

## **CCXAP affirms Yancheng High-tech Zone Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g-</sub>, with stable outlook**

Hong Kong, 23 July 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Yancheng High-tech Zone Investment Group Co., Ltd. ("YHZIG" or the "Company") at BBB<sub>g-</sub>, with stable outlook.

### **Corporate Profile**

Established in 2009, YHZIG is one of the major investment and financing platforms for the Municipal Government of Yancheng City. It is directly and wholly owned by the Yancheng Municipal State-owned Assets Supervision and Administration Commission ("Yancheng SASAC"). YHZIG is primarily engaged in infrastructure construction, primary land development, and property leasing and management businesses. The Company also conducts other businesses including greening and utility services, material trading and provision of guarantees.

### **Rating Rationale**

The BBB<sub>g-</sub> long-term credit rating of YHZIG is underpinned by the Company's (1) monopoly position in the Yancheng High-tech Zone, particularly in regional infrastructure construction and primary land development projects; and (2) diversified business profile that provides stable income sources.

However, the rating is constrained by the Company's (1) large capital expenditure pressure arising from extensive pipeline projects; (2) lengthy project settlement and cash collection periods; and (3) high debt leverage with large external guarantees.

We believe YHZIG has a high likelihood of receiving strong support from the Yancheng Municipal Government in times of need. Our expectation is based on the Company's (1) strong strategic position; and (2) solid track record of receiving government support.

### **Rating Outlook**

The stable outlook on YHZIG's rating reflects our expectation that the Company will maintain its important role for the Yancheng High-tech Zone and will be able to obtain solid financial and business support from the local government over the next 12 to 18 months.

### **What could upgrade the rating?**

The rating could be upgraded if (1) the economic and fiscal performance of Yancheng City improves notably; (2) the likelihood of receiving government support increases; and (3) the Company's stand-alone credit profile, such as profitability and asset quality, improves on a sustained basis.

### **What could downgrade the rating?**

The rating could be downgraded if (1) the economic and fiscal performance of Yancheng City weakens; (2) the likelihood of receiving government support decreases; or (3) the Company's stand-alone credit profile deteriorates significantly, such as heightened debt leverage or weakened financing capability.

### **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:

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