Lianhe Global has assigned 'A' global scale Long-term Issuer Credit Rating with Stable Outlook to Yancheng Haiying Industrial Development Group Co., Ltd.

HONG KONG, 24 October 2025 – Lianhe Ratings Global Limited ("Lianhe Global"), an international credit rating company, has assigned 'A' global scale Long-term Issuer Credit Rating to Yancheng Haiying Industrial Development Group Co., Ltd. ("YCHY" or "the company"); The Outlook is stable.

The Issuer Credit Rating reflects a high possibility that the People's Government of Yancheng City ("the Yancheng government") would provide very strong support to YCHY if needed. This mainly considers the Yancheng government's direct full ownership of YCHY, YCHY's strategic importance as a major local investment and development company ("LIDC") responsible for infrastructure construction, state-owned asset investment and industry operation in Yancheng, and the strong linkage between the Yancheng government and YCHY, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Yancheng government may face significant negative impact on its reputation and financing activities if YCHY encounters any operational or financial difficulties.

Yancheng is a prefecture-level city of Jiangsu Province. In 2024, Yancheng's GDP grew by 5.5% to RMB777.9 billion and its budgetary revenue reached RMB49.6 billion.

The Stable Outlook reflects our expectation that YCHY's strategic importance would remain intact while the Yancheng government will continue to ensure YCHY's stable operation.

Key Rating Rationales

Government's Ownership and Supervision: The Yancheng government is the sole shareholder of YCHY by holding 100% shares directly, and serves as the company's actual controller. The Yancheng government has the final decision-making authority and strong supervision over the company, including the appointment of senior management, decisions on its development strategy and major investment and financing plans. In addition, the Yancheng government formulates assessment mechanism over the company and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: YCHY is an important LIDC that is responsible for infrastructure construction, stated-owned asset investment and industry operation. The company mainly undertakes infrastructure construction, asset leasing, engineering construction, industrial equipment processing, etc. The company plays a crucial role in promoting economic and social development for the region, especially in eastern, central, and northern districts of Yancheng. YHCY's business operation and strategic planning have been aligned with the Yancheng government's economic and social development plans.

Ongoing Government Support: YCHY receives substantial and ongoing support from the Yancheng government, which includes operational subsidies, capital injection, asset and equity transfers. The Yancheng government injected a capital of RMB3 billion to YCHY in 2024, which significantly enlarged YCHY's capital base. Also, the company received operational subsidies totaling RMB3.3 billion from 2022 to the first quarter of 2025. Furthermore, YCHY received various forms of asset injections (such as land operating rights) and equity transfers of other state-owned entities in the region between 2022 and 2024, reflecting the Yancheng government's commitment to YHCY as a core operation platform in the region. Given YCHY's strategic importance in Yancheng, we believe the company will continue to receive government support.

YCHY's Financial Matrix and Liquidity Position: YCHY's asset size expanded significantly to reach RMB75.5 billion at end-March 2025 from RMB56.5 billion at end-2022, driven by the company's active participation in Yancheng's infrastructure development and the support from the Yancheng government. On the other hand, its total debts also increased to RMB47.8 billion at end-March 2025 from RMB33.5 billion at end-2022. The company's financial leverage, as measured by the debt to capitalization ratio, ranged between 60-65% during the same period.

YCHY's liquidity was weak. At end-March 2025, the company had an unrestricted cash balance of RMB2.2 billion compared to debt due within one year of RMB9.3 billion. However, YCHY has access to various financing channels, including bank loans, bond issuances, and other financing options to support its debt repayments and business operations. At end-June 2025, the company had unused credit facilities of RMB14.9 billion.

Contingent Liability Risk: At end-2024, the company provided financial guarantees of RMB10.5 billion to third parties, accounting for 33.6% of its net assets. Having said that, these guarantees were primarily provided to other LIDCs and state-owned entities within Yancheng.

Rating Sensitivities

We would consider downgrading YCHY's rating if (1) there is a perceived weakening in support from the Yancheng government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Yancheng government's ownership of YCHY, or (3) there is a downgrade in our internal credit assessment on the Yancheng government.

We would consider upgrading YCHY's rating if there is an upgrade in our internal credit assessment on the Yancheng government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Principal Methodology Applied

China Local Investment and Development Companies Criteria (published on 31 July 2025)
The methodology can be found at the website www.lhratingsglobal.com

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. None of the aforementioned entities nor its related parties participate in the rating process aside from providing information requested by Lianhe Global.

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