Yancheng Haiying Industrial Development Group Co., Ltd.

Summary	
Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	6 November 2026

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'A' global scale Long-term Issuer Credit Rating of Yancheng Haiying Industrial Development Group Co., Ltd. ("YCHY"); Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Yancheng City ("Yancheng government") would provide very strong support to YCHY if needed. This mainly considers the Yancheng government's direct full ownership of YCHY, YCHY's strategic importance as a major local investment and development company ("LIDC") responsible for infrastructure construction, state-owned asset investment and industry operation in Yancheng, and the strong linkage between the Yancheng government and YCHY, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe the Yancheng government has a very strong willingness to ensure YCHY's business and financial viability in order to safeguard its reputation and local financing activities.

Yancheng is a prefecture-level city of Jiangsu Province. In 2025, Yancheng's GDP grew by 5.4% to RMB804.5 billion and its budgetary revenue reached RMB51.6 billion.

The Stable Outlook reflects our expectation that YCHY's strategic importance would remain intact while the Yancheng government will continue to ensure YCHY's stable operation.

Rating Rationale

Government's Ownership and Supervision: The Yancheng government is the sole shareholder of YCHY by holding 100% shares directly, and serves as the company's actual controller. The Yancheng government has the final decision-making authority and strong supervision over the company, including the appointment of senior management, decisions on its development strategy and major investment and financing plans. In addition, the Yancheng government formulates assessment mechanism over the company and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: YCHY is an important LIDC that is responsible for infrastructure construction, stated-owned asset investment and industry operation. The company mainly undertakes infrastructure construction, asset leasing, engineering construction, industrial equipment processing, etc. The company plays a crucial role in promoting economic and social development for the region, especially in eastern, central, and northern districts of Yancheng. YHCY's business operation and strategic planning have been aligned with the Yancheng government's economic and social development plans.

Ongoing Government Support: YCHY continues to receive ongoing support from the Yancheng government, which includes operational subsidies and capital injections, asset and equity transfers. YCHY received operational support of RMB625 million in 2025. Given YCHY's strategic importance in Yancheng, we believe that the support from the Yancheng government remains intact.

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Applicable Criteria

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

YCHY's Financial Matrix and Liquidity Position: YCHY's asset size continued to increase to RMB78.8 billion and RMB85.0 billion at end-2025 and end-June 2026, respectively, compared with RMB74.7 billion at end-2024, given its active participation in Yancheng's infrastructure development and the support from the Yancheng government. On the other hand, its total debts also increased to RMB42.8 billion and RMB47.7 billion at end-2025 and end-June 2026, respectively, compared with RMB39.3 billion at end-2024. The company's financial leverage, as measured by the debt to capitalization ratio, increased to 57.6% and 59.4% at end-2025 and end-June 2026, respectively, compared with 55.7% at end-2024.

YCHY's liquidity was weak. At end-June 2026, the company had a total cash balance of RMB5.5 billion (including restricted cash of RMB3.3 billion), compared with its debt due within one year of RMB17.2 billion. Nevertheless, YCHY has access to various financing channels, including bank loans, bond issuances, and other financing options to support its debt repayments and business operations. At end-March 2026, the company had unused credit facilities of RMB10.9 billion.

Contingent Liability Risk: At end-2025, the company provided financial guarantees of RMB15.3 billion to third parties, accounting for 48.5% of its net assets. Having said that, these guarantees were primarily provided to other LIDCs and state-owned entities within Yancheng.

Rating Sensitivities

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

We would consider upgrading YCHY's rating if there is an upgrade in our internal credit assessment on the Yancheng government.

Operating Environment

Economic Condition of Yancheng

Yancheng is a prefecture-level city of Jiangsu Province. Located in the northeast of Jiangsu Province and east of the Yellow Sea, Yancheng has a land area of 16,931 square kilometers, making it the largest prefectural city in Jiangsu Province. Yancheng administers 3 districts, 5 counties and 1 county-level city.

Yancheng's GDP increased to RMB804.5 billion in 2025 from RMB777.9 billion in 2024, while GDP growth moderated to 5.4% from 5.5% in 2024 and 5.9% in 2023. The economic structure continued to shift towards services, with the tertiary sector accounting for 51.6% of GDP in 2025, up from 50.4% in 2024, while the secondary industry share declined to 37.6% from 38.7% and the primary industry share remained at 10.9%. Fixed asset investment fell sharply by 15.0% in 2025, compared with a modest 0.3% growth in 2024.

Yancheng's GDP Economic Condition

(RMB billion)	2023	2024	2025
GDP	743.3	777.9	804.5
-Primary industry (%)	11.1	10.9	10.9
-Secondary industry (%)	40.3	38.7	37.6
-Tertiary industry (%)	48.7	50.4	51.6
GDP growth rate (%)	5.9	5.5	5.4
Fixed asset investment growth rate (%)	9.2	0.3	-15.0

Population (million)	6.7	6.7	6.6

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

Fiscal Condition of Yancheng

The budgetary revenue of the Yancheng government increased to RMB51.6 billion in 2025 from RMB49.6 billion in 2024, with growth accelerating to 3.9% from 2.8%. Tax revenue rose to RMB34.7 billion from RMB33.5 billion, although its contribution to budgetary revenue fell slightly to 67.3% from 67.6%. Government fund income declined to RMB42.6 billion in 2025 from RMB73.1 billion in 2024. As a result, aggregate revenue declined to RMB138.8 billion in 2025 from RMB168.4 billion in 2024. The fiscal self-sufficiency rate of the Yancheng government remained weak, although its budget deficit decreased to 113.1% in 2025 from 129.2% in 2024.

The outstanding debt of the Yancheng government kept growing in past few years. At end-2025, the Yancheng government's outstanding debt increased to RMB214.5 billion from RMB203.4 billion at end-2024, 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, surged from 116.5% at end-2024 to 150.7% at end-2025.

Yancheng's Fiscal Condition

(RMB billion)	2023	2024	2025
Budgetary revenue	48.3	49.6	51.6
Budgetary revenue growth rate (%)	6.5	2.8	3.9
Tax revenue	34.1	33.5	34.7
Tax revenue (% of budgetary revenue)	70.7	67.6	67.3
Government fund income	81.0	73.1	42.6
Transfer payment	46.0	42.8	42.0
Aggregate revenue	178.4	168.4	138.8
Budgetary expenditure	122.8	113.7	109.9
Budget balance[1] (%)	-154.4	-129.2	-113.1
Government debt ratio (%)	92.8	116.5	150.7

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

Source: Financial Bureau of Yancheng, statistical bureau of Yancheng and Lianhe Global's calculations

Company Profile

YCHY was established in 2012 with initial registered capital of RMB10 million. Following an array of capital injections, YCHY's both registered and paid-in capital reached RMB3 billion at end-June 2026. The Yancheng government is both the sole shareholder and the actual controller of YCHY.

YCHY is an important LIDC that is responsible for infrastructure construction, stated-owned asset investment and industry operation. It mainly undertakes infrastructure construction, asset leasing, engineering construction, industrial equipment processing, etc. It plays a crucial role in promoting economic and social development for the region, especially in eastern, central, and northern districts of Yancheng. YCHY achieved a total revenue of RMB2.6 billion in 2025, with a gross margin of 34.4%.

Key Financial Data (RMB million)	2023	2024	2025	2026.6
Total Assets	61,519	74,698	78,789	85,024
Equity	22,822	31,228	31,480	32,531
Debt	33,566	39,344	42,750	47,694
Debt / (Debt + Equity) (%)	59.5	55.7	57.6	59.4
Unrestricted cash/ST Debts (x)	0.1	0.0	0.0	0.1
Debt/EBITDA (x)	35.4	41.1	32.6	-
Revenue	2,406	2,538	2,590	1,193
Gross Margin (%)	23.0	27.2	34.4	37.5
Cash from sales or services/ Revenue (%)	60.2	67.4	84.3	45.2

Source: YCHY and Lianhe Global's calculations

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