Credit Opinion

2 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g-
Outlook	Stable

Analyst Contacts

Amy Chen +852-2860 7127
Credit Analyst
amy_chen@ccxap.com

Celestyn Nan +852-2860 7128
Assistant Credit Analyst
celestyn_nan@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Jiangsu Yungang Development Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g- long-term credit rating of Jiangsu Yungang Development Group Co., Ltd. ("Yungang Group" or the "Company") reflects Lianyungang Municipal Government's strong capacity to provide support and its 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 gross regional production ("GRP") of over RMB400.0 billion, with good industrial development and port resources. In addition, Lianyun District is a municipal district in Lianyungang City with relatively good economic growth and fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) ultimate control by the Lianyungang Municipal Government; (2) strong policy role in the industrial development of Lianyun District, especially the Lianyun Economic and Development Zone ("Lianyun EDZ"); and (3) track record of receiving government support.

However, the rating is constrained by the Company's (1) medium commercial activities exposure; (2) rising debt level driven by increasing capital expenditure; and (3) large exposure to external guarantees provided to local state-owned enterprises.

The stable outlook on Yungang Group's rating reflects our expectation that the local government's capacity to provide support will be stable, and the Company's characteristics, such as its primary role in the development of the Lianyun District and Lianyun EDZ, is expected to remain unchanged over the next 12 to 18 months.

Rating Drivers

- Strong policy role in the industrial development of Lianyun EDZ
- Medium exposure to commercial activities
- Track record of receiving government support
- Rising debt level driven by increasing capital expenditure
- Moderate asset liquidity
- Moderate access to funding
- Large exposure to external guarantees provided to local state-owned enterprises

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government’s capacity to support materially strengthens; or (2) the Company's characteristics change in a way that strengthens the local government’s willingness to support such as an increase in the importance of its policy role, improved debt management, or reduced exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government’s capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government’s willingness to support, such as an increase in risk exposure to commercial activities, or decline in its policy significance.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	11.3	12.2	13.3	13.7
Total Equity (RMB billion)	4.9	4.8	5.0	5.0
Total Revenue (RMB million)	741.2	704.8	734.8	467.5
Total Debt/Total Capital (%)	50.0	51.7	57.2	58.4

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2009, Yungang Group, formerly known as Jiangsu Yungang Investment Development Co., Ltd., is the primary local infrastructure investment and financing company (“LIIFC”) focusing on industrial investment in the Lianyun District, Lianyungang City. Yungang Group mainly undertakes the role of local infrastructure construction, industrial supporting projects and comprehensive services in the Lianyun EDZ, a provincial-level EDZ in the Lianyun District. The Company has developed diversified business segments, including infrastructure construction, service businesses such as sewage treatment and inland port operation, photovoltaic (PV) power generation, property leasing, and trading. As of 30 September 2025, the Company was ultimately controlled by Lianyungang Municipal Government through Jiangsu Haizhou Bay Holding Group Co., Ltd. (“Haizhou Bay Holding”).

Exhibit 1. Shareholding chart as of 30 September 2025

Source: Company information, CCXAP Research

Exhibit 2. Revenue structure in 2024

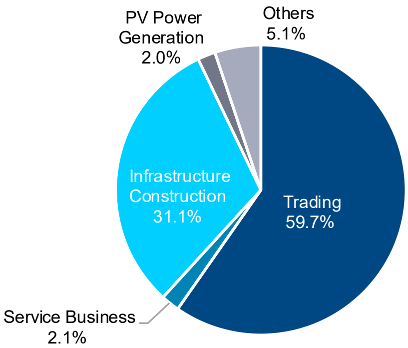
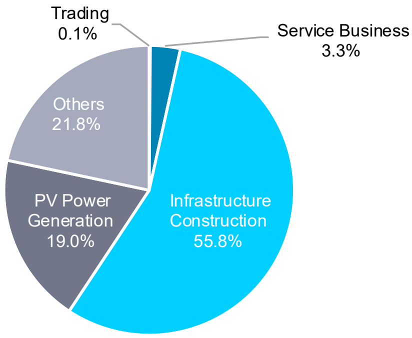


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Lianyungang Municipal Government has a strong capacity to provide support, which is underpinned by its superior strategic location and favorable port conditions, robust economic strength ranking among the top tier of Chinese prefecture-level cities, and well-developed key industries. In addition, as a pivotal port area of Lianyungang, Lianyun District serves as a key growth engine for the city's and Jiangsu Province's coastal development.

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 RMB160,694.0, ranking top among all provinces in China. In the first three quarters of 2025, Jiangsu Province achieved a GRP of RMB10.3 trillion, representing a YoY increase of 5.4%.

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 Lianyun Port. With geographic advantages, it 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% YoY to RMB466.3 billion. In the first three quarters of 2025, Lianyungang City achieved a GRP of RMB331.8 billion, a YoY increase of 5.0%. Compared with 2023, the general budgetary revenue in 2024 increased to RMB28.7 billion from RMB25.6 billion, with tax revenue rising to RMB20.9 billion from RMB19.6 billion. Tax contribution accounted for 69.8% on average over the past three years, indicating a strong revenue-generating ability. However, the fiscal sufficiency of Lianyungang Municipal Government was still relatively weak. The fiscal balance ratios (general budgetary revenue/ general budgetary expenditure) were 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 around 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: Lianyungang Municipal Government, CCXAP research

Lianyun District has abundant ocean and tourism resources and has been awarded as an all-for-one tourism demonstration zone since 2016. The local government has also promoted industrial development by establishing industrial parks to attract investments, such as the SCO (Lianyungang) International Logistics Park ("SCO Park") and the Lianyun EDZ, where Yungang Group mainly operates. Metal materials and chemical industries are Lianyun District's pillar industries. Lianyun District has a small economic size among county-level cities in Lianyungang City but has kept ongoing economic growth over the past few years. In 2024, Lianyun District achieved a GRP of RMB32.3 billion, a YoY increase of 5.8%. Lianyun District has relatively good fiscal balance and stability. In 2024, its general budgetary revenue increased to RMB2.5 billion from RMB2.3 billion in 2023. Meanwhile, the tax revenue, a stable source for Lianyun District Government's general budgetary revenue, also increased to RMB2.0 billion. The fiscal balance ratio remained at a high level of 113.7% and tax accounted for 79.1% of its budgetary revenue on average over the past three years, representing a relatively good fiscal quality. As of the end of 2024, the Lianyun District Government's outstanding government debts slightly increased to RMB2.6 billion, which accounted for around 8.1% of GRP.

Exhibit 5. Key economic and fiscal indicators of Lianyun District

	2022FY	2023FY	2024FY
GRP (RMB billion)	25.6	28.6	32.3
GRP Growth (%)	0.8	9.5	5.8
General Budgetary Revenue (RMB billion)	2.2	2.4	2.5
General Budgetary Expenditure (RMB billion)	2.0	2.1	2.1
Local Government Debt (RMB billion)	2.1	2.3	2.6

Source: Lianyun District Government, CCXAP research

Lianyun EDZ was established in 1992 and was approved as a provincial-level development zone in 2006. It is one of the key industrial development areas of Lianyun District and has formed an industrial cluster dominated by new energy, chemical and metal materials industry. Lianyun EDZ has attracted a number of enterprises such as Lianyungang Huale Alloy Group Co., Ltd., Jiangsu Sanjili Chemical Co., Ltd., Wilmar Polymer Materials (Lianyungang) Co., Ltd., Lianyungang Hengxintong Mining Co., Ltd. and Chinalco Jiangsu Rare Earth Co., Ltd. In 2019, mandated by the Lianyungang Municipal Government, the Management Committee of the Lianyun EDZ assumed the responsibility for the development and management of the SCO Park. SCO Park is a provincial and municipal hub for modern service industries and a key municipal logistics base. In the first 8 months of 2025, SCO Park completed logistics flow of 53.4 million tons, representing a YoY increase of 11.9%. Lianyun EDZ actively promotes the construction of key projects to accelerate high-quality development. For instance, the construction of Tianwan photovoltaic project, which has been included in the third batch of national large-scale photovoltaic base projects. After completion, it will become the world's largest offshore photovoltaic power station.

Government's Willingness to Provide Support

Strong policy role in the industrial development of Lianyun EDZ

In 2023, the local government positioned Haizhou Bay Holding as the entity to consolidate the main LIIFCs in Lianyun District, mainly including Jiangsu Haizhou Bay Development Group Co., Ltd.("HZDG") and Yungang Group. Yungang Group is the key industrial investment platform that undertakes the functions of infrastructure development, industrial supporting project construction and providing comprehensive services in the Lianyun EDZ and the SCO Park, which are the key industrial parks of the Lianyun District. The success of the Lianyun EDZ and the SCO Park is important to the industrial and economic development of the Lianyun District as it contributed an important part of tax revenue and fiscal income for the region.

Yungang Group has an essential role in the development of Lianyun EDZ as seen by its large contribution to the local infrastructure construction such as roads, land consolidation, factories and resettlement housings. Entrusted by the Management Committee of Lianyun EDZ, Yungang Group receives project payments based on the actual costs plus a markup upon examination of the projects according to the construction agency agreements. As of 30 September 2025, there were 7 infrastructure construction projects under construction, with a total investment amount of RMB739.0 million and an uninvested amount of RMB466.0 million. Meanwhile, the Company had 3 projects under planning with an estimated investment amount of RMB100.0 million. In order to support local industrial development, Yungang Group provides supporting services, including industrial sewage treatment and inland port handling services, to local enterprises. The Company is the sole industrial sewage service provider in the park and has strong regional advantages. As of 30 September 2025, the Company owned and operated 1 sewage treatment plant with a total treatment capacity of 350 million tons per day, covering a sewage service area of approximately 10 square kilometers. At the same time, the Company had a sewage treatment project under construction with a total investment of RMB300.0 million and an uninvested amount of RMB250.0 million. In addition, the Company had an inland port project under construction with a total investment of RMB390.0 million with uninvested amount of RMB140.0 million. The abundant projects under construction and planning can ensure the sustainability of its infrastructure construction business, but also bring relatively large capital expenditure pressure.

Yungang Group's policy role is expected to maintain as the key developer in the Lianyun EDZ and SCO Park. Its businesses will increase along with the development of the SCO Park and Lianyun EDZ, including the construction of supporting facilities and provision of services. Given Yungang Group's essential roles, the replacement cost for the local government is high and the ongoing government support is very likely.

Medium exposure to commercial activities

Yungang Group maintained medium exposure to commercial business, which has increased along with the rising local industrial investments. The Company is engaged in commercial activities including trading, PV power generation and property leasing, which generate additional income sources. The risk nature of such activities is generally higher than traditional infrastructure construction projects and direct government financial support will be more difficult under stricter regulatory supervision on the risk control of government's debt. Yungang Group relies on external financing to support the development of its commercial activities.

Yungang Group engaged in trading business to meet the needs of local enterprises. The suppliers and customers for the Company's trade business are primarily state-owned enterprises in Jiangsu Province and Shanghai. In 2024, the main trading goods were coiled screw and agricultural products such as soybean. The trading business represents a large portion of the Company's revenue stream but generates a minimal profit. In 2024, the revenue from trading business increased by 1.8% YoY to RMB438.6 million, accounting for 59.7% of the total revenue. However, its gross profit margin was relatively low at 0.02%. Yungang Group's trading business has low price risk as most orders are fulfilled on an on-demand basis. However, the suppliers and customers of the trading business were still highly concentrated. There are also some additional capital needs for trading business because a credit period of no more than 30 days is normally provided to customers.

Yungang Group also carried out self-operated projects, which rely on leasing to achieve fund balancing. As of 30 June 2024, the Company mainly had 3 self-operated projects under construction, including an industrial park, a grain storage project and a cold chain warehouse project, with a total investment of RMB1.3 billion and an uninvested balance of RMB1.0 billion. The initial project capital investment brings certain expenditure pressure to the Company. Moreover, the profitability of self-operated projects is highly market-dependent, introducing some uncertainty into future operation.

Yungang Group started its PV power generation business through the acquisition of two enterprises with PV power installed capacity of 16MW in 2019. As of 30 September 2025, the Company had two planned PV power project with total estimated investment of RMB22.1 million. The PV power generation has offered a stable recurring income source to the Company, with high gross profit margin of 70.2% in 2024. At the same time, the revenue from PV power generation power slightly decreased to RMB14.0 million from RMB15.0 million last year.

Track record of receiving government support

Yungang Group has a track record of receiving government support in various forms such as capital injection, financial subsidies, as well as equity and asset injections. For instance, in 2024, the local government transferred its holding and assets of three grain-related state-owned enterprises to the Company without compensation, increasing its capital reserves. In order to support the Company's operation, the local government has also provided ongoing financial subsidies of RMB93.2 million in total from 2024 to 2025Q3.

Besides, the Company also receives government support in the form of project allocation and assistance in the application of special bond funds. The Company will undertake more important tasks along with the development of Lianyun EDZ and SCO Park. Meanwhile, from 2024 to September 2025, the Company received special-purpose bond funds of RMB383.6 million for infrastructure projects. As of 30 September 2025, the remaining balance of the Company's special-purpose bonds reached RMB562.6 million. Given the Company's strong public policy role in the Lianyun EDZ and the SCO Park, we expect the Company will continue to receive government support over the next 12 to 18 months.

Rising debt level driven by expanding capital expenditure

Yungang Group demonstrated ongoing debt growth driven by continuous investment in projects. The Company's total debt increased to RMB7.0 billion as of 30 September 2025 from RMB5.1 billion at end-2023. Its total capitalization ratio remained at a moderate level and increased from 51.7% to 58.4% during the same period. The Company had a relatively high short-term debt burden with the short-term debt accounting for 67.1% of the total debt and the unrestricted cash to short-term debt ratio was at 0.4x as of 30 September 2025. Yungang Group has a large investment plan for its infrastructure construction and commercial activities. Although some of them can be supported by government special funds, there are still large external financing needs for construction projects. The Company's debt level is expected to increase in the next 12 to 18 months along with ongoing investment.

Moderate asset liquidity

Yungang Group's asset liquidity is considered moderate, and some assets are pledged for borrowings, which reduces the Company's financial flexibility. As of 30 September 2025, the Company's total restricted assets amounted to RMB3.5 billion, accounting for 25.3% of total assets mostly due to borrowings. The Company's accounts receivable, other receivables, investment properties and construction in progress accounted for a relatively high proportion, totaling 66.4% of total assets as of 30 September 2025. The receivables are mainly from government units and local SOEs and have a relatively low risk of default, but the timing of repayment is uncertain, which has formed a drain on the Company's working capital. The investment properties are mainly land use rights and construction in progress consists of self-operated projects and sewage projects, all of which are considered to have low liquidity.

Moderate access to funding

Yungang Group has moderate access to funding. It relies highly on indirect financing. The reliance on asset-pledged loans improved as deeper cooperation with banks. Yungang Group maintained a good relationship with domestic banks, such as Agricultural Bank of China Limited, Bank of Nanjing Co., Ltd. and China Everbright Bank Co., Ltd. As of 30 September 2025, the Company had total credit facilities of RMB9.9 billion and undrawn credit facilities of RMB8.1 billion. In addition, the Company's exposure to non-standard financing accounted for around 10% of total debts as of 30 September 2025. Meanwhile, the Company's financing flexibility is expected to improve, underpinned by the anticipated expansion of funding channels, including the approval for domestic bond issuance.

Large exposure to external guarantees provided to local state-owned enterprises

Yungang Group has a large exposure to contingent liabilities from its external guarantees provided to external parties. As of the end of September 2025, its external guarantees increased to RMB3.6 billion from RMB2.9 billion as of the end of 2023, accounting for 73.1% of its net assets. All of these external guarantees were provided to other local LIIFCs or state-owned enterprises. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks, which are negative to its credit quality.

ESG Considerations

Yungang Group bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

The Company is also exposed to social risks as a public services provider in Lianyun District, Lianyungang City. Demographic changes, public awareness, and social priorities shape the government's target for Yungang Group or affect the government's propensity to support the Company.

Yungang Group's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, 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).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP’s publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP’s publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656