



CCXAP assigns first-time BBB_g to Yancheng City Urban Assets Operation Co., Ltd., with stable outlook

Hong Kong, 4 December 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g to Yancheng City Urban Assets Operation Co., Ltd. (“YCUAO” or the “Company”). The rating outlook is stable.

Rating Rationale

The BBB_g long-term credit rating of YCUAO is underpinned by the Company’s (1) good track record of receiving support from the Yancheng Municipal Government; (2) vital role in infrastructure construction and primary land consolidation in Yancheng City; (3) growing importance in public services; and (4) increase in revenue and operating profits.

However, the rating is also constrained by the Company’s (1) large capital expenditure pressure due to long cash collection period and sizeable projects in the pipeline; and (2) modest financial profile and weak liquidity position.

Rating Outlook

The stable outlook on YCUAO’s rating reflects our expectation that the Yancheng Municipal Government will continue to provide business and financial support to the Company. We also expect that the Company will have a sustainable business profile as supported by its vital role of urban construction and operation.

What could upgrade the rating?

The rating could be upgraded if (1) YCUAO demonstrates a stronger role in Yancheng City, with an increasing likelihood of support for the Company; and (2) the Company’s stand-alone credit profile improves significantly, such as improvement in asset quality and reduction in debt leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal performance of Yancheng City deteriorates; (2) the likelihood of government support for the Company decreases; or (3) the Company’s stand-alone credit profile weakens significantly, such as deteriorated business or financial performance.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

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