

Yancheng Haiying Industrial Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A’ global scale Long-term Issuer Credit Rating with Stable Outlook to Yancheng Haiying Industrial Development Group Co., Ltd. (“YCHY” or “the company”)

Summary

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.

Rating Rationale

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, state-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. YCHY'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,

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	24 October 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

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.

Operating Environment

Economic Condition of Yancheng

Yancheng is a prefecture-level city of Jiangsu Province. Located in the northeast of Jiangsu Province and east of the Yellow Sea, Yancheng has a land area of 16,931 square kilometers, making it the largest prefectural city in Jiangsu Province. Yancheng administers 3 districts, 5 counties and 1 county-level city.

Yancheng's economy maintained a steady growth in the past few years and its GDP reached RMB777.9 billion in 2024, represent a year-on-year growth of 5.5%. Yancheng's economic growth is mainly driven by secondary and tertiary industries, which accounted for 38.7% and 50.4% of GDP in 2024, respectively. Automobile, machinery, textile and chemical are the four traditional pillar industries in Yancheng.

Yancheng's GDP Economic Condition			
(RMB billion)	2022	2023	2024
GDP	708.0	740.4	777.9
-Primary industry (%)	11.2	11.1	10.9
-Secondary industry (%)	41.4	40.3	38.7
-Tertiary industry (%)	47.4	48.6	50.4
GDP growth rate (%)	4.6	5.9	5.5

Fixed asset investment growth rate (%)	9.4	9.2	5.0
Population (million)	6.7	6.7	6.7
Source: Financial Bureau of Yancheng, Statistical Bureau of Yancheng and Lianhe Global's calculations			

Fiscal Condition of Yancheng

Yancheng government's fiscal revenue is mainly derived from budgetary revenue and government fund income. The budgetary revenue of the Yancheng government increased to RMB49.6 billion in 2024 from RMB48.3 billion in 2023, with the contribution of tax revenue lowered to 67.6% from 70.7%. The fiscal self-sufficiency rate of the Yancheng government remained weak, though its budget deficit decreased from 154.4% in 2023 to 130.0% in 2024. As a major source of revenue, the government fund income of the Yancheng government reached RMB73.1 billion in 2024.

The outstanding debt of the Yancheng government kept growing in past few years. At end-2024, the Yancheng government's outstanding debt expanded to RMB201.3 billion from RMB165.5 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt to aggregate revenue ratio, surged to 121.7% at end-2024 from 92.8% at end-2023.

Yancheng's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	45.3	48.3	49.6
Budgetary revenue growth rate (%)	0.5	6.5	2.8
Tax revenue	29.7	34.1	33.5
Tax revenue (% of budgetary revenue)	65.6	70.7	67.6
Government fund income	74.3	81.0	73.1
Transfer payment	42.0	46.0	39.8
Aggregate revenue	163.4	178.4	165.4
Budgetary expenditure	109.4	122.8	114.1
Budget balance ¹ (%)	-141.3	-154.4	-130.0
Government debt ratio (%)	94.0	92.8	121.7

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Yancheng, statistical bureau of Yancheng and Lianhe Global's calculations

Company Profile

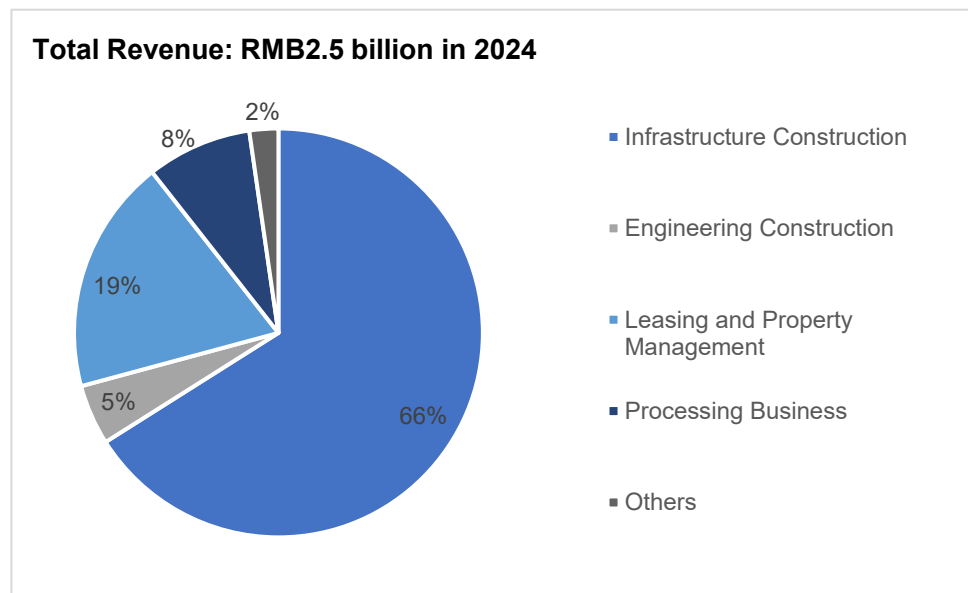
Ownership Structure

YCHY was established in 2012 with initial registered capital of RMB10 million. In 2024, the Yancheng government injected a capital of RMB3 billion to YCHY, which enlarged YCHY's both registered and paid-in capital to RMB3 billion. At the same time, the Yancheng government also injected equity of other state-owned entities into YCHY, which strengthened YCHY's asset size. At end-2024, the Yancheng government is the sole shareholder and the actual controller of YCHY.

Revenue Breakdown

YCHY is an important infrastructure construction and state-owned asset operation entity in Yancheng. The company undertakes major local public projects across Yancheng's eastern, central, and northern districts, focusing on infrastructure development, resettlement housing construction and urban renewal initiatives. Also, YCHY diversifies its business into engineering construction, processing business and property management activities.

YCHY's total revenue remained steady at RMB2.5 billion in 2024. The company's revenue structure is well-diversified, with infrastructure construction, leasing and property management, engineering construction, processing business as the major business segments. Other businesses accounted for 2% of total revenue in 2024.



Source: YCHY and Lianhe Global's calculations

YCHY's infrastructure construction projects are primarily carried out under agent construction agreements with local government agencies, whereby YCHY raises funds and implements entrusted projects. The company recognizes construction costs plus an agreed margin as revenue upon project completion and handover.

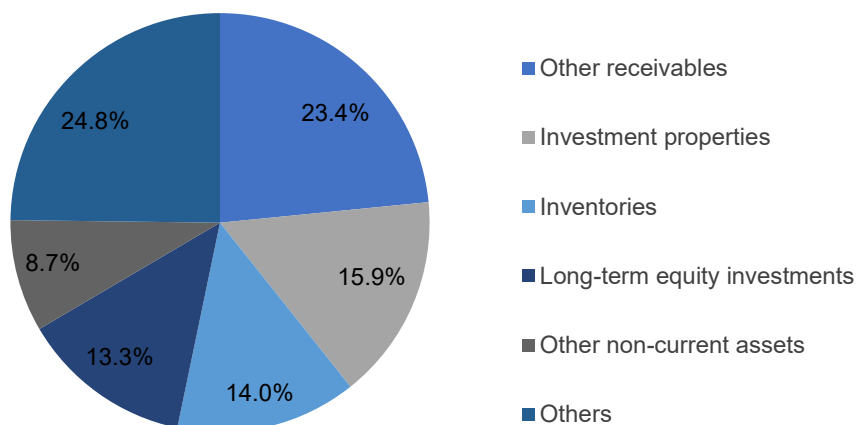
YCHY's engineering construction business includes municipal roads, sewage treatment, landscaping, factory buildings, and other infrastructure projects. Projects are acquired through public bidding or negotiation, with the subsidiary organizing construction teams for project implementation.

The company's processing business includes the manufacturing of membrane water-cooled walls, air filters, and boiler components for large power stations, power plants, and chemical enterprises across China. The business adopts a customer-driven procurement model with materials sourced primarily from the Jiangsu-Zhejiang region.

YCHY's leasing and property management operations generate rental income from commercial properties, industrial facilities, and sewage pipeline networks. The company builds or purchases properties to support the investment attractions in Tinghu district, providing rental facilities for incoming enterprises.

Assets Breakdown

Total assets: RMB75.5 billion at end-March 2025



Source: YCHY and Lianhe Global's calculations

YCHY's asset liquidity was moderately weak. At end-March 2025, YCHY had total assets of RMB75.5 billion, which mainly consisted of other receivables, investment properties, inventories and long-term equity investments. The company's inventories, mainly comprising land reserves and construction costs, typically require 3-5 years to convert to cash due to protracted construction and collection cycles. YCHY's receivables are primarily due from government agencies and SOEs in Yancheng. The investment assets mainly consists of equity stakes in state-owned enterprises injected by the Yancheng government.

Key Financial Data

(RMB million)	2022	2023	2024	2025.3
Total Assets	56,496	61,519	74,698	75,463
Equity	22,598	22,822	31,228	31,322
Debt	33,524	41,840	49,036	47,806
Debt / (Debt + Equity) (%)	59.7	64.7	61.1	60.4
Unrestricted cash/ST Debts (x)	0.1	0.1	0.0	0.0
Debt/EBITDA (x)	33.1	44.1	51.2	-
Revenue	2,513	2,406	2,538	637
Operation Profit	482	397	310	110
Gross Margin (%)	15.3	23.0	27.2	25.3
Cash from sales or services/ Revenue (%)	91.8	60.2	67.4	65.2

Source: YCHY and Lianhe Global's calculations

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