

# Shandong Yihe Industrial Investment Group Co., Ltd.

## Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	5 December 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Shandong Yihe Industrial Investment Group Co., Ltd. (“SYIG” or “the company”)

## Summary

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

Linyi City (“Linyi”) is located in the southeast of Shandong Province (“Shandong”) and it is the largest and most populous prefecture-level city in Shandong. Linyi’s GDP grew by 5.7% in 2024 and its budgetary revenue reached RMB46.9 billion in 2024, representing a year-over-year growth rate of 5.1%.

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

## Rating Rationale

**Government’s Ownership and Supervision:** Yihe ND MC, the de facto local government of Yihe ND, indirectly holds the full ownership of SYIG through its wholly-owned subsidiary, Shandong Yihe Holding Group Co., Ltd. (“SYHG”, ‘BBB+’/Stable). 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:** SYIG, as an important LIDC in Yihe ND, is mainly responsible for industrial park development and operation as well as water business within the region, with strong regional franchise advantages. SYIG also engages in engineering construction, leasing service, sand mining right leasing, commodity sales, 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:** SYIG continues to receive financial subsidies and asset/capital injections from the Linyi government and the Yihe ND MC in both 2024 and the first nine months of 2025, including capital injections totaling RMB1.0 billion and equity transfers of 24 stated-owned enterprises totaling RMB0.8 billion. We believe the government support to SYIG to remain intact given the company’s strategic importance in Yihe ND.

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## Applicable Criteria

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

**SYIG's Financial Matrix and Liquidity Position:** SYIG's total assets increased steadily RMB9.8 billion at end-2022 to RMB14.8 billion at end-2024, but decreased slightly to RMB14.6 billion at end-September 2025. SYIG's total debt was on an upward trend in the past few years, increasing to RMB4.3 billion at end-September 2025 from RMB3.7 billion at end-2022. Due to the large capital injections from local government, the company's financial leverage, as measured by the debt to capitalization ratio, decreased to 43.1% from 47.8% during this period.

The short-term debt servicing pressure of SYIG was high. At end-September 2025, the company had unrestricted cash balance and unused credit facilities of RMB88.6 million and RMB379.2 million, respectively, while its debt due within one year was RMB2.9 billion. SYIG 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. Therefore, obtaining additional financing channels or government support is important for the company to maintain its liquidity.

## Rating Sensitivities

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

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

## Operating Environment

### Economic Condition of Linyi

Linyi is a prefecture-level city under the jurisdiction of Shandong and located in the southeastern part of Shandong. Linyi has jurisdiction over 3 districts and 9 counties, with a total area of 17,191 square kilometers, making it the largest prefecture-level city in Shandong. At end-2024, Linyi had a resident population of 10.9 million.

Linyi's GDP increased to RMB655.6 billion in 2024 from RMB627.1 billion in 2023, with its economic growth rate slowed down from 6.3% to 5.7% over the same period. In addition, Linyi's fixed asset investment growth rate also declined to 4.3% from 6.5% over the same period. The GDP per capita of Linyi was RMB59,904 in 2024.

Established in November 2022, Yihe ND covers 8 towns in Hedong District and Lanshan District of Linyi, including Linyi Economic Development Area and Linyi Comprehensive Bonded Zone. Yihe ND focuses on the development of several leading industries, including intelligent manufacturing, opto-electronics, biological medicine, etc. in recent years.

<b>Linyi's Economic Condition</b>			
<b>(RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP	577.9	627.1	655.6
-Primary industry (%)	8.8	8.7	8.3
-Secondary industry (%)	39.7	38.9	40.5
-Tertiary industry (%)	51.5	52.4	51.2
GDP growth rate (%)	4.2	6.3	5.7
Fixed asset investment growth rate (%)	12.3	6.5	4.3
Population (million)	11.0	10.9	10.9

Source: Financial Bureau of Linyi, Statistical Bureau of Linyi and Lianhe Global's calculations

## Fiscal Condition of Linyi

The budgetary revenue of the Linyi government increased to RMB46.9 billion in 2024 from RMB44.6 billion in 2023, with the contribution of tax revenue lowered to 67.7% from 73.8%. The fiscal self-sufficiency rate of the Linyi government remained weak, with its budget deficit expanding from 106.4% in 2023 to 108.4% in 2024.

The outstanding debt of the Linyi government kept growing in past few years. At end-2024, the Linyi government's outstanding debt increased to RMB195.5 billion from RMB169.1 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 156.5% at end-2024 from 145.7% at end-2023.

<b>Linyi's Fiscal Condition</b>			
<b>(RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Budgetary revenue	42.0	44.6	46.9
Budgetary revenue growth rate (%)	2.6	6.1	5.1
Tax revenue	32.1	32.9	31.7
Tax revenue (% of budgetary revenue)	76.3	73.8	67.7
Government fund income	33.4	24.5	26.6
Transfer payment	42.5	46.9	51.4
<b>Aggregate revenue</b>	<b>118.1</b>	<b>116.1</b>	<b>124.9</b>
Budgetary expenditure	87.5	92.0	97.6
Budget balance <sup>1</sup> (%)	-108.2	-106.4	-108.4

<sup>1</sup> Budget balance = (1 - budgetary expenditure / budgetary revenue) \* 100%

Source: Financial Bureau of Linyi, Statistical Bureau of Linyi and Lianhe Global's calculations

## Company Profile

### Ownership Structure

SYIIG was established in August 2017 with an initial registered capital of RMB10.0 million. After an array of capital injections and equity transfers, SYIIG's registered capital and paid-in capital were both RMB1.0 billion at end-September 2025. Currently, SYIIG is 100% owned by SYHG and ultimately controlled by Yihe ND MC.

### Revenue Breakdown

SYIIG is primarily responsible for industrial park development and operation as well as water business in Yihe ND, with strong regional franchise advantages. The company also engages in engineering construction, easing service, sand mining right leasing, commodity sales, and other businesses. The company's total revenue reached RMB556 million, RMB1,040 million, RMB1,254 million and RMB574 million in 2022, 2023, 2024 and the first nine months of 2025, while its gross margin fluctuated between 16% from 25% over the same period.

SYIIG's water business mainly involves water supply, sewage treatment, pipeline network construction, etc. within Yihe ND. The company currently has two water treatment plants and two sewage treatment plants, with its water supply and sewage treatment capacities reaching 80 thousand tons and 40 thousand tons per day, respectively.

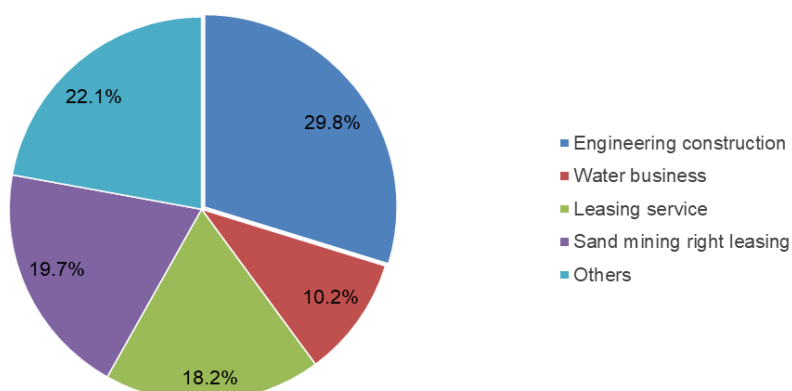
Engineering construction business is mainly handled by two subsidiaries of the company, which acquire engineering projects like roads, public facilities and water infrastructure

through open biddings. Most of these projects are government-contracted projects within Yihe ND.

The company's leasing service business mainly involves the leasing of industrial parks, office buildings, advertising spaces and parking spaces, with its profit margin exceeding 60% in the past few years.

As a stable source of revenue for the company, sand mining right leasing business generated a fixed annual revenue of RMB151 million, with its profit margin remaining stable at c. 4.7% in the past few years.

**Total revenue: RMB574.4 million in the first nine months of 2025**



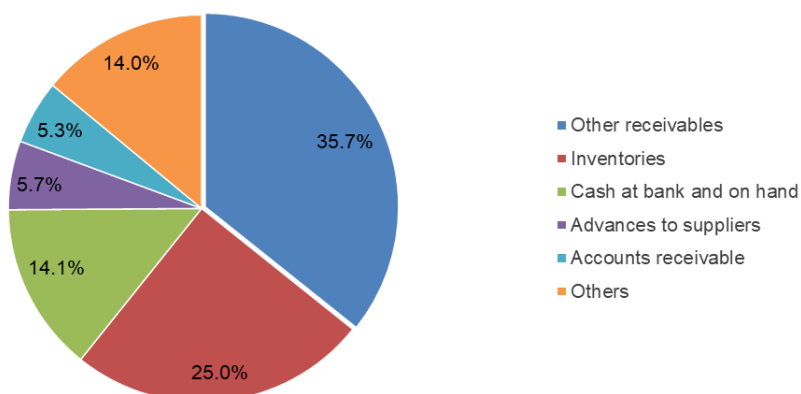
Source: The company's financial reports and Lianhe Global's calculations

## Assets Breakdown

SYIIG's asset-side liquidity was weak, as it has a large part of inventories and receivables. The company engineering construction activities had accumulated sizable inventories, representing 25.0% of total asset at end-September 2025. These assets usually take a long time to monetize due to the protracted construction and payment collection period. The company also had a large amount of accounts receivable and other receivables (primarily due from government departments and local state-owned enterprises), together representing 41.1% of total asset at end-September 2025. Their repayment schedules are highly subject to the fiscal conditions of the local government.



Total assets: RMB14.6 billion at end-September 2025



Source: The company's financial reports and Lianhe Global's calculations

#### Key Financial Data

(RMB million)	2022	2023	2024	2025.9
Total Assets	9,771	12,513	14,756	14,559
Equity	4,008	4,309	5,551	5,703
Debt	3,671	5,316	4,823	4,318
Debt / (Debt + Equity) (%)	47.8	55.2	46.5	43.1
Unrestricted cash/ST Debts (x)	0.04	0.03	0.01	0.03
Debt/EBITDA (x)	39.5	27.7	24.3	-
Revenue	556	1,040	1,254	574
Operation Profit	46	112	104	28
Gross Margin (%)	25.0	21.1	16.1	22.5
Cash from sales or services/ Revenue (%)	91.7	104.1	102.7	135.4

Source: SYIIG and Lianhe Global's calculations

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