

Yancheng High-tech Zone Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Yancheng High-tech Zone Investment Group Co., Ltd. to ‘A-’ from ‘BBB+’; Outlook Stable

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	19 November 2025

Summary

The Issuer Credit Rating upgrade reflects an upgrade in our internal assessment on People’s Government of Yancheng City (“the Yancheng government”) and the expectation of continuing of a high possibility that the Yancheng government would provide strong support to Yancheng High-tech Zone Investment Group Co., Ltd. (“YHZIG”) if needed. This mainly considers the Yancheng government’s indirect 100% ownership of YHZIG and YHZIG’s strategic position as an important development and operation entity in Jiangsu’s Yancheng City (“Yancheng”), especially in Yancheng High-tech Zone. The linkage between the Yancheng government and YHZIG is strong, 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 should YHZIG encounter any operational or financial difficulties.

Yancheng is a prefecture-level city in Jiangsu Province. In 2024, Yancheng’s GDP grew by steadily by 5.5% to RMB777.9 billion, while its budgetary revenue increased by 2.8% to RMB49.6 billion. Yancheng High-tech Zone is a national-level high-tech industry development zone in Yancheng.

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

Rating Rationale

Government’s Ownership and Supervision: The Yancheng government owned 100% shares of YHZIG through Yancheng High-tech Industry Holding Group Co., Ltd. (“YHIHG”). The Yancheng government remains as the company’s actual controller and has strong control and supervision over YHZIG, including appointing senior management, and decisions on major strategy, investment and financial planning. In addition, the Yancheng government has established an assessment mechanism for YHZIG and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: YHZIG is an important development and operation entity in Yancheng, mainly responsible for infrastructure construction and land consolidation in Yancheng High-tech Zone, the only national high-tech zone in Yancheng. The company also develops and operates industrial parks in within the area to promote local industrial development. Its business operation and development have been aligned with the local government’s economic and social policies.

Strong Government Support: The local government provided ongoing support to YHZIG. In 2024, the Yancheng government injected cash capital of RMB2,120 million through YHIHG, enhancing its paid-in capital to RMB5 billion from RMB2,880 million. In addition, it received operational subsidies totaling RMB561 million between 2022 and the first nine months of 2025. The local government also transferred equity of local state-owned enterprises (“SOEs”) and other state-owned assets to YHZIG over the same period. We

Analysts

Chris Cao
(852) 3462 9579
chris.cao@lhratingsglobal.com

Roy Luo, CFA, FRM, CESGA
(852) 3462 9582
roy.luo@lhratingsglobal.com

Applicable Criteria

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

expect that the Yancheng government's support of YHZIG will remain intact, given its strategic importance in Yancheng.

YHZIG's Financial Matrix and Liquidity Position: YHZIG's asset size grew steadily to RMB106.2 billion at end-September 2025 from RMB96.0 billion at end-2023, as the company actively participated in Yancheng's project development. The company relied on both borrowings and government's capital injections to support its asset expansion. Its total debt increased to RMB67.7 billion from RMB61.9 billion over the same period. Yet its financial leverage (total debt to capitalization) stayed at approximately 65% level.

YHZIG's short-term debt servicing pressure is high. At end-September 2025, YHZIG had unrestricted cash of RMB2.0 billion, compared to short-term debt of RMB15.9 billion. Yet YHZIG has access to multiple financing channels, including bank loans, bond issuance, and non-traditional financings, to support its debt repayments and operations. The company had unused bank facilities amounting to RMB17.4 billion at end-March 2025.

High Contingent Liability Risk: YHZIG bears a high level of contingent liability risk. As of end-June 2025, the company had extended external financial guarantees amounting to RMB21.1 billion, equivalent to 60.7% of its shareholders' equity. The majority of the guaranteed entities were local SOEs. To promote private-sector investment within the region, the company has also provided guarantees to selected private enterprises; all such guarantees are subject to counter-guarantee arrangements to mitigate potential risks.

Rating Sensitivities

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

We would consider upgrading YHZIG's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the Yancheng government.

Operating Environment

Economic Condition of Yancheng

Yancheng's economy maintained stable growth in 2024, with its GDP rising by 5.5% to reach RMB777.9 billion. Yancheng's industrial landscape is supported by four major pillar industries, including steel, automobile, new energy, and electronic information.

Yancheng High-tech Zone is a national-level high-tech industry development zone in Yancheng, led mainly by industries such as next-generation information technology, high-end equipment manufacturing, and new energy, and has fostered a group of high-tech enterprises.

Yancheng's GDP Economic Condition			
(RMB billion)	2022	2023	2024
GDP	708.0	740.4	777.9
-Primary industry (%)	11.2	11.0	10.9
-Secondary industry (%)	41.4	40.3	38.7
-Tertiary industry (%)	47.4	48.7	50.4
GDP growth rate (%)	4.6	5.9	5.5
Fixed asset investment growth rate (%)	9.4	9.2	0.3

Population (million)	6.7	6.7	6.7
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Source: Statistical Bureau of Yancheng and Lianhe Global's calculations

Fiscal Condition of Yancheng

The budgetary revenue of the Yancheng government increased to RMB49.6 billion in 2024 from RMB48.3 billion in 2023. The Yancheng government's fiscal balance has improved. Its budget deficit decreased significantly to 130.0% from 154.4% over the same period. However, the government fund income, mainly generated by land sales, remained weak owing to the prolonged property market downturn.

The outstanding debt of the Yancheng government kept growing in past few years. At end-2024, the Yancheng government's outstanding debt expanded to RMB196.2 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, increased to 116.5% 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 (%)	8.1	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	42.8
Aggregate revenue	163.4	178.4	168.4
Budgetary expenditure	109.4	122.8	114.1
Budget balance ¹ (%)	-141.3	-154.4	-130.0
Government debt ratio (%)	94.0	92.8	116.5

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

Source: Finance Bureau of Yancheng and Lianhe Global's calculations

Company Profile

YHZIG was established in 2009 by the Yancheng government with initial registered capital of RMB200 million. After an array of capital injections and equity transfers, the company's paid-in capital was enlarged to RMB5 billion by end-September 2025. The Yancheng government, as the actual controller, held 100% shares of the company through YHIHG.

YHZIG undertakes major infrastructure construction and land consolidation in Yancheng High-tech Zone. It also develops and operates industrial parks within the area. The company recorded total revenue of RMB2,921 million, 3,163 million, 3,432 million and 2,902 million in 2022, 2023, 2024 and the first nine months of 2025, respectively, representing an upward trend. Its gross margin stayed at a decent level of approximately 20% over the same period.

Key Financial Data

(RMB million)	2022	2023	2024	2025.9
Total Assets	85,259	96,015	103,378	106,198
Equity	27,097	30,749	33,095	35,033
Debt	55,508	61,949	66,567	67,737
Debt / (Debt + Equity) (%)	67.2	66.8	66.8	65.9
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.1
Debt/EBITDA (x)	46.8	53.8	66.7	-
Revenue	2,921	3,163	3,432	2,902
Operation Profit	1,048	969	812	844
Gross Margin (%)	21.0	19.9	19.9	19.5



Cash from sales or services/ Revenue (%)	78.3	49.2	62.1	52.6
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Source: YHZIG and Lianhe Global's calculations

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