

## **CCXAP affirms Yancheng Oriental Investment & Development Group Co., Ltd.'s long-term credit rating of BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 31 July 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Yancheng Oriental Investment & Development Group Co., Ltd.’s (“YOID” or the “Company”) long-term credit rating of BBB<sub>g</sub>, with stable outlook; At the same time, CCXAP has affirmed YOID’s BBB<sub>g</sub> senior unsecured debt rating.

The BBB<sub>g</sub> long-term credit rating of YOID reflects the Yancheng Municipal Government’s very strong capacity to provide support and high willingness to support based on our assessment of the Company’s characteristics. Our assessment of the Yancheng Municipal Government’s capacity to support reflects Yancheng City’s growing economic and fiscal strengths as well as sustainable industrial development. Yancheng Economic and Technological Development Zone (“ETDZ”) is a national ETDZ in Yancheng City that mainly develops automobile, electronic information, and new energy equipment industries.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) full ownership by the Yancheng Municipal Government; (2) strategic role in Yancheng City, particularly in the ETDZ; and (3) solid track record of receiving ongoing government payments. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt level and moderate asset liquidity; and (3) high contingent liability risk associated with its large external guarantee.

### **Corporate Profile**

Established in 2003, YOID is one of the major LIIFCs for the Yancheng Municipal Government. It is directly and wholly owned by the Yancheng Municipal Government. YOID is mainly responsible for infrastructure construction, and sales and construction of resettlement houses in the Yancheng ETDZ. The Company is also engaged in leasing and property management, equity investment, trading, and financial services businesses such as finance leasing and guarantee loans. It reported total assets of RMB67.2 billion as of 31 December 2022.

### **Rating Rationale**

#### **Credit Strengths**

**Strategic role in Yancheng City, particularly in the Yancheng ETDZ.** YOID is one of the key LIIFCs in Yancheng City and the largest LIIFC in the Yancheng ETDZ in terms of total assets. The Company is responsible for the development and construction of 70 square kilometers in the main urban area of the Zone. YOID is important to the economic and social development of the Yancheng ETDZ and Yancheng City. Given its strategic role, we believe the government support is very likely when needed.

**Undertaking important public activities in the Yancheng ETDZ.** For Infrastructure construction projects, YOID has successfully delivered a series of large-scale municipal and urban infrastructure projects over the past few years, including roads, schools, greening

projects, and other public facilities in the Yancheng ETDZ. It also engages in local resettlement housing construction projects, which are sold to relocated households at regulated prices.

**Solid track record of receiving ongoing government payments.** YOID has received ongoing support from the Yancheng Municipal Government including asset, capital injection and financial subsidies. Since its establishment, the Company has received capital injections from the local government, including cash injection, and land and property transfer. The Company's capital has increased from RMB150 million to RMB9.5 billion as of 31 March 2023.

### Credit Challenges

**Medium exposure to commercial activities.** YOID also diversified into other commercial activities such as leasing and property management, equity and fund investment, and trading business. The Company has medium exposure to commercial activities, based on our estimation. Most of its commercial activities are self-sustaining while have a certain degree of market uncertainty and market competition.

**Increasing debt level and moderate asset liquidity.** YOID has high debt growth owing to its debt-driven business expansion over the past years. As of end-2022, the Company's total debt (including perpetual bonds) increased to RMB39.5 billion from RMB35.0 billion as of end-2021. Besides, YOID's asset liquidity was moderate. As of end-2022, the Company's pledged number of assets for loans, including cash, inventories, and investment properties, accounting for 58.1% of net assets.

**High contingent liability risk associated with its large external guarantee.** The Company's credit profile is undermined by its large number of external guarantees. As of end-2022, after excluding the exposure to its guarantee business, the Company still had an external guarantee of RMB15.8 billion, all of which were provided to state-owned companies in Yancheng City, accounting for around 64% of its net assets. The related contingent risk exposure is still one of the key credit concerns to YOID's credit profile.

### Rating Outlook

The stable outlook on YOID's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in the economic and social development of Yancheng ETDZ.

#### What could upgrade the rating?

The rating could be upgraded if (1) the Yancheng Municipal Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improved debt management and reduced exposure to external guarantees.

#### What could downgrade the rating?



The rating could be downgraded if (1) the Yancheng Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced regional significance or material increase in the exposure to commercial activities.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

### **Regulatory Disclosures**

CCXAP's Rating Symbols and Definitions are available on its website at:  
[http://www.ccxap.com/en/rating\\_services/category/6/](http://www.ccxap.com/en/rating_services/category/6/)

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:  
[http://www.ccxap.com/en/rating\\_services/category/9/](http://www.ccxap.com/en/rating_services/category/9/)

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Kelly Liang  
*Credit Analyst*  
+852-2860 7127  
[george\\_wang@ccxap.com](mailto:george_wang@ccxap.com)

Elle Hu  
*Executive Director of Credit Ratings*  
+852-2860 7120  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

Client Services: +852-2860 7111



Copyright © 2023 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656