Credit Opinion

12 August 2026

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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Jingdezhen Hesheng Industrial Investment Development Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jingdezhen Hesheng Industrial Investment Development Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Jingdezhen Hesheng is underpinned by the Company's (1) status as important industrial investment platform in Jingdezhen City; and (2) diversified sources of revenue.

However, the rating is constrained by the Company's (1) modest asset profitability, with high reliance on government subsidies; (2) relatively fast debt growth and modest long-term debt servicing capability; and (3) moderate access to funding.

The rating also reflects a high likelihood of government support from the Jingdezhen Municipal Government when needed, which is based on the Company's (1) ultimate control by the Jingdezhen Municipal Government; (2) significance in promoting the strategic development of emerging industries in Jingdezhen City; and (3) solid track record of receiving support from the local government, including subsidies, capital injections and asset transfers.

The stable outlook on Jingdezhen Hesheng's rating reflects our expectation that, for the next 12 to 18 months, the Company will maintain its strategic role as the important industrial development platform in Jingdezhen City, and continue to receive solid support from the Jingdezhen Municipal Government.

Rating Drivers

- Important industrial investment platform in Jingdezhen City
- Diversified sources of revenue
- Modest asset profitability, with high reliance on government subsidies
- Relatively fast debt growth and modest long-term debt servicing capability
- Moderate access to funding
- High likelihood of support from the Jingdezhen Municipal Government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the Jingdezhen Municipal Government and its parent company 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 Total Debt/EBITDA ratio and a higher EBITDA/Interest ratio.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Jingdezhen Municipal Government and its parent company decreases; (2) the performance of the Company's investment portfolio deteriorates; or (3) the Company shows weakened access to funding and eroded liquidity profile.

Key Indicators

	2023FY	2024FY	2025FY
Total Assets (RMB billion)	35.5	39.4	45.7
Total Equity (RMB billion)	17.3	17.4	17.5
Total Revenue (RMB billion)	1.1	1.0	2.1
Net Profits (RMB million)	42.3	43.6	50.0
EBIT Margin (%)	57.9	77.4	31.8
Return on Assets (%)	1.8	2.1	1.5
Total Debt/Total Capital (%)	46.4	50.7	56.3
Total Debt/EBITDA (x)	21.5	20.1	27.9
EBITDA/Interest (x)	1.0	1.2	1.1
FFO/Total debt (%)	1.2	3.0	1.0

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2009, formerly known as Jingdezhen Hesheng Optoelectronics Industrial Investment Development Co., Ltd, Jingdezhen Hesheng is positioned as an important industrial investment platform in Jingdezhen City, focusing on the investment in emerging industries such as aviation, new energy, and new materials. In addition, the Company is also involved in property leasing, real estate, and trading businesses. As of 31 March 2026, Jingdezhen Hesheng was 80% owned by Jingdezhen Investment Co., Ltd. ("Jingdezhen

Investment"), which was Jingdezhen City's main industrial investment platform and wholly owned by Jingdezhen State-owned Assets Operation and Investment Holding Group Co., Ltd. ("JSAH"), while Management Committee of Jingdezhen High-tech Industrial Development Zone ("Jingdezhen HIDZ") held the remaining 20%. Its ultimate controlling shareholder is Jingdezhen State-owned Assets Supervision and Administration Commission ("Jingdezhen SASAC").

Exhibit 1. Revenue structure in 2025

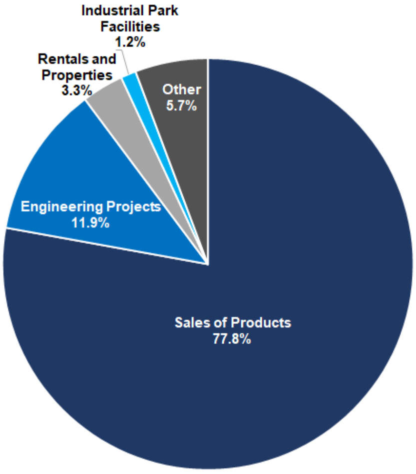
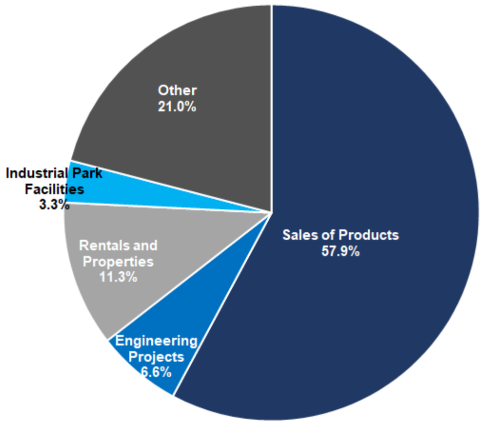
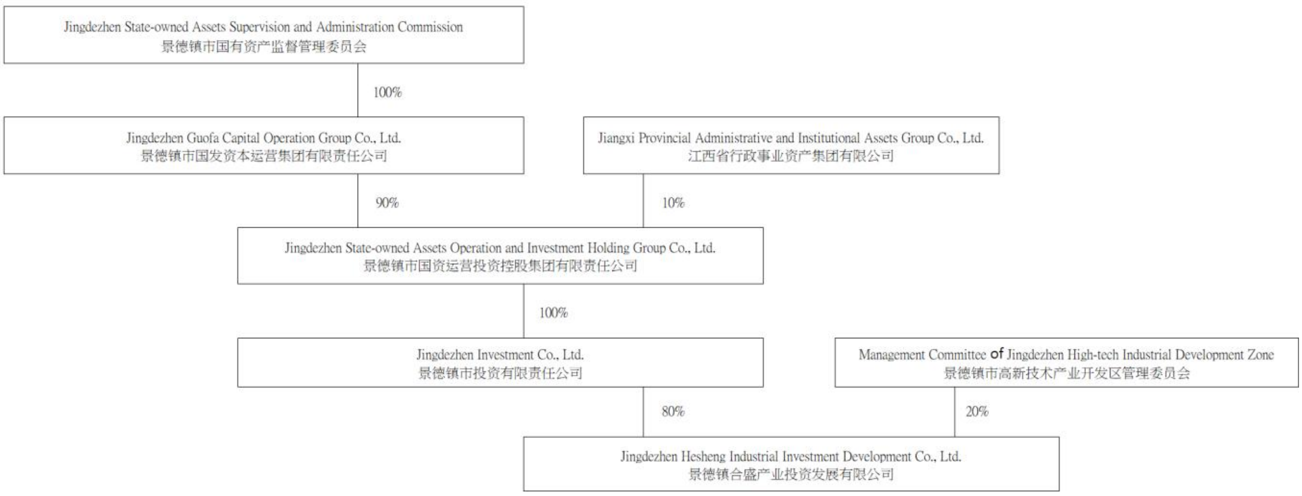


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding and organization chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important industrial investment platform in Jingdezhen City

JSAH is the largest investment and financing enterprise in Jingdezhen City. As an important industrial investment platform under its management, Jingdezhen Hesheng is of great significance in promoting the development of strategic emerging industries in Jingdezhen City. The Company is engaged in industrial investment through equity investment and industrial funds, with its investment portfolio aligned with government policies and economic development trends. It focuses on local advantageous industries such as aviation, new energy, and new materials, making great contributions to the industrial development of Jingdezhen City.

The Company directly holds 22.1% equity interests of a listed company Guangdong Zhengye Technology Co., Ltd. (“Zhengye Technology”, stock code: 300410.SZ), which focuses on high-end industrial testing, including the testing of lithium battery, PCB, flat panel display as well as semi-conductor. In 2025, the revenue from Zhengye Technology was RMB1.6 billion, accounting for 77.8% of total revenue. In addition, Zhengye Technology established a joint venture, Jingdezhen Zhengye New Energy Technology Co., Ltd. ("Zhengye New Energy"), to invest in a construction project of 5GW photovoltaic modules and 8GW heterojunction photovoltaic cell production base, with a total planned investment of RMB5.0 billion in three phases and the first phase invested amount of RMB327.0 million as of 31 December 2025. However, Zhengye Technology terminated the investment in the photovoltaic project and transferred its 40% equity interests in Zhengye New Energy to the Company in December 2024. The Company is responsible for the future investment and operations of the project, which may exert certain capital expenditure pressure.

The Company is engaged in fireproof insulation materials by holding 70% equity interests of Jiangxi Hesheng Antai New Materials Co., Ltd., which plans to build six insulation panel production lines and one steel plate production line in Jingdezhen City. As of end-2025, it was building a base in Jingdezhen, with total planned investment of RMB288.0 million and invested amount of RMB136.0 million. In 2025, it has generated sales revenue of RMB11.9 million. Currently in its early development stage, the segment remains small-scale and unprofitable, but revenue is expected to grow after the completion of the new plants.

Furthermore, the Company holds a 60% stake in Jiangxi Longsheng Auto Co., Ltd., which operates the auto parts manufacturing project with a total planned investment of RMB1.2 billion. As of end-2025, its cumulative investment reached RMB779.0 million. It is still in initial operational phase, generating revenue of about RMB16.0 million in 2024 and RMB291.0 million in 2025, showing a significant upward trend.

The Company also invests in key industries in Jingdezhen City through industrial funds, mainly involving emerging industries such as aviation, new energy and new materials. As of 31 December 2025, it had invested in 8 industrial funds, with accumulated contributions of RMB932.0 million and contributed amount of RMB216.0 million. Its investment income mainly includes dividends. However, the overall scale of the Company's fund investments remains relatively small, and most of the funds are still in the early investment stage. The Company received dividend incomes of about RMB2.0 million in 2025.

Diversified sources of revenue

In addition to industrial investment businesses, the Company has also diversified into different business segments, mainly including property leasing and property development, forming a well-diversified business portfolio. We believe that the Company can diversify its business risks and mitigate revenue volatility through the synergistic operation of its multiple business segments.

The Company owns leasable properties including industrial and commercial buildings, providing supplementary income for the Company. As of end-2025, the Company had 1.5 million square meters of leasable properties, with moderate overall rental rate of 57.1%. The rental income is relatively small. In 2025, the Company achieved income from property leasing business of RMB68.0 million. As of end-2025, the Company had 6 self-operated projects under construction with a total planned investment of RMB3.7 billion, of which RMB2.3 billion remained uninvested, and 3 projects under planning with a total planned investment of RMB2.6 billion. The large-scale self-operated projects with long payback periods pose significant uncertainty in funding balance.

The Company has participated in property development in Jingdezhen HIDZ. The properties consist of resettlement housing portion and market-driven portion. Upon completion of the projects, the Company will sell the resettlement housing portion to relocated households in accordance with the government guided prices, while the remaining will be sold to the public at market prices. As of 31 December 2025, it has one completed property project, with sell-through rate of 74.5%. In the meantime, the Company had only one project under construction, with total estimated investment of RMB866.0 million and uninvested amount of RMB264.0 million. However, there is no project under planning, indicating uncertain sustainability for this business.

In addition, the Company has participated in trading and engineering construction businesses through its subsidiary. The trading business mainly involves the trade of raw materials for the manufacturing industry and engineering construction materials, such as steels and concrete, which are sold to large-scale construction state-owned enterprises or industrial park enterprises, earning profits from the price difference of the goods bought and sold. In 2025, trade revenue amounted to RMB54.0 million with a significant increase, due to the expansion of trading business. Additionally, the Company undertakes various engineering construction projects within Jingdezhen City, generating revenue through construction service fees. Its current primary clients are enterprises located in the Jingdezhen HIDZ. In 2025, the revenue from engineering construction business amounted to RMB246.6 million, with a year-on-year (“YoY”) increase of 215.3%, due to the increased number of projects at hand.

Financial Profile

Modest asset profitability, with high reliance on government subsidies

The sales of products business is the main contributor, accounting for 77.8% of total revenue in 2025, followed by engineering projects (12.0%). In 2025, the Company’s revenue reached RMB2.1 billion, indicating an increase compared to RMB1.0 billion in 2024, mainly driven by the improved performance of Zhengye Technology. However, its total profit is highly relied on government subsidies. In 2025, its total profit dropped by 57.7% YoY, mainly due to a decrease in government subsidies.

The Company's asset profitability is moderate, leading to modest return on assets. The assets of the Company mainly consist of inventories (development costs and land assets), investment properties (leasable assets), and intangible assets (forest rights), totally accounting for 72.8% of total assets. The Company's leasing business can bring stable cash flow, but its current scale is small, and there is an uncertainty regarding the future profitability of its forest rights assets. As a result, the Company’s return on assets was modest at 1.5% in 2025.

Relatively fast debt growth and modest long-term debt servicing capability

Due to relatively large capital expenditure on its investment projects, Jingdezhen Hesheng’s total debt has been growing rapidly over past few years. As of end-2025, the Company's adjusted total debt increased to RMB22.5 billion from RMB17.9 billion at end-2024, with total capitalization ratio of 56.3%. The Company is exposed to certain short-term debt repayment pressure as its short-term debt accounted for 39.3% of its total debt as of end-2025. Meanwhile, the cash to short-term debt ratio was 0.4x, indicating that its cash reserve could not fully cover the short-term debt. We expect the Company’s debt burden will continue to increase, given its large capital expenditure needs for its investment projects and further development of its diversified business.

As the Company’s debt burden and financing costs increased, Jingdezhen Hesheng’s long-term debt servicing capability is modest. In 2025, its total debt/EBITDA ratio was 27.9x and EBITDA interest coverage ratio was

1.1x. In the meantime, its FFO/total debt ratio was about 1.0%, indicating that the Company primarily relies on external financing rather than operating cash flow for debt servicing.

Moderate access to funding

Jingdezhen Hesheng mainly finances its capital needs from bank loans, which accounted for 62.0% of its total debt at end-2025. However, the Company has moderate standby liquidity. As of end-2025, the Company had obtained total credit facilities of RMB15.1 billion from diversified domestic policy banks and commercial banks, with available amount of RMB2.8 billion. The Company has access to bond markets, which accounted for 19.5% of its total debt at end-2025. As of 31 December 2025, the Company had outstanding onshore bonds of RMB3.1 billion, and 2 outstanding offshore bonds of RMB536.3 million.

External Support

High likelihood of support from the Jingdezhen Municipal Government

We expect Jingdezhen Hesheng to have a high likelihood of receiving support from the Jingdezhen Municipal Government in times of need. This expectation incorporates our considerations of the Company’s (1) ultimate control by the Jingdezhen Municipal Government; (2) significance in promoting the strategic development of emerging industries in Jingdezhen City; and (3) solid track record of receiving support from the local government, including subsidies, capital injections and asset transfers.

Jingdezhen City, a prefecture-level city in Jiangxi Province, boasts a distinctive industrial structure. Its pillar industries include porcelain, aviation, and fine chemicals & pharmaceuticals. In 2025, Jingdezhen City's gross regional product reached RMB119.0 billion, a YoY decrease of 0.7%. In recent years, Jingdezhen City's fiscal strength has generally stabilized. In 2025, its general public budget revenue was RMB9.1 billion.

Jingdezhen SASAC maintains a high degree of control over Jingdezhen Hesheng’s operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to Jingdezhen SASAC.

As the strategic industrial investment platform under the management of JSAH, the Company is one of the important subsidiaries of JSAH, assuming the role of cultivating local emerging industries in Jingdezhen City, such as aviation, new energy, and new materials. As of 31 December 2025, its consolidated assets amounted to RMB45.7 billion, accounting for 30.1% of JSAH’s total assets.

Jingdezhen Hesheng receives solid support from the Jingdezhen Municipal Government and its shareholders, given its strategic and economic importance in industrial investment in Jingdezhen City. In 2025, Jingdezhen Investment has injected capitals of RMB240.0 million to the Company, and the local government provided subsidies of RMB1.1 billion to the Company to support its operations. The local government has also provided special funds to support the Company’s construction projects, with outstanding amount of about RMB2.1 billion as of the end of 2025, and JSAH has provided guarantees to facilitate its financing in the offshore bond market. Given its strategic position in the industrial development of Jingdezhen City, we believe that the local government and shareholders will continue to provide support to the Company.

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. It 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.

The Company is also exposed to social risks as an industrial investment entity in Jingdezhen City. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company. In recent years, the Company has not experienced any major negative social events or major safety accidents, and it has a relatively sound employee incentive mechanism.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its status as a government-owned entity. We believe 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.

Structural Subordination

Jingdezhen Hesheng's senior unsecured debt rating is in line with its long-term credit rating. We believe that government support will flow through the Company given its strategic role as the important industrial development platform in Jingdezhen City, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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.

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