

## Credit Opinion

8 August 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

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## Jingdezhen Hesheng Industrial Investment Development Co., Ltd.

### Surveillance credit rating report

### CCXAP upgrades Jingdezhen Hesheng Industrial Investment Development Co., Ltd.'s long-term credit rating to BBB<sub>g</sub>, with stable outlook

#### Summary

CCXAP has upgraded the long-term credit rating of Jingdezhen Hesheng Industrial Investment Development Co., Ltd. ("Jingdezhen Hesheng" or the "Company") to BBB<sub>g</sub> from BBB<sub>g</sub>-, with stable outlook. The rating upgrade is based on the vital policy role of the Company as the important industrial investment platform in Jingdezhen City, which results in stronger government support.

The BBB<sub>g</sub> 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) relatively fast debt growth and modest long-term debt servicing capability; and (2) 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 the Company will continue to receive solid support from the Jingdezhen Municipal Government. We also expect the Company to maintain its strategic role as the important industrial development platform in Jingdezhen City over the next 12 to 18 months.

## Rating Drivers

- Important industrial investment platform in Jingdezhen City
- Diversified sources of revenue
- 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

	2022FY	2023FY	2024FY
Total Assets (RMB million)	32,350.3	35,535.4	39,436.9
Total Equity (RMB million)	18,358.2	17,362.8	17,435.5
Total Revenue (RMB million)	2,388.9	1,075.8	1,027.1
Net Profits (RMB million)	102.3	42.3	43.6
EBIT Margin (%)	24.0	57.9	77.4
Return on Assets (%)	1.8	1.8	2.1
Total Debt/Total Capital (%)	39.7	46.4	50.7
Total Debt/EBITDA (x)	18.6	21.5	20.1
EBITDA/Interest (x)	0.9	1.0	1.2
FFO/Total debt (%)	2.5	1.2	3.0

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

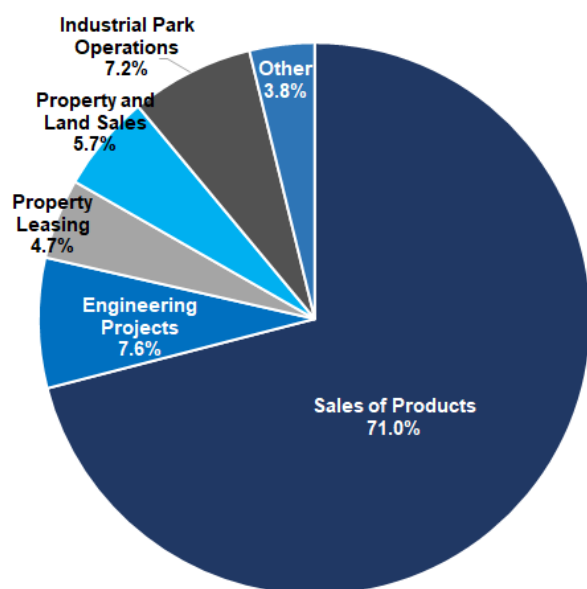
Source: Company data, CCXAP research

## 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 2025, 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

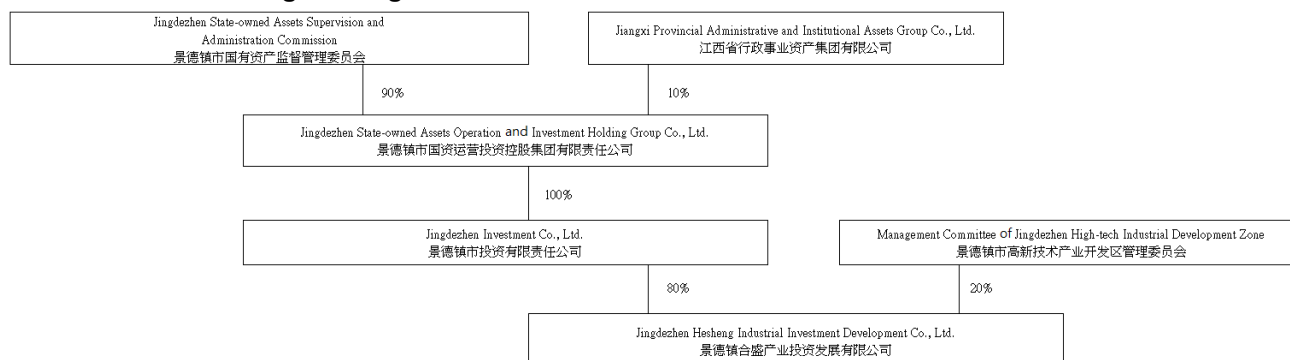
State-owned Assets Operation and Investment Holding Group Co., Ltd. (“JSAH”), while Management Committee of Jingdezhen High-tech Industrial Development Zone (“Jingdezhen HIDZ”) held the remaining 20%. Its ultimate controlling shareholder is Jingdezhen State-owned Assets Supervision and Administration Commission (“Jingdezhen SASAC”).

**Exhibit 1. Revenue structure in 2024**



Source: Company information, CCXAP research

**Exhibit 2. Shareholding and organization chart as of 31 March 2025**



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 2024, the revenue from Zhengye Technology accounted for 71.0% of total revenue. However, the revenue of Zhengye Technology has decreased significantly since 2022 as the orders declined, which has also caused certain goodwill impairments. The operating and goodwill impairment risks may undermine the revenue and profits of Zhengye Technology. 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 RMB231.0 million as of 31 March 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 April 2025, three insulation panel production lines had been completed. In 2024, it has generated sales revenue of RMB15.0 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-2024, its cumulative investment reached RMB663 million. It is still in initial operational phase, generating revenue of about RMB16 million in 2024.

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 2024, it had invested in 8 industrial funds, with accumulated contributions of RMB932 million and contributed amount of RMB213 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. There have been no dividend incomes since 2024.

### **Diversified sources of revenue**

In addition to industrial investment businesses, the Company has also diversified into different business segments, mainly including property leasing, real estate, and trading, 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, which is credit-positive.

The Company owns leasable properties including industrial and commercial buildings, providing supplementary income to the Company. As of end-2024, the Company had 1.2 million square meters of leasable properties, with moderate overall rental rate of 53.4%. The rental income is relatively small. In 2024, the Company achieved income from property leasing business of RMB48.3 million. As of end-2024, the Company had 12 projects under construction with a total planned investment of RMB9.0 billion, of which RMB3.7 billion remained uninvested, and 5 projects under planning with a total planned investment of RMB2.7 billion. The large-scale self-operated projects with long payback periods pose significant uncertainty in funding balance. Nonetheless, some of the projects could be supported by the government special bonds, partly alleviating its investment pressure.

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 with market prices. As of 31 December 2024, 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 RMB333.0 million. However, the project under construction is expected to be completed in 2025 and 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 Jingdezhen Guoxin Construction Engineering Co., Ltd. The trading business mainly consists in 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 2024, trade revenue amounted to RMB4.0 million. 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 2024, the operating income generated from engineering construction business amounted to RMB78.2 million.

## Financial Profile

### Increasing profitability but with moderate asset quality

The Company's revenue showed a downward trend, primarily impacted by the underperformance of Zhengye Technology. The products sales business is the main contributor, accounting for 71.0% of total revenue in 2024, followed by engineering projects (7.6%), and industrial park operations (7.2%). In 2024, its revenue reached RMB1.0 billion, indicating a decrease compared to RMB2.4 billion in 2022. However, its total profit surged significantly in 2024, mainly due to a substantial increase in government financial support, including enterprise development subsidies. From 2022 to 2024, the Company's EBIT margin increased from 24.0% to 76.3%, while the return on assets rose from 1.8% to 2.1%.

The Company's asset profitability is moderate, leading to the weak return on assets. The profitability of Zhengye Technology is still weak and its subsequent operating conditions are susceptible to market influences. In addition, the Company has made ongoing provisions for credit and asset impairments of Zhengye Technology, suggesting continued impairment in the future. The Company's leasing business can bring stable cash flow, but its current scale is small, and there is a uncertainty regarding the future profitability of its forest rights assets.

### 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-2024, the Company's total debt increased to RMB17.9 billion from RMB15.1 billion at end-2023, with total capitalization ratio of 50.7%. The Company is exposed to certain short-term debt repayment pressure as its short-term debt accounted for 37.2% of its total debt as of end-2024. Meanwhile, the cash to short-term debt ratio was 0.2x, 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 2024, its total debt/EBITDA ratio was 20.1x and EBITDA interest coverage ratio was

1.2x. In the meantime, its FFO/total debt ratio was about 3%, indicating that the Company primarily relies on external financing rather than operating cash flow for debt servicing.

### **Moderate access to funding**

The Company has access to debt capital markets. As of 30 June 2025, the Company had outstanding onshore bonds of RMB2.8 billion. Additionally, the Company also has 2 offshore bonds with total outstanding amount of RMB536.3 million. However, the Company has moderate standby liquidity. As of end-2024, the Company had obtained total credit facilities of RMB11.5 billion from diversified domestic policy banks and commercial banks, with available amount of RMB1.9 billion.

### **External Support**

#### **High likelihood of support from the Jingdezhen Municipal Government**

We expect Jingdezhen Hesheng has 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 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 2024, its consolidated assets amounted to RMB39.4 billion, accounting for 28.6% of JSAH's total assets.

Jingdezhen Hesheng receives solid support from the Jingdezhen Municipal Government and JSAH, given its strategic and economic importance in industrial investment in Jingdezhen City. In 2022, the Management Committee of Jingdezhen HIDZ has injected capitals of RMB978.0 million to the Company. In 2021, JSAH transferred 100% equity interests of Fengshushan Forestry to the Company, increasing its capital reserve by approximately RMB7.3 billion. The governmental subsidies to the Company show an increasing trend. From 2022 to 2024, the local government provided subsidies of RMB481.0 million, RMB1.0 billion, and RMB1.5 billion to the Company to support its operations, respectively. The local government has also provided special funds to support the Company's construction projects, with outstanding amount of RMB1.9 billion as of the end of 2024, 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 shareholder will continue to provide support to the Company.

### **Rating Methodology**

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

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