

**Lianhe Global has assigned ‘BBB’ global scale Long-term Issuer Credit Rating with Stable Outlook to Yangxin Lifa Industrial Investment Co., Ltd.**

HONG KONG, 30 December 2025 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB’ global scale Long-term Issuer Credit Rating to Yangxin Lifa Industrial Investment Co., Ltd. (“YLII” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yangxin County (“Yangxin government”) would provide very strong support to YLII if needed, in light of its indirect full ownership of YLII, YLII’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for state-owned asset operation in Yangxin County, and the linkage between the Yangxin government and YLII, including approval of senior management appointment, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the Yangxin government may face significant negative impact on its reputation and financing activities if YLII encounters any operational and financial difficulties.

Yangxin County is under the jurisdiction of Huangshi City, Hubei Province and located in the southeastern part of Huangshi City. Yangxin County’s GDP grew by 7.3% to RMB53.7 billion in 2024, while its budgetary revenue reached RMB4.4 billion in 2024.

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

**Key Rating Rationales**

**Government’s Ownership and Supervision:** The Finance Bureau of Yangxin County (“Yangxin FB”) indirectly holds the full ownership of YLII through its wholly owned subsidiary, Yangxin Urban Construction and Development Group Co., Ltd. (“YUCDG”), which is the most important LIDC in Yangxin County. The local government has the final decision-making authority and supervision over the company, including approval and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc.

**Strategic Importance and Strategic Alignment:** YLII, as an important LIDC in Yangxin County, is mainly responsible for industrial park development and operation as well as water business within the region, with strong regional franchise advantages. YLII also engages in engineering construction, leasing, aquaculture, property management, and other businesses. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government’s development plans.

**Ongoing Government Support:** The local government provided ongoing support to YLII by injecting cash, equity of local SOEs and other assets into the company between 2022 and the first six months of 2025, with a total amount of RMB674.8 million. The company also received operational subsidies totaling RMB1.4 million over the same period. We expect YLII to receive ongoing support from the local government in the future considering its strategic importance in Yangxin County.

**YLII's Financial Matrix and Liquidity Position:** YLII's total assets increased steadily to RMB6.8 billion at end-June 2025 from RMB5.0 billion at end-2023. The company heavily relied on borrowings to fund its asset expansion and its total debt expanded to RMB3.7 billion from RMB2.1 billion over the same period. As a result, the company's financial leverage, as measured by the debt to capitalization ratio, was elevated to 59.2% from 46.5% over the same period.

The short-term debt servicing pressure of YLII was high. At end-June 2025, the company had a cash balance of RMB514 million (including restricted cash of RMB450 million), while its debt due within one year was RMB498 million. YLII mainly relies on external financing and it has access to some financing channels, including bank loans and non-traditional financing, to support its debt repayments and business operations. At end-June 2025, the company had unused credit lines of RMB929 million.

### **Rating Sensitivities**

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

We would consider upgrading YLII's rating if there is an upgrade in our internal credit assessment on the Yangxin 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](http://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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