

Shandong Yimeng Industrial Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer Credit Rating of Shandong Yimeng Industrial Group Co., Ltd. (“SYIG”); Issuer Rating Outlook is Stable.

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. This mainly considers its full ownership of SYIG through the Management Committee of Yihe New District (“Yihe NDMC”), the de facto local government of Yihe ND, and SYIG’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction, state-owned asset operation and industry development and investment in Yihe ND. In addition, the linkage between the Yihe NDMC and SYIG is strong, including management supervision, strategic alignment, and ongoing operational and financial support. We believe that the local government has a strong willingness to ensure the issuer’s business and financial viability in order to safeguard its reputation and local financing activities.

Linyi City is located in the southeast of Shandong Province. It is the largest and most populous prefecture-level city in Shandong Province. In 2025, Linyi’s GDP grew by 5.4% and realized budgetary revenue of RMB48.3 billion, representing a year-over-year growth rate of 3.0%.

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: The Yihe NDMC (authorized by the Linyi government) holds the full ownership of SYIG through the Yihe New District Finance Bureau (“Yihe NDFB”). The Yihe NDFB is the sole shareholder and the actual controller of the company. The local government has the final decision-making authority and supervision over the company, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the local government has formulated a performance assessment mechanism for the company and regularly appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Alignment: SYIG, as an important LIDC in the Yihe ND, is mainly responsible for infrastructure construction, state-owned asset operation and industry development and investment within the region. The company undertakes the construction and operation of industrial parks, urban renewal and other projects. The company is also engaged in land consolidation, commodity and oil sales, and cultural tourism, etc. 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 has continued to receive financial subsidies and asset/capital injections from the Linyi government, via the Yihe NDMC and the Yihe NDFB, to support its business operations. We believe the government support will remain intact

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	24 April 2026

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

given the company's strategic importance in Yihe ND. We believe government support will remain strong given the company's strategic importance to Yihe ND. From 2022 to the first nine months of 2025, SYIG received financial subsidies totaling RMB126.1 million from the local government to support its business operations. In 2024, the company received capital injections totaling RMB187.0 million.

SYIG's Financial and Liquidity Position: As the company has participated in the development of Linyi, SYIG's total assets increased from RMB18.9 billion at end-2023 to RMB19.7 billion at end-September 2025. The company has relied on both borrowings and government capital injections to fund its expansion. Its financial leverage, measured by the debt-to-capitalization ratio, has fluctuated between 17.0% and 19.0%.

In addition, SYIG's short-term debt servicing pressure was manageable. At end-September 2025, the company had RMB1.1 billion in cash, including RMB109 million of restricted cash, against RMB1.4 billion of short-term debt. Nevertheless, the company retained access to multiple funding channels, including bank loans, bond markets and other financing sources. At end-September 2025, total credit facilities were RMB3.9 billion, with RMB2.1 billion undrawn. We also expect the local government to provide timely support to SYIG if needed.

Rating Sensitivities

We would consider downgrading SYIG'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 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 local government, or (2) there is an upgrade in our internal credit assessment on the Linyi government.

Operating Environment

Economic Condition of Linyi

Linyi's GDP grew by 5.4% to RMB686.2 billion in 2025 from RMB655.6 billion in 2024, decelerating from 5.7% in 2024 and 6.3% in 2023. The GDP per capita was approximately RMB63,000 in 2025. In 2025, the local economy saw modest structural improvement, with the tertiary sector rising to 52.2% of GDP from 51.2% in 2024, while the secondary industry declined to 39.7% from 40.5% and the primary sector edged down to 8.1%. Fixed asset investment growth slowed sharply to 0.4% in 2025 from 4.3% in 2024, following a 6.5% expansion in 2023, indicating severe weakness in investment activity.

Linyi's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	627.1	655.6	686.2
-Primary industry (%)	4.1	8.3	8.1
-Secondary industry (%)	38.9	40.5	39.7
-Tertiary industry (%)	52.4	51.2	52.2
GDP growth rate (%)	6.3	5.7	5.4
Fixed asset investment growth rate (%)	6.5	4.3	0.4
Population (million)	10.9	10.9	10.9

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

Fiscal Condition of Linyi

Linyi's budgetary revenue grew by 3.0% to RMB48.3 billion in 2025, decelerating from 5.1% in 2024 and 6.1% in 2023. The tax revenue ratio declined further to 65.0% from 67.7% in 2024 and 73.8% in 2023, indicating significant deterioration in revenue quality. Government fund income, however, recovered to RMB29.2 billion in 2025 from RMB26.6 billion in 2024, representing a rebound from RMB24.5 billion in 2023.

The outstanding debt of the Linyi government increased substantially to RMB226.0 billion at end-2025 from RMB195.6 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt/aggregate revenue, expanded significantly to 179.7% from 160.7% over the same period.

Linyi's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	44.6	46.9	48.3
Budgetary revenue growth rate (%)	6.1	5.1	3.0
Tax revenue	32.9	31.7	31.4
Tax revenue (% of budgetary revenue)	73.8	67.7	65.0
Government fund income	24.5	26.6	29.2
Transfer payment	46.2	48.0	48.0
Aggregate revenue	115.4	121.7	125.7
Budgetary expenditure	92.0	97.6	101.1
Budget balance ¹ (%)	-106.4	-108.4	-109.5
Government debt ratio (%)	146.5	160.7	179.7

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

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

Company Profile

SYIG, as an important LIDC in the Yihe ND, is mainly responsible for infrastructure construction, state-owned asset operation and industry development and investment within the region. The company is also engaged in land consolidation, commodity and oil sales, and cultural tourism, etc. The primary sources of the company's operating revenue are project construction and commodities sales. SYIG recorded total revenue of RMB1,145 million, RMB801 million and RMB707 million in 2023, 2024 and the first nine months of 2025, respectively, representing a downward trend. The gross profit margin stayed at 11-17% over the same period.

SYIG's Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	19,266	18,881	18,441	19,745
Equity	12,208	12,522	12,840	12,883
Debt	3,516	2,843	2,783	2,949
Debt / (Debt + Equity) (%)	22.4	18.5	17.8	18.6
Unrestricted cash/ST Debts (x)	0.1	0.1	0.0	0.7
Debt/EBITDA (x)	11.9	20.6	23.1	-
Revenue	1,784	1,145	689	707
Operation Profit	210	75	66	51
Gross Margin (%)	5.6	11.8	17.0	13.2
Cash from sales or services/ Revenue (%)	96.1	114.2	136.3	106.2

Source: SYIG and Lianhe Global's calculations

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