

## Shandong Yihe Holding Group Co., Ltd.

**Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Shandong Yihe Holding Group Co., Ltd. (“SYHG”); Issuer Rating Outlook is Stable.**

### Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	18 May 2026

### Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Linyi City (“Linyi government”) would provide strong support to SYHG if needed. This mainly considers its full ownership of SYHG through the Management Committee of Yihe New District (“Yihe ND MC”), the de facto local government of Yihe New District (“Yihe ND”) and SYHG’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 ND MC and SYHG 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 SYHG’s business and financial viability in order to safeguard its reputation and local financing activities.

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of the Yulan USD Guaranteed Bonds issued by SYHG at the same time. A full list of affirmed issuance rating is included in this report.

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% to RMB686.2 billion 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 SYHG’s strategic importance would remain intact while the Linyi government will continue to ensure SYHG’s stable operation.

### Rating Rationale

**Government’s Ownership and Supervision:** The Yihe ND MC, the sole shareholder and the actual controller of the company, directly holds the full ownership of SYHG. 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:** SYHG, as the most important LIDC in Yihe ND, is mainly responsible for construction and operation within the region, with a strong regional franchise advantage. SYHG also engages in commodities sales, property service, leasing, 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:** SYHG 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, in order to support its business operations continuously. From 2022 to the first nine months of 2025, SYHG received financial subsidies totaling RMB773.9

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### Applicable Criteria

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

million from the local government to support its business operations. We believe the government support to SYHG to remain intact given the company's strategic importance in Yihe ND.

**SYHG's Financial and Liquidity Position:** SYHG's total assets expanded to RMB28.3 billion at end-2024 from RMB27.1 billion at end-2023, and further increased to RMB29.6 billion at end-September 2025. The company's total debt declined to RMB9.6 billion at end-2024 from RMB10.4 billion at end-2023, and rebounded to RMB11.4 billion at end-September 2025. Its financial leverage, as measured by the debt to capitalization ratio, increased to 44.9% at end-September 2025 from 41.0% at end-2024.

The short-term debt servicing pressure of SYHG was high. The company had a cash balance of RMB3.2 billion as at end-September 2025, of which RMB0.5 billion was restricted, while its debt due within one year stood at RMB4.7 billion. However, the company has access to various financing channels, including bank borrowings, bond issuances and non-traditional financing, to support its debt repayments and business operations. Its total bank credit facilities amounted to RMB5.4 billion, with RMB4.3 billion undrawn as at end-2025.

## Rating Sensitivities

We would consider downgrading SYHG'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 SYHG, or (3) there is a downgrade in our internal credit assessment on the Linyi government.

We would consider upgrading SYHG'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.

## Full List of Issuance Ratings

A full list of issuance ratings is included below. Any rating action on SYHG rating would result in a similar rating action on its bonds:

- USD55.0 million 5.99% Yulan USD Guaranteed Bonds due 2028 affirmed at 'BBB+'

## 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.

<b>Linyi's Economic Condition</b>			
<b>(RMB billion)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
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.

<b>Linyi's Fiscal Condition (RMB billion)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
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
<b>Aggregate revenue</b>	<b>115.4</b>	<b>121.7</b>	<b>125.7</b>
Budgetary expenditure	92.0	97.6	101.1
Budget balance <sup>1</sup> (%)	-106.4	-108.4	-109.5
Government debt ratio (%)	146.5	160.7	179.7

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

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

## Company Profile

SYHG was established by the Yihe ND MC in April 2011. As the most important LIDC in Yihe ND, SYHG is primarily responsible for construction and operation within the region, with strong regional franchise advantages. The company's main revenue sources include properties sales, agent construction and project construction, while it also engages in property service, leasing, etc. SYHG recorded total revenue of RMB1,610 million, RMB1,507 million and RMB786 million in 2023, 2024 and the first nine months of 2025 respectively, representing a downward trend. The gross profit margin stayed at 22-29% over the same period.

<b>SYHG's Key Financial Data (RMB million)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025.9</b>
Total Assets	21,278	27,131	28,273	29,609
Equity	11,135	13,506	13,845	14,060
Debt	8,288	10,444	9,616	11,439
Debt / (Debt + Equity) (%)	42.7	43.6	41.0	44.9
Unrestricted cash/ST Debts (x)	0.1	0.0	0.0	0.6
Debt/EBITDA (x)	8.4	13.8	12.7	-
Revenue	1,852	1,610	1,507	786
Operation Profit	205	246	191	88



Gross Margin (%)	19.5	26.8	22.9	28.9
Cash from sales or services/ Revenue (%)	70.1	78.3	131.5	163.6
<i>Source: SYHG and Lianhe Global's calculations</i>				

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