investment Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Jiangyou Chuangyuan Development and Construction Investment Co., Ltd. ("JCDC" or the "Company") is underpinned by the Company's (1) important construction and operation entity in Jiangyou Industrial Park; and (2) supplementary income from other commercial businesses.

However, the rating is also constrained by the Company's (1) increasing debt burden with certain short-term debt repayment pressure; (2) weak profitability; and (3) weak credit metrics.

The rating also reflects our expectation of a high likelihood of strong support from the Jiangyou City Government and its parent company, Jiangyou Hongyuan Hechuang Industrial Development Group Co., Ltd. ("JHHI"), when necessary, given the Company's (1) status as the important subsidiary of JHHI involved in construction and operation in Jiangyou Industrial Park; and (2) strategic importance in industrial operation in Jiangyou City. We believe that JHHI has a strong capacity to support the Company by dint of its (1) ultimate ownership and control by the Jiangyou City Government; (2) status as the core infrastructure construction and public utility operation entity in Jiangyou City; and (3) good track record of receiving government supports.

The stable outlook on JCDC's rating reflects our expectation that the Jiangyou City Government's capacity to provide support will remain stable, and the Company will maintain its key role in the construction and operation of Jiangyou Industrial Park over the next 12-18 months.

Rating Drivers

- High likelihood of strong support from the Jiangyou City Government and its parent company
- Important construction and operation entity in Jiangyou Industrial Park
- Supplementary income from other commercial businesses
- Increasing debt burden with certain short-term debt repayment pressure
- Increasing revenue but relatively weak profitability
- Weak credit metrics

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Jiangyou City Government's capacity or willingness to support strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as a stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) Jiangyou City Government's capacity or willingness to support weakens; or (2) the Company's stand-alone credit quality worsens significantly, including a material drop in credit metrics and poor debt management.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	14.9	17.3	19.3	29.7
Total Equity (RMB billion)	7.6	7.8	8.5	12.2
Total Revenue (RMB billion)	1.3	1.6	1.7	0.7
Net Profits (RMB billion)	0.2	0.2	0.2	0.1
EBIT Margin (%)	15.0	12.7	11.0	-
Return on Assets (%)	1.4	1.2	1.0	-
Total Debt/Total Capital (%)	41.4	44.6	47.8	48.0
Total Debt/EBITDA (x)	26.3	31.2	39.8	-
EBITDA/Interest (x)	5.1	4.1	4.1	-
FFO/Total debt (%)	3.4	2.8	2.5	-

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

Source: Company data, CCXAP research

Corporate Profile

JCDC is the major state-owned entity responsible for infrastructure construction in Jiangyou Industrial Park, Jiangyou City. Its business scope covers supporting facilities construction, commodity and material sales, and labor service. In December 2023, JHHI became the controlling shareholder of the Company, replacing the Jiangyou State-Owned Assets Supervision and Administration Office ("Jiangyou SASAO"). Nevertheless, as of 30 June 2025, Jiangyou SASAO remained the actual controller of JCDC, holding 67.0% of the Company's shares. Besides, Mianyang Miantai Industrial Co., Ltd. held another 33% stake in the Company.

Exhibit 1. Revenue Structure in 2024

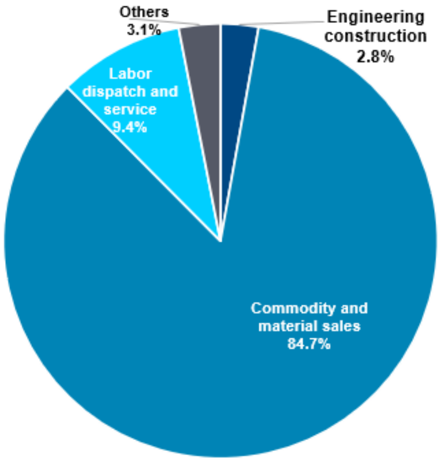
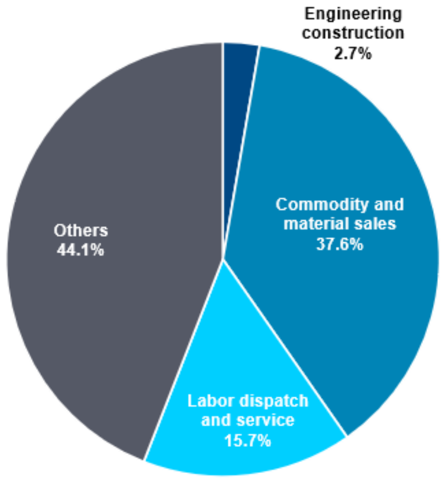
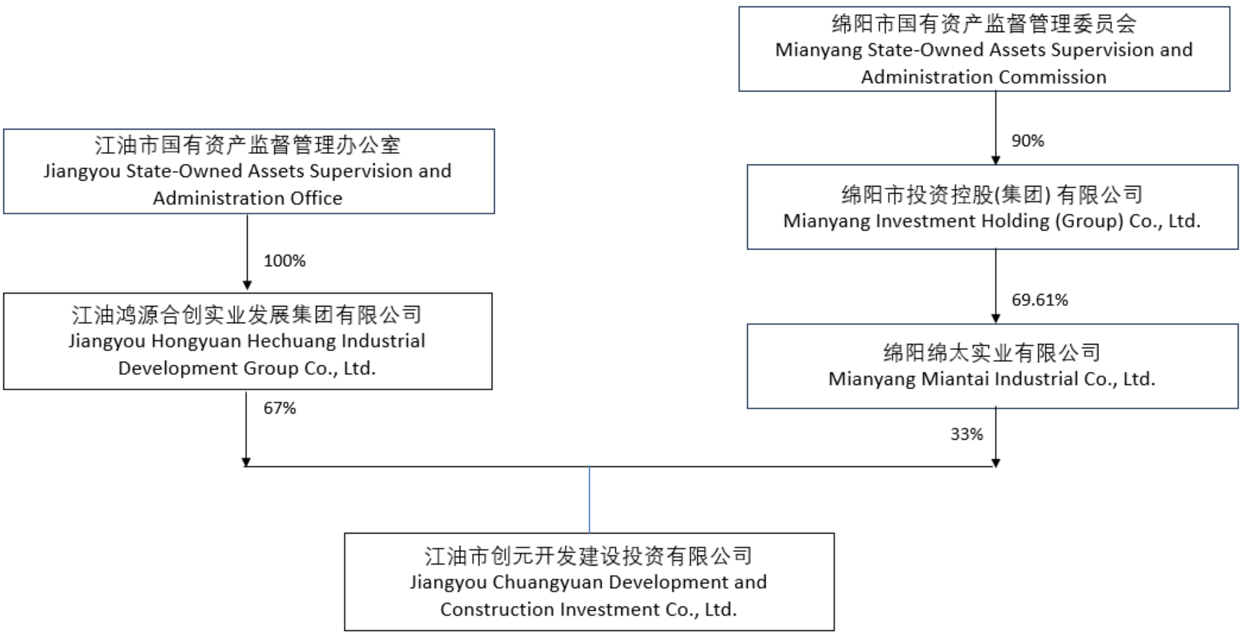


Exhibit 2. Gross Profit Structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important construction and operation entity in Jiangyou Industrial Park

JCDC is the main entity responsible for the construction and operation of supporting facilities in Jiangyou Industrial Park, and also provides supporting services to enterprises within the park. This business is essential to the economic and social development of the region. On the back of the local government, the Company has strong regional competitiveness and stable market shares in this business sectors.

The company previously was responsible for infrastructure projects in Jiangyou City, but ceased undertaking such projects since 2022. The Company mainly engages in the construction and operation of supporting facilities in the Jiangyou Industrial Park through self-operation model. The Company is responsible for building plants and resettlement housing in Jiangyou Industrial Park. As of the end of 2024, the Company had a total estimated investment amount of RMB2.1 billion and an outstanding amount of RMB1.4 billion in self-operated projects. After the completion of these projects, the Company mainly relies on plant leasing and sales, and parking space sales to obtain profits. In 2024, the Company received property leasing income from these projects of around RMB4.0 million. However, this business is affected by investment attracting progress in the park, which may face uncertainty in terms of its future cash inflow.

Supplementary income from other commercial businesses

In addition to the construction and operation of supporting facilities business, the Company has also diversified into other commercial businesses, mainly including commodity and material sales, engineering construction, and labor service. These businesses contribute strong overall business development quality, aligning strategically with long-term government policies, thereby driving sustainable economic growth and industrial development within the region while holding pivotal economic significance.

Commodity sales business is the major source of income of the Company, accounting for 84.7% of total revenue. The main products sold are electronic products, chemical products and construction materials. Profits are obtained through distribution price differences. However, the Company is not engaged in production and is limited by factors such as trade scale. Its bargaining power with the upstream and downstream enterprises is weak, resulting in a low gross margin of commodity sales business (1.2% in 2024). Besides, the customer and supplier concentration of commodities is high. Most suppliers and customers are private-owned enterprises, so there may be certain credit risks in payment collection. Moreover, the payment cycle for most trade transactions is around 6 months, and some orders involve the Company purchasing goods in advance and then collecting payment from downstream customers, which carries a certain risk of advance payment.

The Company conducts the engineering construction business, mainly providing relevant engineering services, including structure demolition, office building/factory maintenance, equipment disassembly and transportation. In 2024, the revenue of the engineering construction business recorded RMB48.0 million, with low gross profit margin of 2.6%. The Company also provides labor dispatch and sales services, which mainly serve the needs of Pangang Group Jiangyou Changcheng Special Steel Co., Ltd. (a steel production company in Jiangyou). In 2024, revenue from this segment recorded a steady growth of 3.0%, but the gross margin remained low at around 4.5%. In addition, the Company expanded its engineering business since 2024, increasing the number and its bids, which is expected to support an increase the revenue and profit in the engineering construction business.

Financial Profile

Increasing revenue but relatively weak profitability

Benefited from the expansion of commodity sales business, JCDC's total revenue increased from RMB1.6 billion in 2023 to RMB1.7 billion in 2024. The commodity sales business is the main contributor, accounting for 84.7% of total revenue in 2024, followed by Labor dispatch and service (9.4%), others (3.1%), and engineering construction (2.8%). JCDC's profitability remains relatively weak due to the low profitability of commodity sales business (profit margin of 1.2%), as well as labor dispatch and service (profit margin of 4.5%) and engineering construction (2.6%). Although other businesses (mainly leasing and operating income from self-operating support facilities) recorded a high profit margin of 38.7%, its small operating scale limits the Company's overall profitability. The Company's overall gross profit margin is low, and its profits mainly rely on government subsidies. The weak profitability can be reflected by the weak return on assets and EBIT margin. The Company's EBIT margin slightly decreased from 12.7% in 2023 to 11.0% in 2024; while the return on assets also slightly decreased from 1.2% to 1.0% over the same period. In 2025H1, the Company's total revenue amounted to RMB659.2 million a YoY decreased of 10.5%.

Increasing debt burden with certain short-term debt repayment pressure

JCDC 's debt burden has increased alongside business expansion, with total debt rising from RMB6.3 billion at the end of 2023 to RMB5.9 billion at mid-2025, with total capitalization ratio of 48.0%. Moreover, as of 30 June 2025, the short-term debt accounted for 59.7% of total debt, and the cash/short-term debt ratio was around 0.2x, implying relatively large short-term debt repayment pressure. Given the capital expenditures required for the further development of the Company's diversified businesses, we expect that the Company will rely on external financing to meet its capital expenditures and the total debt level will continue to increase.

Moreover, JCDC has weak asset liquidity. The Company's total asset mainly consists of receivables and inventories, which totally accounted for 77.9% of its total assets as of 30 June 2025. Receivables are mainly unreceived payments from the agencies of the government or other state-owned companies, with uncertainty regarding the time of payback; inventories are mainly investment costs for construction projects, all of which are considered low liquidity. As of 30 June 2025, the Company's total restricted assets were RMB8.8 billion which accounted for 44.2% of its total assets, which were mainly land inventory pledged for financing.

Weak credit metrics partially mitigated by expanding financing channel

As the Company's debt burden and financing costs increased, the Company's debt servicing capability has weakened, as reflected by that total debt/EBITDA ratio increased from 31.2x in 2023 to 39.8x in 2024 and its EBITDA interest coverage ratio maintained at 4.1x over the same period. Its FFO/total debt ratio also decreased from 2.8% to 2.5%, indicating constrained cash flow generating capability.

The Company's weak credit metrics can partially be mitigated by its expanding financing channel. As of 30 June 2025, around 84.0% of the Company's debt was provided by bank loans. As of end-2024, the Company possessed a total credit facility of RMB6.6 billion, of which the undrawn credit line amounted to RMB2.1 billion. In addition, around 7.0% of the Company's debt was from bond financing. In October 2024, the Company expanded its funding channel to offshore bond market, with an issuance amount of USD42.0 million. The Company also has exposure to high-cost non-standard financing, accounting for around 9.0% of its total debt. Non-standard financing is less stable than bank financing, and therefore the Company faces higher financing costs and greater refinancing pressure

External Support

High likelihood of strong support from the Jiangyou City Government and its parent company

We anticipate the Company has a high likelihood of strong support from the Jiangyou City Government and its parent company, JHHI, when necessary, given the Company's (1) status as the important subsidiary of JHHI involved in construction and operation in Jiangyou Industrial Park; and (2) strategic importance in industrial operation in Jiangyou City. We believe that JHHI has a strong capacity to support the Company by dint of its (1) ultimate ownership and control by the Jiangyou City Government; (2) status as the core infrastructure construction and public utility operation entity in Jiangyou City; and (3) good track record of receiving government supports.

We believe the Jiangyou City Government has a strong capacity to support when necessary, reflecting Jiangyou's advantage as an important node in the Chengdu Plain urban agglomeration transportation, with increasing fiscal strength but moderate fiscal profile. In 2024, Jiangyou City achieved a GRP of RMB71.7 billion, ranking 2nd among the county-level cities/districts under Mianyang City, an increase of 7.0% over the previous year. Its general budgetary revenue amounted to RMB3.9 billion in 2024, ranking 1st among the county-level cities/districts under Mianyang City.

JCDC has an important position in JHHI's operations as the major operating subsidiary involved in construction and operation in Jiangyou Industrial Park. As the key entity in charge of infrastructure construction in the Jiangyou Industrial Park, the Company has a good track record of receiving support from the local government and its parent company in the past few years. In 2024, the local government undertook other payables from JCDC of RMB500.0 million in total, which were converted to capital reserves of the Company. The Company also received cash injection of RMB15.0 million from JHHI in 2024. Besides, the Jiangyou City Government strongly supports the Company's operation by providing regular subsidies. From 2024 to 2025H1, the Company received government subsidies and tax reductions of RMB264.1 million in total. We expect the Company will continuously receive comprehensive support from its parent company and Jiangyou City Government.

Ultimately owned and controlled by the Jiangyou SASAO, JHHI is the core infrastructure construction and public utility operation entity in Jiangyou City. In addition, the Jiangyou City Government maintains a high degree of control over JCDC's operations through JHHI, including the formulation of business strategies and the appointment of the board of directors and key management personnel. JHHI is also required to report its annual budget, objectives, plans and performance to Jiangyou SASAO. Furthermore, JHHI has a proven track record of receiving support from the local government in terms of financial subsidies and asset injections.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the national governmental authorities. JCDC assumes environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

JCDC is also exposed to social risks as it implements public-policy initiatives by building facilities and providing services in Jiangyou City. Demographic changes, public awareness and social priorities shape government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. JCDC believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Company maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

Credit Enhancement

The rating of JCDC's guaranteed bonds (ISIN: XS2850667861) is based on our assessment on the credit quality of Tianfu Bond Insurance Co., Ltd. ("TFBI"). The bonds are unconditionally and irrevocably guaranteed by TFBI.

The obligations of TFBI for the bonds shall at all times at least rank pari passu with all other present and future unsecured and unsubordinated obligations of TFBI. Any change to the credit quality of TFBI could lead to a corresponding change in the rating of the bonds.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (April 2019).

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