

Yangxin Lifa Industrial Investment Co., Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 December 2025

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

Summary

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 the 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.

Rating Rationale

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.

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Applicable Criteria

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

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.

Operating Environment

Economic Condition of Yangxin County

Yangxin County is under the jurisdiction of Huangshi City, Hubei Province and located in the southeastern part of Huangshi City, bordering the Yangtze River to the northeast and Jiangxi Province to the southeast. At end-2024, Yangxin County had a total area of 2,780 square kilometers and a resident population of 0.9 million.

Yangxin County had maintained rapid economic growth in the past three years, and its GDP amount reached RMB53.7 billion in 2024, representing a year-over-year growth rate of 7.3%, which was much lower than 17.7% recorded in 2023 but remained at a relatively high level. The economy of Yangxin County was mainly boosted by the secondary and tertiary industries, which accounted for 45.4% and 38.5% of GDP in 2024, respectively. The fixed asset investment of Yangxin County maintained double-digit growth in the past three years and reached 12.5% in 2024.

Yangxin County's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	40.1	47.2	53.7
-Primary industry (%)	20.2	17.1	16.1
-Secondary industry (%)	38.7	45.7	45.4
-Tertiary industry (%)	41.1	37.2	38.5
GDP growth rate (%)	7.7	17.0	7.3
Fixed asset investment growth rate (%)	22.1	11.4	12.5
Population (million)	0.9	0.9	0.9

Source: Statistical Bureau of Yangxin County and Lianhe Global's calculations

Fiscal Condition of Yangxin County

Yangxin government's fiscal revenue is mainly derived from budgetary revenue and transfer payment from higher governments. The budgetary revenue of the Yangxin government increased steadily from RMB3.5 billion in 2022 to RMB4.4 billion in 2024, with the contribution of tax revenue to budgetary revenue remaining around 40% over the same period. The fiscal self-sufficiency rate of the Yangxin government was weak, despite the narrowing trend of its budget deficit (from 118.9% in 2022 to 110.7% in 2024). The transfer payment from higher governments fluctuated in the past three years and reached RMB4.7 billion in 2024, accounting for 40.5% of fiscal revenue.

The outstanding debt of the Yangxin government kept growing in past few years. At end-2024, the Yangxin government's outstanding debt increased to RMB14.4 billion, including general government debts of RMB5.1 billion and special debts of RMB9.3 billion. Its government debt ratio, as measured by the total government debt/aggregate revenue, surged to 124.6% at end-2024 from 79.2% at end-2022, mainly due to the large increase in special debts.

Yangxin County's Fiscal Condition (RMB billion)			
	2022	2023	2024
Budgetary revenue	3.5	4.1	4.4
Budgetary revenue growth rate (%)	80.2	16.5	7.3
Tax revenue	1.4	2.0	1.7
Tax revenue (% of budgetary revenue)	40.1	47.8	38.1
Government fund income	2.1	2.2	2.0
Transfer payment	4.6	5.3	4.7
Aggregate revenue	10.8	11.8	11.6
Budgetary expenditure	7.7	8.9	9.3
Budget balance ¹ (%)	-118.9	-115.6	-110.7
¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%			
Source: Financial Bureau of Yangxin County and Lianhe Global's calculations			

Company Profile

Ownership Structure

YLII was established in October 2017 with an initial registered capital of RMB100 million, which was wholly funded by Yangxin Urban Housing Investment Co., Ltd. ("YUHI"). In July 2024, YUHI transferred 100% equity of YLII to its parent company YUCDG, and YUCDG transferred equities of its 8 subsidiaries to YLII without compensation. YLII's registered capital and paid-in capital were both RMB100 million at end-June 2025. Currently, YLII is 100% owned by YUCDG and ultimately controlled by Yangxin FB.

Revenue Breakdown

YLII is primarily responsible for industrial park development and operation as well as water business in Yangxin County, with strong regional franchise advantages. The company also engages in engineering construction, leasing, aquaculture, property management, and other businesses. The company's total revenue reached RMB155 million, RMB177 million and RMB92 million in 2023, 2024 and the first six months of 2025, while its gross margin maintaining relatively stable at c.30% over the same period.

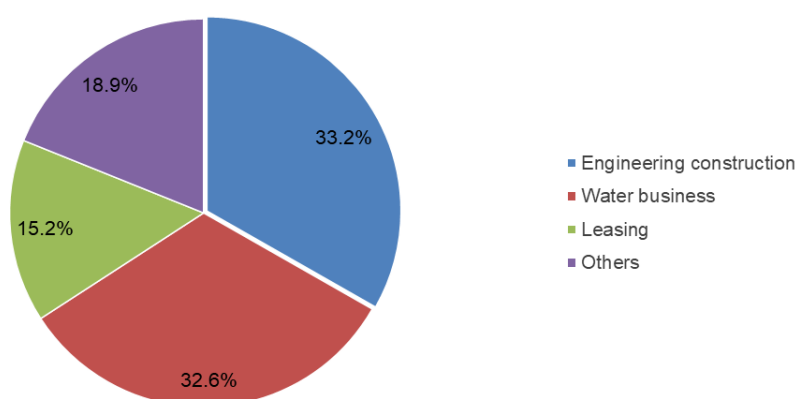
YLII undertakes infrastructure construction projects for several sub-parks within Yangxin Economic Development Zone, with a strong regional franchise advantage. The company is responsible for fundraising, construction and sales (or leasing) of these projects.

YLII's water business mainly involves water supply and supporting facility construction in urban areas and several rural towns in Yangxin County. The company currently has four water treatment plants, with its water supply capacities reaching 205 thousand tons per day in 2024.

Engineering construction business mainly involves the construction of water supply pipelines, pipe fittings, water meters, and other supporting facilities in Yangxin County. As the contractor, the company signs construction contracts with its clients (mainly real estate developers and property management companies) and carries out construction in accordance with the contracts.

The company's leasing service business mainly involves the leasing of standardized factory buildings, commercial properties, and other real estate assets, which generate a stable rental revenue with relatively high profit margin.

Total revenue: RMB92.2 million in the first half of 2025

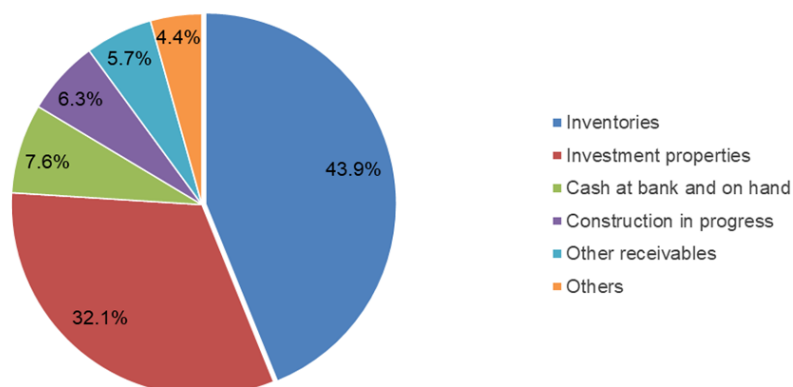


Source: The company's financial reports and Lianhe Global's calculations

Assets Breakdown

YLII's asset-side liquidity was weak. The company engineering construction activities had accumulated sizable inventories (mainly development cost and land to be developed), representing 43.9% of total asset at end-June 2025. These assets usually take a long time to monetize due to the protracted construction and payment collection period. In addition, the company also had a large amount of investment properties (mainly factory and office buildings for leasing), accounting for 32.1% of total assets at end-June 2025.

Total assets: RMB6.8 billion at end-June 2025



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

Key Financial Data

(RMB million)	2023	2024	2025.6
Total Assets	5,008	5,582	6,781
Equity	2,406	2,477	2,570
Debt	2,092	2,644	3,722
Debt / (Debt + Equity) (%)	46.5	51.6	59.2
Unrestricted cash/ST Debts (x)	0.57	0.10	0.13
Debt/EBITDA (x)	73.3	35.5	-
Revenue	155	177	92
Operation Profit	10	57	6
Gross Margin (%)	33.1	29.8	29.6
Cash from sales or services/ Revenue (%)	139.7	81.5	99.5

Source: YLII and Lianhe Global's calculations

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