Credit Opinion

4 November 2026

Jiangsu Fuxuan Industrial Co., Ltd.

Surveillance credit rating report

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

Analyst Contacts

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

Meng Cheng +852-2860 7126
Assistant Credit Analyst
meng_cheng@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

CCXAP affirms Jiangsu Fuxuan Industrial Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Jiangsu Fuxuan Industrial Co., Ltd. ("JSFX" or the "Company") reflects the Binhai County Government's strong capacity to provide support, and the local government's very 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 Binhai County's ongoing economic and fiscal growth. However, its fiscal balance ratio is moderate.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) ultimate ownership and governance by Binhai County Government; (2) essential role in infrastructure and industrial development in Jiangsu Binhai Economic Development Zone ("Binhai EDZ"); and (3) track record of support from the local government in terms of financial subsidies and asset injections.

However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increased debt burden and short-term debt pressure; and (3) moderate financing ability.

The stable outlook on JSFX's rating reflects our expectation that the Binhai County Government's capacity to provide support will remain stable, and the Company will maintain its important position in Binhai County and Binhai EDZ over the next 12-18 months.

Rating Drivers

- Essential role in infrastructure and industrial development in Binhai EDZ
- Moderate exposure to commercial activities
- Track record of receiving government support
- Increasing debt burden and relatively high short-term debt pressure
- Moderate access to funding channels with modest financial flexibility
- Moderate exposure of guarantees extended to third parties

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as strengthened policy importance or improved financing channels.

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 materially increased exposure to risky commercial activities or a deterioration in its debt management or asset liquidity.

Key Indicators

	2023FY	2024FY	2025FY	2026Q2
Total Assets (RMB billion)	14.6	22.8	25.0	25.8
Total Equity (RMB billion)	7.1	10.1	10.7	10.7
Total Revenue (RMB billion)	1.2	1.6	1.6	0.6
Total Debt/Total Capital (%)	46.5	45.6	48.1	51.4

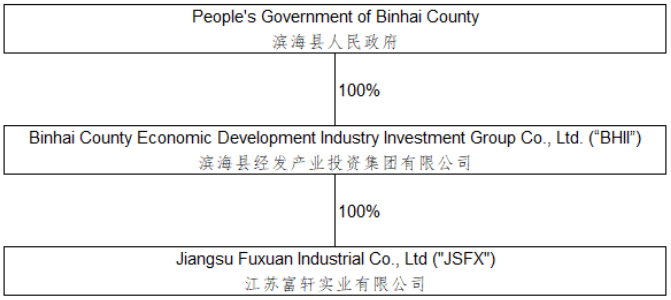
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2013, JSFX is the primary local infrastructure investment and financing company ("LIIFC") in Binhai EDZ, a provincial-level EDZ in Binhai County, Yancheng City. It is mainly responsible for infrastructure construction and industrial property development in the Industrial Park Area of Binhai EDZ and also undertakes the asset liquidation and revitalization in the area in alignment with the local government's development strategy. Meanwhile, the Company has developed a range of commercial activities, including property leasing, trading and processing. In October 2020, the Company's shareholder was transferred from the Jiangsu Binhai Economic Development Zone Industrial Park Investment Service Centre to Binhai State-owned Assets Operation and Service Centre ("Binhai SAOSC"). In August 2025, Binhai SAOSC transferred its stake in JSFX to Binhai County Economic Development Industry Investment Group Co., Ltd. ("BHII"). As of 30 June 2026, JSFX was wholly owned by BHII and remained ultimately controlled by Binhai County Government.

Exhibit 1. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

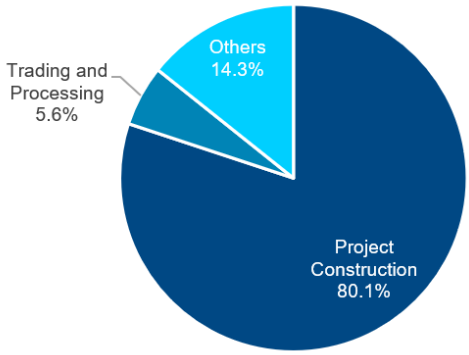
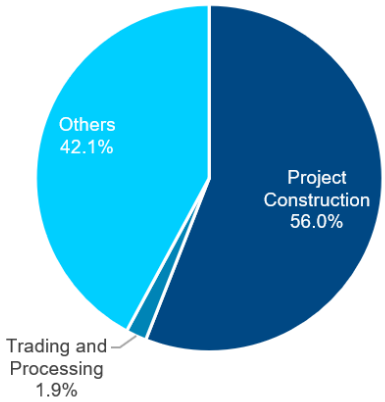


Exhibit 3. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Binhai County Government has a strong capacity to provide support, given its ongoing economic and fiscal growth. However, its fiscal balance ratio is 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, chemical, and textile. Jiangsu Province is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2025, its total GRP amounted to RMB14.2 trillion, a year-over-year ("YoY") increase of 5.3%. The per capita GRP also ranked top among all provinces in China for years.

Yancheng City is a prefecture-level city in Jiangsu Province, with a good economic foundation. Based on its advantageous traditional industries including autos, textiles, steel, and chemical industries, Yancheng City is undergoing an economic transition and is developing emerging industries such as new energy vehicles and core components, new energy, new generation information technology, new materials, big health and digital economy and ocean economy industries, which help support sustainable economic growth in the long run. In 2025, Yancheng City achieved a GRP of RMB804.5 billion with a 5.4% YoY growth rate. The general budgetary revenue increased annually on the back of steady economic growth and optimized upgrading of the industrial structure. In 2025, the Yancheng Municipal Government achieved general budgetary and tax revenue of RMB51.6 billion and RMB34.7 billion. However, the fiscal balance ratio (calculated by general budgetary

revenue over general budgetary expenditure) remained moderate, with a 3-year average ratio of 43.3%. As of the end of 2025, the local government's outstanding debt increased to RMB209.2 billion, accounting for around 26% of GRP.

Exhibit 4. Key economic and fiscal indicators of Yancheng City

	2023FY	2024FY	2025FY
GRP (RMB billion)	740.4	777.9	804.5
GRP Growth (%)	5.9	5.5	5.4
General Budgetary Revenue (RMB billion)	48.3	49.6	51.6
General Budgetary Expenditure (RMB billion)	122.8	113.7	110.0
Local Government Debt (RMB billion)	165.5	196.2	209.2

Source: Yancheng Municipal Government, CCXAP research

Binhai County is a county under the jurisdiction of Yancheng City and is located in the northeast of Jiangsu Province. The economic and financial strength of Binhai County was weaker than most districts and counties of Yancheng City but the economic status has been increasing steadily. The industrial structure of Binhai County has been transformed and upgraded in recent years, forming leading industries such as electronic information, auto parts and new pharmaceutical industry. Binhai County's GRP increased steadily to RMB70.7 billion in 2025 from RMB68.1 billion in 2024. During the same period, its general budgetary revenue increased to RMB3.6 billion from RMB3.4 billion. Tax income accounted for around 77% on average of the general budgetary revenue over the past three years, representing a relatively stable revenue generating ability, while its fiscal self-sufficiency ability was relatively weak with an average fiscal balance ratio of 28.8% over the past three years. At the end of 2025, the local government's outstanding debt was RMB17.6 billion, accounting for 24.9% of GRP.

Exhibit 5. Key economic and fiscal indicators of Binhai County

	2023FY	2024FY	2025FY
GRP (RMB billion)	64.3	68.1	70.7
GRP Growth (%)	6.6	7.0	6.0
General Budgetary Revenue (RMB billion)	3.2	3.4	3.6
General Budgetary Expenditure (RMB billion)	11.2	11.5	12.7
Local Government Debt (RMB billion)	13.5	17.2	17.6

Source: Binhai County Government, CCXAP research

Binhai EDZ was founded in 2001 and was approved to be a provincial-level EDZ in 2006. It is mainly composed of two areas, the Industrial Park Area and Coastal Industrial Park Area. The continuous transformation and upgrading of the industrial structure have led to the formation of key industries in Binhai EDZ, including electronic information, auto parts, advanced machinery manufacturing, and modern service, and has attracted several large enterprises such as Jiangsu Suyan Valve Machinery Co., Ltd., Shanghai Lvxiang Auto Parts Co., Ltd. and Jiangsu Chaowei Power Supply Co., Ltd.

Government's Willingness to Provide Support

Essential role in infrastructure and industrial development of Binhai EDZ

JSFX is one of the important LIIFCs wholly owned by the Binhai County Government, having an important and clear strategic position. Designated by the Management Committee of Binhai EDZ, the Company has undertaken a series of infrastructure construction projects within the Industrial Park Area. Apart from that, it promotes regional investment attraction and industrial upgrades. For example, under the guidance of the local

government, JSFX promotes the liquidation of distressed enterprises and asset revitalization, which is fundamental to the improvement of the investment environment of Binhai EDZ. The Company acquires factories, lands or underperforming enterprises through asset acquisition or equity acquisition. It is responsible for repairing or reconstructing the original factory buildings and obtains rental revenue from the newly settled enterprises. As the major developer and operator in Binhai EDZ, the default of the Company would impair the project construction and disrupt the regional industry and economic development.

JSFX serves as the agency construction platform entrusted by the Management Committee of Binhai EDZ. According to the construction agency agreement, JSFX is responsible for the financing and construction of the projects, and the Management Committee of Binhai EDZ will pay the actual costs plus a markup to the Company after the audit. As of 30 June 2026, the Company had no projects under construction or planning, and development costs pending settlement of approximately RMB895.0 million. The Company's agent construction project reserves and future investment needs are relatively small, nevertheless, we anticipate a continued demand for its services due to the sustained growth and expanding development prospects of Binhai EDZ.

Moderate exposure to commercial activities

JSFX's commercial activities include property leasing, trading and processing. Based on our assessment, the Company has moderate exposure to commercial activities, which accounted for approximately 25% to 30% of its total assets. The commercial activities have become a significant source of revenue for the Company, and the associated commercial risks are manageable given that most of them are conducted for the development strategies of Binhai EDZ.

JSFX's rental assets are primarily comprised of industrial factories from acquisition or self-construction in the Industrial Park Area. As of 30 June 2026, the Company's major self-owned leasing assets had a leased area of 562,400 square meters. Meanwhile, the Company had two major self-operated projects under construction, both factory buildings, with a planned total investment of RMB2.1 billion and remaining investment of RMB768.0 million; and one project in planning with a total investment amount of RMB378.0 million. The leasing business highly depends on the local industrial development planning and investment attraction process, which generates uncertainty about the actual income and investment payback period.

JSFX has invested in the Green Island Intelligent Manufacturing Service Center Project ("Green Island") with a total investment of RMB1.3 billion, including factories and equipment. Relying on Green Island and technical support from local industry leaders, JSFX can provide processing manufacturing services to local enterprises, on the other hand, local enterprises can share the processing technology. JSFX charges processing fees from the customers, but the revenue is small at the current stage. Given that the business is partially geared towards fostering regional industrial growth and attracting investment, the profit is relatively narrow.

JSFX is engaged in trading business conducted by its subsidiaries. Its products include industrial products such as oil well accessories and gate valves. The majority of the Company's customers are enterprises in Binhai EDZ. In 2025, the revenue from trading and processing decreased by 36.8% YoY to RMB92.1 million. The gross profit margin is relatively low at around 6.4%. Additionally, the Company provided account periods to the customers and the accounts receivables from trade customers, which could potentially increase its exposure to recovery risk.

Track record of receiving government support

JSFX has a track record of receiving government support in the form of asset injections and financial subsidies.

In 2025, driven by the funding injection from the local government, the Company's capital reserve increased by RMB421.7 million. Besides, the local government continue to provide subsidies of RMB167.9 million in 2025, supporting the Company's profit. It is expected that the Company will receive government project repayments, given the large scale of receivables from the government and agency construction costs recorded in inventories. We believe that the local government will continue to provide support to JSFX over the next 12 to 18 months, underpinned by its important position in Binhai EDZ.

Increasing debt burden and relatively high short-term debt pressure

JSFX's debt growth rate has decelerated since 2025, under the strict debt management. As of 30 June 2026, the Company's total debt grew to RMB15.1 billion from RMB12.7 billion at the end of 2024. Its total capitalization ratio, as measured by total debt to total capital, has increased from 45.6% to 51.4% during the same period. Considering the continuous investment in project construction including infrastructure agency projects, standard factories, talent apartments and Green Island, we anticipate the Company will rely on external financing and its debt level, and the leverage ratio will heighten in the near future. JSFX's short-term liquidity is constrained by pressure from its substantial short-term debt. At the end of June 2026, the Company's short-term debt accounted for 62.1% of total debt and the cash to short-term debt ratio was 0.5x.

Moderate access to funding channels with modest financial flexibility

JSFX has moderate access to funding. As of 30 June 2026, bank loans are the main source of funding and they accounted for more than 80% of the total debt. As of the same date, the Company's total bank credit facilities amounted to RMB5.0 billion, and the available portion was RMB2.7 billion, most of which were provided by large state-owned joint-stock commercial banks and urban commercial banks such as Bank of China and Bank of Jiangsu. JSFX's exposure to non-standard financing was moderate, accounting for around 15.7% of the total debt as of 30 June 2026. The Company's non-standard products were mainly financial leasing and trust loans with relatively high costs and short tenors. JSFX's direct financing comprised the offshore bond issued, which accounted for approximately 15.7% of total debt as of 30 June 2026.

In addition, the relatively weak asset liquidity will constrain JSFX's financial flexibility. As of 30 June 2026, JSFX's assets were primarily comprised of receivables, inventories, investment properties, which accounted for 71.3% of the total assets. The Company's account receivables were mainly from the trade business and agency construction projects. Inventories were mainly construction costs for agency projects and lands to be developed. Investment properties were leasing properties from acquisition or construction, which is considered to have low liquidity. Moreover, as of 30 June 2026, the Company's restricted assets reached RMB8.9 billion, accounting for 34.4% of total assets. These mainly comprised restricted cash (margin deposits) as well as pledged investment properties and inventories.

Moderate exposure of guarantees extended to third parties

In terms of contingent risk exposure, the risk arising from guarantees extended to third parties is assessed as moderate. As of 30 June 2026, the Company's external guarantee balance increased to RMB3.1 billion, representing 28.9% of its net assets. Nevertheless, all the guarantees are provided to state-owned enterprises and public institutions in Binhai County. The guaranteed parties maintain good operating conditions, and the probability of actual recourse is regarded as limited. Overall risk exposure is concentrated in local state-owned enterprises, reflecting a controllable risk profile.

ESG Considerations

JSFX faces environmental risks because it has undertaken construction business. 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.

JSFX bears social risks as it implements public policy initiatives by building public infrastructure in Binhai EDZ. 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.

JSFX's governance considerations are also material as the Company is subject to oversight by the Binhai County Government and must meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Credit Enhancement

JSFX's senior unsecured debt ratings are based on the long-term credit rating of Bank of Jiangsu Co., Ltd ("Bank of Jiangsu"), as the bond (ISIN: HK0001268686) was fully supported by an irrevocable SBLC from Bank of Jiangsu, Yancheng Branch (the "LC Bank"). The payment obligations of the LC Bank under the SBLC shall at all times rank pari passu with all of its other present and future unsecured and unsubordinated obligations. Our analysis of the transactions is based on the LC Bank to support the payment of the bond through the SBLC. Any change to the credit quality of the LC Bank could lead to a corresponding change in the rating of the bond.

Rating Methodology

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

The methodology used in Bank of Jiangsu's rating is the Rating Methodology for Banks (November 2021).

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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